CAPTION SHEET — CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00
2. BUREAU: LAW
3. SECTION(S):
4. PUBLIC MEETING DATE: 00/00/00
5. APPROVED BY:
   DIRECTOR:
   SUPERVISOR:
6. PERSON IN CHARGE:
7. DATE FILED: 08/03/94
8. DOCKET NO: A-00107087F3000
9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: INDEPENDENT FREIGHTWAY, INC.

COMP/APP COUNTY:

UTILITY CODE: 774510

ALLEGATION OR SUBJECT

APPLICATION OF INDEPENDENT FREIGHTWAY, INC. FOR AUTHORITY AS A SELF-INSURER.

DOCUMENT FOLDER

DOCKETED
AUG 3 1994

ORIGINAL

CALDWELL & KEARNS

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

3631 NORTH FRONT STREET
HARRISBURG, PENNSYLVANIA 17110-1533

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JAMES G. NEALON, III
MATTHEW R. GOVER
DEBORAH A. CAVACINI
TIMOTHY W. ROMBERGER

July 19, 1994

RECEIVED
94 JUL 19 AM 10:48
PA. P.U.C.
INFO. CONTROL DIV.

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Application of Independent Freightway, Inc. and Ranger Transportation, Inc. for Authority to Self-Insurer
A-00107087, A-00110387

A-00107087F3000 - INDEPENDENT FREIGHTWAY INC
A-00110387F3000 - RANGER TRANSPORTATION INC

Dear Secretary Alford:

Please find enclosed herewith the subject application of two affiliated carriers, filed pursuant to 52 Pa.Code §32.15.

Thank you for your consideration in bringing this matter before the Commission.

Sincerely,

J D Campbell

James D. Campbell, Jr.
CALDWELL & KEARNS

JDCJr/njd

Enclosure

cc: Jeremy Kahn

7/25/94-sent cover ltr only to K.House for advice as to WHICH code to use, since there're TWO applicants, etc.
@8/2/94 -K.House advises to ph Atty Campbell for an additional copy of application
8/3/94-ph'd Atty Campbell for additional copy application; he will forward same to us
8/3/94-extra copy application rec'd, as requested

RECEIVED
JUL 25 1994
PA P.U.C.
LAW BUREAU

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103

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

Consolidated Financial Statements and Consolidating Information

March 26, 1994

(Unaudited)

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

	March 26, 1994	December 25, 1993
Assets		
Current assets:		
Cash	$ 12,554	$ 15,120
Trade accounts receivable, less allowance of $4,263 and $3,150	101,487	93,084
Other receivables, including advances to independent contractors, less allowance of $2,887 and $2,169	10,495	9,675
Inventories	1,204	1,316
Prepaid expenses and other current assets	6,189	5,243
Total current assets	131,929	124,438
Operating property, less accumulated depreciation and amortization of $28,932 and $27,589	59,579	57,258
Goodwill, less accumulated amortization of $3,022 and $2,798	33,166	33,390
Deferred income taxes and other assets	4,227	4,326
Total assets	$ 228,901	$ 219,412
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Cash overdraft	$ 7,187	$ 5,599
Accounts payable	24,860	22,007
Current maturities of long–term debt	12,634	11,628
Estimated insurance claims	18,010	16,468
Accrued compensation	4,104	6,829
Other current liabilities	23,589	24,832
Total current liabilities	90,384	87,363
Long–term debt, excluding current maturities	38,609	36,446
Estimated insurance claims	15,302	14,259
Other liabilities	536	590
Common shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,871,674 shares	129	129
Additional paid–in capital	61,504	61,504
Retained earnings	22,677	19,361
Cost of 24,041 shares of common stock in treasury	(240)	(240)
Total common shareholders' equity	84,070	80,754
Total liabilities and common shareholders' equity	$ 228,901	$ 219,412

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended	
	March 26, 1994	March 27, 1993
Revenue	$ 207,171	$ 171,121
Costs and expenses:		
Purchased transportation	134,992	108,469
Drivers' wages and benefits	9,135	9,105
Fuel and other operating costs	13,415	13,933
Insurance and claims	8,593	7,651
Commissions to agents and brokers	12,481	9,729
Selling, general and administrative	18,552	15,490
Management fee		1,275
Depreciation and amortization	3,352	3,093
Total costs and expenses	200,520	168,745
Operating income	6,651	2,376
Interest and debt expense	912	2,275
Income before income taxes	5,739	101
Income taxes	2,423	47
Income before extraordinary loss	3,316	54
Extraordinary loss		(1,830)
Net income (loss)	$ 3,316	$ (1,776)
Earnings (loss) per share:		
Income before extraordinary loss	$ 0.26	$ 0.01
Extraordinary loss		(0.18)
Net income (loss)	$ 0.26	$ (0.17)
Average number of common shares and common stock equivalents outstanding	12,848,000	10,230,000

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended March 26, 1994	Thirteen Weeks Ended March 27, 1993
OPERATING ACTIVITIES		
Net income (loss)	$ 3,316	$ (1,776)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Extraordinary loss		1,830
Depreciation and amortization of operating property	3,128	2,869
Amortization of goodwill	224	224
Other amortization	111	176
Provisions for losses on trade and other accounts receivable	1,744	986
Gains on sales of operating property	(10)	(172)
Deferred income taxes, net	52	(3)
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(10,967)	(2,918)
Decrease (increase) in inventories, prepaid expenses and other assets	(847)	112
Decrease in accounts payable and other liablities	(1,169)	(10,360)
Increase in estimated insurance claims	2,534	2,108
NET CASH USED BY OPERATING ACTIVITIES	(1,884)	(6,924)
INVESTING ACTIVITIES		
Purchases of operating property	(929)	(514)
Proceeds from sales of operating property	525	497
NET CASH USED BY INVESTING ACTIVITIES	(404)	(17)
FINANCING ACTIVITIES		
Proceeds from sales of common stock and exercise of warrants, net of issuance costs		28,480
Borrowings under new term loan, net of debt issuance costs		18,800
Borrowings under revolving credit facility		6,500
Increase (decrease) in cash overdraft	1,588	(158)
Retirement of debt and principal payments on borrowings under revolving credit facility, long-term debt and capital lease obligations	(1,866)	(21,044)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(278)	32,578
Increase (decrease) in cash	(2,566)	25,637
Cash at beginning of period	15,120	12,335
Cash at end of period	$ 12,554	$ 37,972

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN COMMON SHAREHOLDERS' EQUITY
Thirteen Weeks Ended March 26, 1994
(Dollars in thousands)
(Unaudited)

	Common Stock		Additional Paid-In	Retained	Treasury Stock at Cost		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance December 25, 1993	12,871,674	$ 129	$ 61,504	$ 19,361	24,041	$ (240)	$ 80,754
Net income				3,316			3,316
Balance March 26, 1994	12,871,674	$ 129	$ 61,504	$ 22,677	24,041	$ (240)	$ 84,070

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

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc., and reflect all adjustments (all of a normal, recurring nature) which are, in the opinion of management, necessary to a fair statement of the results for the periods presented. Landstar System, Inc. and its subsidiary are herein referred to as "Landstar".

(1) Management Fee

The management fee for the 1993 period included one-time charges in the amounts of $1,000,000 and $200,000 for the termination of the consulting and management services agreements with Kelso & Company, Inc. and Alex. Brown & Sons Incorporated, respectively. After deducting related income tax benefits of $504,000, these charges reduced earnings per share by $.07 per share.

(2) Income Taxes

The provisions for income taxes for the 1994 and 1993 periods were based on estimated combined full year effective income tax rates of approximately 42% and 47%, respectively, both of which were higher than the statutory federal income tax rate, primarily as a result of state income taxes, amortization of goodwill and the meals and entertainment exclusion.

(3) Earnings Per Share

The 1994 earnings per share amount was based on the weighted average number of common shares outstanding.

The 1993 earnings per share amounts were based on the weighted average number of common shares and warrants outstanding and assumes the 84,444 warrants issued March 1, 1993 were outstanding during the entire 1993 period.

(4) Initial Public Offering and Recapitalization

On March 12, 1993, Landstar completed its Initial Public Offering (IPO) by selling 2,500,000 common shares at an initial price to the public of $13 per share and received proceeds, net of underwriting discounts and commissions and issuance costs, in the amount of $28,450,000. In addition, all of the 1,069,640 outstanding Landstar warrants, with a carrying value of $3,785,000, were exercised at $.028075 per share, or $30,000.

On March 12, 1993, Landstar also entered into a new credit facility with a syndicate of banks and Chemical Bank, as agent (the "New Credit Agreement"). The New Credit Agreement provides $80,000,000 of financing consisting of a $20,000,000 term loan (the "New Term Loan") and $60,000,000 of revolving credit (the "Revolving Credit Facility"). $40,000,000 of the total borrowing capacity under the Revolving Credit Facility may be utilized in the form of letter of credit guarantees. The remaining New Term Loan is repayable in nine equal semi-annual installments through March 31, 1998. The Revolving Credit Facility expires March 12, 1998.

The net proceeds of $28,450,000 received from the IPO, $30,000 received from the exercise of the warrants, $18,800,000 in net proceeds from the New Term Loan and short-term borrowings under the Revolving Credit Facility were used to repay $15,229,000 of outstanding borrowings under a prior credit agreement and redeem or purchase all of Landstar's outstanding $38,000,000 principal amount 14% senior subordinated notes ("14% Notes"). $35,000,000 principal amount of the 14% Notes were redeemed on April 12, 1993.

(5) **Extraordinary Loss**

The extraordinary loss of $1,830,000, or $.18 per share, in the 1993 period represented the after tax loss on the early extinguishment of the 14% Notes.

(6) **Supplementary Earnings Per Share**

If the IPO and the redemption and purchase of the 14% Notes had taken place at the beginning of the 1993 period, net income for the 1993 period would have been $834,000, or $.07 per share, and the weighted average number of common shares and common stock equivalents outstanding would have been 12,291,000.

(7) **Additional Cash Flow Information**

During the 1994 period, Landstar paid income taxes and interest of $670,000 and $903,000, respectively, and acquired operating property by entering into capital leases in the amount of $5,035,000. During the 1993 period, Landstar paid income taxes and interest of $137,000 and $1,021,000, respectively, and acquired operating property by entering into capital leases in the amount of $9,572,000.

(8) **Commitments and Contingencies**

At March 26, 1994, Landstar had commitments for letters of credit outstanding in the amount of $31,066,000, primarily as collateral for estimated insurance claims.

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition of Landstar.

Schedule I

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION
MARCH 26, 1994
(Dollars in thousands)
(Unaudited)

	Landstar	LSHI	RMCS	LTSI	LCSI	Ranger	Gemini	Irway	Ligon	Poole	Adjustments Eliminations	Total
Assets												
Current assets:												
Cash		$ 12,249			$ 63	$ 242						$ 12,554
Trade accounts receivable, less allowance						41,467	$ 5,577	$ 26,450	$ 15,013	$ 12,980		101,487
Other receivables, including advances to independent contractors, net		386	$ 332			4,706	633	2,565	1,105	768		10,495
Inter-company receivables	$ 3,779				1,331	32,919	6,506	24,244	22,044	31,078	$ (121,901)	
Inventories									112	1,092		1,204
Prepaid expenses and other current assets		1,328	518			531	136	433	1,646	1,597		6,189
Total current assets	3,779	13,963	850		1,394	79,865	12,852	53,692	39,920	47,515	(121,901)	131,929
Investment in subsidiaries	80,476	195,196									(275,672)	
Operating property, net		198	23			10,085	48	5,706	4,703	38,816		59,579
Goodwill			144			4,752		3,197	5,894	19,179		33,166
Deferred income taxes and other assets		3,601				80		220		326		4,227
Total assets	$ 84,255	$ 212,958	$ 1,017		$ 1,394	$ 94,782	$ 12,900	$ 62,815	$ 50,517	$ 105,836	$ (397,573)	$ 228,901
Liabilities and Common Shareholders' Equity												
Current liabilities:												
Cash overdraft		$ 894	$ 154			$ 3,591	$ 36	$ 660	$ 1,168	$ 684		$ 7,187
Accounts payable		475	12			13,458	119	5,078	3,861	1,857		24,860
Current maturities of long-term debt		4,000				1,243		799	535	6,057		12,634
Estimated insurance claims			574			5,526	736	2,627	2,481	6,066		18,010
Accrued compensation		716				684	106	630	575	1,393		4,104
Inter-company payables		117,400	1,986	$ 106		755	15	922	710	7	$ (121,901)	
Other current liabilities	$ 185	5,207	1,567		$ 6	6,412	1,119	5,410	1,248	2,435		23,589
Total current liabilities	185	128,692	4,293	106	6	31,669	2,131	16,126	10,578	18,499	(121,901)	90,384
Long-term debt, excluding current maturities		14,000				2,837		2,570	1,746	17,456		38,609
Inter-company long-term debt					(84,000)	18,213	6,120	12,023	15,564	32,080		
Estimated insurance claims			547			4,034	431	2,221	2,162	5,907		15,302
Other liabilities								220	59	257		536
Common shareholders' equity:												
Common stock	129	3	1			1	1	1	1	1	(9)	129
Additional paid-in capital	61,504	61,290	109		84,000	20,519	6,757	13,387	17,327	51,228	(254,617)	61,504
Retained earnings	22,677	9,060	(3,933)	(106)	1,388	17,509	(2,540)	16,267	3,080	(19,592)	(21,133)	22,677
Treasury stock	(240)	(87)									87	(240)
Total common shareholders' equity	84,070	70,266	(3,823)	(106)	85,388	38,029	4,218	29,655	20,408	31,637	(275,672)	84,070
Total liabilities and common shareholders' equity	$ 84,255	$ 212,958	$ 1,017	$ 0	$ 1,394	$ 94,782	$ 12,900	$ 62,815	$ 50,517	$ 105,836	$ (397,573)	$ 228,901

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF INCOME INFORMATION
FOR THE THIRTEEN WEEK PERIOD ENDED MARCH 26, 1994
(Dollars in thousands)
(Unaudited)

	Landstar	LSHI	RMCS	LTSI	LCSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustment Eliminations	Total
Revenue:												
Transportation revenue				$ 3,814		$ 76,713	$ 9,070	$ 54,526	$ 31,105	$ 31,943		$ 207,171
Revenue from affiliates						5,315	21	3,081	2,440	545	$ (11,402)	
				3,814		82,028	9,091	57,607	33,545	32,488	(11,402)	207,171
Costs and expenses:												
Purchased transportation				3,814		63,235	6,596	44,010	25,594	3,145	(11,402)	134,992
Drivers' wages and benefits										9,135		9,135
Fuel and other operating costs						194	133	1,021	(154)	12,221		13,415
Insurance and claims		$ 157	$ 13			2,497	282	1,885	1,116	2,643		8,593
Commissions to agents and brokers						5,356	1,010	3,706	2,320	89		12,481
Selling, general and administrative	$ 33	2,154	222			5,450	856	4,529	2,723	2,585		18,552
Management fee	(33)	(1,938)	(518)			897	111	644	393	444		
Depreciation and amortization		18	3			655	3	317	327	2,029		3,352
Total costs and expenses	0	391	(280)	3,814		78,284	8,991	56,112	32,319	32,291	(11,402)	200,520
Operating income (loss)		(391)	280	0		3,744	100	1,495	1,226	197	0	6,651
Interest and debt expense		197	28		(1,864)	517	140	354	401	1,139		912
Income (loss) before income taxes		(588)	252	0	1,864	3,227	(40)	1,141	825	(942)		5,739
Income taxes (benefit)	14	(159)	(2)	1	476	813	50	732	377	121		2,423
Equity in earnings of subsidiaries	3,330	3,759									(7,089)	
Net income (loss)	$ 3,316	$ 3,330	$ 254	$ (1)	$ 1,388	$ 2,414	$ (90)	$ 409	$ 448	$ (1,063)	$ (7,089)	$ 3,316

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION
FOR THE THIRTEEN WEEK PERIOD ENDED MARCH 26, 1994
(Dollars in thousands)
(Unaudited)

	Landstar	LSHI	RMCS	LTSI	LCSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
OPERATING ACTIVITIES												
Net income(loss)	$ 3,316	$ 3,330	$ 254	$ (1)	$ 1,388	$ 2,414	$ (90)	$ 409	$ 448	$ (1,063)	$ (7,089)	$ 3,316
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:												
Equity in undistributed earnings of subsidiaries	(3,330)	(3,759)									7,089	0
Depreciation and amortization of operating property		18	2			623	3	296	287	1,899		3,128
Amortization of goodwill			1			32		21	40	130		224
Other amortization		60	28			6	4	5	3	5		111
Provision for losses on trade and other accounts receivable						973	97	446	121	107		1,744
Loss (gain) on sales of operating property						(6)		1	(2)	(3)		(10)
Deferred income taxes (benefit), net		(20)	64			(105)	(86)	14	58	127		52
Changes in operating assets and liabilities:												
Decrease (increase) in trade and other accounts receivable		222	28			(9,327)	(582)	432	(1,704)	(36)		(10,967)
Decrease (increase) in inventories, prepaid expenses and other assets		(725)	(53)			245	94	414	(1,216)	394		(847)
Increase (decrease) in accounts payable and other liabilities	(31)	75	466		6	1,416	178	(2,397)	(384)	(498)		(1,169)
Increase in estimated insurance claims			50			291	38	739	577	839		2,534
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(45)	(799)	840	(1)	1,394	(3,438)	(344)	380	(1,772)	1,901	0	(1,884)
INVESTING ACTIVITIES												
Purchases of operating property			(10)			(443)	(3)	(187)	(105)	(181)		(929)
Proceeds from sales of operating property						46		7	9	463		525
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			(10)			(397)	(3)	(180)	(96)	282		(404)
FINANCING ACTIVITIES												
Increase (decrease) in cash overdraft		448	(138)			1,232	(24)	(438)	536	(28)		1,588
Principal payments on borrowings under revolving credit facility, long-term debt and capital lease obligations						(293)		(167)	(127)	(1,279)		(1,866)
Increase (decrease) of inter-company account	45	(2,138)	(1,015)	1	(1,331)	3,079	371	405	1,459	(876)		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	45	(1,690)	(1,153)	1	(1,331)	4,018	347	(200)	1,868	(2,183)		(278)
Increase (decrease) in cash	0	(2,489)	(323)	0	63	183	0	0	0	0	0	(2,566)
Cash at beginning of period	0	14,738	323	0	0	59	0	0	0	0	0	15,120
Cash at end of period	$ 0	$ 12,249	$ 0	$ 0	$ 63	$ 242	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,554

BEFORE THE

INTERSTATE COMMERCE COMMISSION

IN THE MATTER OF

THE APPLICATION OF

POOLE TRUCK LINE, INC.,[1] et al.
DOCKET MC-115162

FOR AUTHORITY TO SELF-INSURE

Jeremy Kahn, Esq.
Kahn and Kahn
1726 M Street, N.W.
Suite 702
Washington, D.C. 20036

Counsel for Applicants

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1 This application also includes the request by motor carrier affiliates Independent Freightway, Inc., MC-161864; Ranger Transportation, Inc., MC-166960; Ligon Nationwide, Inc., MC-167225; and Gemini Transportation Services, Inc., MC-177505.

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BEFORE THE

INTERSTATE COMMERCE COMMISSION

IN THE MATTER OF

THE APPLICATION OF

POOLE TRUCK LINE, INC.
DOCKET MC-115162

INDEPENDENT FREIGHTWAY, INC.
DOCKET MC-161864

RANGER TRANSPORTATION, INC.
DOCKET MC-166960

LIGON NATIONWIDE, INC.
DOCKET MC-167225

and

GEMINI TRANSPORTATION SERVICES, INC.
DOCKET MC-177505

FOR AUTHORITY TO SELF-INSURE

Come now, POOLE TRUCK LINE, INC., ("Poole"), Evergreen, Alabama; INDEPENDENT FREIGHTWAY, INC., d/b/a/ INWAY, ("Inway"), Rockford, Illinois; RANGER TRANSPORTATION, INC., ("Ranger"), Jacksonville, Florida; LIGON NATIONWIDE, INC., ("Ligon"), Madisonville, Kentucky; and GEMINI TRANSPORTATION SERVICES, INC., ("Gemini"), Jacksonville, Florida, five motor carriers of property under common control by LANDSTAR SYSTEM, INC., ("Landstar"), Shelton, Connecticut, by their Counsel, and respectfully submit this, their application before the Interstate Commerce Commission ("ICC" or "Commission") pursuant to 49 U.S.C. §10927 for authority to self-insure for their Bodily Injury and Property Damage ("BI & PD") and Cargo insurance coverage, as more fully described in the application. [1]

Since the five applicant carriers are under common control, infra, this presentation consists of an appropriately completed and executed B.M.C. 40 Application Form on behalf of each of the five applicant carriers and a single set of exhibits and attachments describing the safety and financial qualifications of these commonly controlled carriers (and, as appropriate, their corporate parent), and their proposal to self-insure.

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[1] Each of the Landstar motor carriers also holds a license to engage in activities as a broker of property transportation. Those licenses for Ligon and Gemini are issued in the same name and same ICC "MC" number as the carrier operating authorities. Those for Ranger, Poole, and Inway are issued as follows:

- Ranger Transportation, Inc., MC-178439
- Poole Truck Line, Inc. d/b/a PBS Transportation, MC-261005
- Independent Freightway, Inc., d/b/a Inway Nationwide Transportation Services, MC-171939

Also under Landstar control is another non-carrier broker, Landstar Transportation Service, Inc., MC-218342.

This application does not request authority to self-insure for the required surety amount of $10,000 for any of these brokers.

Following the five individual B.M.C. 40 Application Forms, the applicant carriers present information in a series of individual exhibits. Each Exhibit is identified in the Table of Contents, supra.

APPROVED BY OMB
3120-0081
Expires 10/31/95

BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. ____________
(For Office Use Only)

APPLICATION FOR AUTHORITY TO SELF-INSURE UNDER 49 U.S.C. 10927

(Note: Read Instructions Before Answering)

To the Interstate Commerce Commission, Washington, D.C.

1. (a) Applicant (Legal Name) Poole Truck Line, Inc.

(b) Business Address P.O. Drawer 500, Ted Bates Road
(Actual Street Address)

Evergreen | Alabama | 36401
(City) *(State)* *(Zip Code)*

*Mailing Address *(If different)* ____________

Phone Number *(Include Area Code)* ____________

(c) Form of Business--Applicant must check one of the following and provide any additional information, if pertinent, in the space below:

XX CORPORATION (if so, give State of incorporation) Alabama
☐ PARTNERSHIP (if so, identify each of the partners below)
☐ SOLE PROPRIETORSHIP
☐ OTHER (Please specify below)

(d) Applicant's representative to whom inquiries may be made (if you are the applicant you may represent yourself; if so, put your name and address here):

Jeremy Kahn, Esq. Kahn and Kahn
(Name)

1726 M Street, N.W., Suite 702
(Street Address)

Washington, DC 20036
(City) *(State)* *(Zip Code)*

(202) 887-0037
Phone Number (Include Area Code)

***Mailing address may be given but actual street address must be shown.**

2. (a) This is an application to self-insure under the provisions of 49 U.S.C. 10927 security requirements, for operations conducted or pending under I.C.C. Certificate ☒ Permit ☒ Docket No. MC-115162.

(b) Applicant hereby applies for authority to self-insure:
☐ Bodily Injury and Property Damage (BI&PD) Liability
☐ Cargo Liability
XX Both BI&PD and Cargo Liability

3. Where self-insurance authority for bodily injury and property damage is requested for an amount less than the full required limits of liability, state the amount of coverage desired.

Self-insurance authority is sought for $1,500,000 Bodily Injury and Property Damage and full required limits for cargo.

4. Exhibits as described in "Table of Contents" to ______, inclusive, are attached hereto and made a part hereof.

WHEREFORE, applicant prays that the Interstate Commerce Commission will authorize the self-insurance proposed herein.

Dated the 15 day of July, 19 93

Poole Truck Line, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

Address:
P.O. Drawer 500, Ted Bates Rd.
Evergreen, Alabama . 36401

Attention: **A false statement in this application is punishable by law.**

Each person by whom this application is signed certifies that the representations appearing in said application and exhibits attached thereto (including any accompanying schedules or statements) are, to the best of his/her knowledge and belief, true, correct, and complete, based on all the information required to be included therein, of which he/she has any knowledge, and these representations are made in good faith.

Dated this 15 day of July, 19 93

Poole Truck Line, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

EXHIBIT A

GENERAL INTERROGATORIES

POOLE TRUCK LINE, INC.
(Name of applicant)

1. Have you qualified as a self-insurer in any State? No *(Yes or no)* If "yes" furnish full particulars N/A

2. Has your authority to self-insure in any State ever been revoked? N/A *(Yes or No)* If "yes," give reasons.

3. Has your application to any State for permission to qualify as a self-insurer ever been declined? No *(Yes or no)* If "yes," give reasons.

4. Have you made or will you make application to all States, in which you operate, for authority to self-insure to the same extent application is made herein? No *(Yes or no)* If "no," explain See Exhibit A-4 Attached

5. Attach statement giving the following information for each of the past three years for each class of insurance you desire to self-insure: See Exhibit A-5 Attached

(a) Names and addresses of insurance companies who have insured your operations.

(b) Provide information concerning the following:

(1) Premium history;
(2) Losses and loss expenses paid by insurer, broken down to show those claims settled and those in reserve; and
(3) Breakdown of claims within your proposed self-insured retention and those in excess thereof, by number of claims and aggregate of losses;

(c) Your sources of information for the above data.

6. Give complete details of your present insurance coverage for each type of insurance you desire to self-insure, including the name of insurance company, limits of liability, and deductibles, if any.

See Exhibit A-6 Attached

7. If you presently handle any of your own claims under a deductible provision, state the amount of said deductible, and type of coverage involved. Cargo Insurance - $100,000 per occurrence

Bodily Injury & Property Damage Insurance - $1 million per occurrence

8. If your application to self-insure is approved, what excess insurance, if any, do you intend to carry thereafter? See Exhibit A-8 Attached

(a) With what insurer?

(b) Have you obtained a firm commitment from an excess insurer?

Name of insurance company

9. Has your insurance on any type of risk been cancelled by any insurance company during the past 5 years? Yes (*Yes or no*) If "yes," give full particulars. See Exhibit A-9 Attached

10. Attach a statement outlining, in detail, the nature and scope of your operation, including (a) the commodities you intend to transport; (b) the territory to be served (general description); (c) number and type of equipment to be operated; and (d) location of headquarters and terminal facilities. See Exhibit A-10 Attached

11. (a) Attach a statement outlining, in detail, the operation of your present safety program, if any. This must include, as a minimum, the names, duties, experience, and length of service of each person devoting full-time to safety. Also furnish the same information for those persons engaging in safety work part-time (giving approximate percentage of time). See Exhibit A-11 Attached

(b) Have you received a safety rating from the U.S. Department of Transportation? Yes (*Yes or No*) If "yes," what is your current rating? Satisfactory

12. (a) Do you maintain a salaried or other claims department personnel? Yes (*Yes or no*)?
See Exhibit A-12 Attached

(b) If "yes," attach a statement outlining, in detail, the names, duties, experience, and length of service of each person devoting full time to said claims work. Also furnish the same information for those persons engaging in claims work part-time (giving approximate percentage of time).

13. What do you estimate your annual savings will be if your application to self-insure is approved? See Exhibit A-13 Attached

14. Explain briefly how you arrived at the figure in 13, above.

See Exhibit A-13 Attached

15. For what reason, other than potential monetary savings, do you desire to self-insure?

See Exhibit A-13 Attached

POOLE TRUCK LINE, INC.

EXHIBIT B

INSTRUCTIONS RELATING TO INFORMATION TO BE INCLUDED IN EXHIBITS B AND C

Applicant should submit the following information:

1) Balance sheets, income statements and statements of cash flows, in conformance with generally accepted accounting principles, for the latest available period of the current year and the previous two calendar years. If two or more affiliates are requesting self-insurance approval in a single application, separate financial statements for each applicant should be submitted.

See Exhibit B-1 Attached

2) If available, an outside auditor's most recent financial statements, including accompanying notes to these statements.

See Exhibit B-1 Attached

3) If an individual or a corporation will act as a surety for applicant's self-insurance claims, the proposed surety's latest financial statements (balance sheet, income statement and statement of cash flows) in conformance with generally accepted accounting principles.

N/A

4) Full disclosure of receivables due from affiliated companies and stockholders, and payables due to affiliated companies and stockholders. This includes disclosure of amounts, names, terms and conditions.

See Exhibit B-4 Attached

5) Full disclosure of terms and conditions in regard to liabilities to financial institutions. This includes interest rates, maturity dates, assets pledged and restrictive covenants.

See Exhibit B-5 Attached

In addition to the financial statement data described above, the applicant should attach a statement describing the sources of funds that will be used to pay self-insurance claims. Specifically, applicant should indicate if an irrevocable letter of credit or an irrevocable trust fund will be established and maintained for the sole purpose of paying such claims. Pertinent details should be provided, such as amount of the letter of credit or trust fund, the financial institution where funds will be deposited, and the terms and conditions of the arrangement, if available.

See Exhibit B-6 "Sources of Funds" Attached

See Exhibit B-7 "Initial Public Offering and Recapitalization" Attached

POOLE TRUCK LINE, INC

EXHIBIT C

Attach the following as separate exhibits identifying them as follows:

Exhibit "C 1"

Copies of all resolutions of stockholders or directors authorizing this application. If the charter or bylaws require approval by the stockholders, copies of resolutions of the stockholders authorizing this application for self-insuring under 49 U.S.C. 10927 and indicate the percentage of stock voting for such authorization.

See Exhibit C-1 Attached

Exhibit "C 2"

Copies of all resolutions of stockholders or directors, or duly authorized committees thereof, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant.

See Exhibit C-1 Attached

Exhibit "C 3"

If an organization other than a corporation is an applicant, there shall be furnished documentary evidence showing authorization and designation of the individuals signing, verifying, and filing on behalf of the applicant.

GENERAL INSTRUCTIONS

1. This application must be filed in accordance with the provisions of 49 C.F.R. 1043.5, Qualifications as a self-insurer and other securities or agreements. This regulation appears on the reverse side of this form.

2. Exhibits must be typewritten on paper 8 1/2 by 11 inches or folded to conform. The applicant's name should appear on the top of each page thereof.

3. The name of each person signing this application must be typed or printed beneath the signature.

4. All information required must be given, unless neither known nor available to applicant without unreasonable effort or expense. In such case, explicit statements to such effect shall be provided in lieu of the omitted material, setting forth the reasons why the information is not known or available.

5. A filing fee must accompany the application. (Since these filing fees are subject to change, please contact the Commission regarding current fees.)

6. There should be filed with this Commission ten true copies of the application for use by the Commission.

APPROVED BY OMB
3120-0081
Expires 10/31/95

BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. ____________
(For Office Use Only)

APPLICATION FOR AUTHORITY TO SELF-INSURE UNDER 49 U.S.C. 10927

(Note: Read Instructions Before Answering)

To the Interstate Commerce Commission, Washington, D.C.

1. (a) Applicant (Legal Name) Independent Freightway, Inc.

(b) Business Address 2330 23rd Avenue
(Actual Street Address)

Rockford, Illinois 61108
(City) *(State)* *(Zip Code)*

*Mailing Address *(If different)* P.O. Box 7013, Rockford, Illinois 61125

Phone Number *(Include Area Code)* ____________

(c) Form of Business--Applicant must check one of the following and provide any additional information, if pertinent, in the space below:

☒ CORPORATION (if so, give State of incorporation) Delaware
☐ PARTNERSHIP (if so, identify each of the partners below)
☐ SOLE PROPRIETORSHIP
☐ OTHER (Please specify below)

(d) Applicant's representative to whom inquiries may be made (if you are the applicant you may represent yourself; if so, put your name and address here):

Jeremy Kahn, Esq. Kahn and Kahn
(Name)

1726 M Street, N.W., Suite 702
(Street Address)

Washington, DC 20036
(City) *(State)* *(Zip Code)*

(202) 887-0037
Phone Number (Include Area Code)

***Mailing address may be given but actual street address must be shown.**

2. (a) This is an application to self-insure under the provisions of 49 U.S.C. 10927 security requirements, for operations conducted or pending under I.C.C. Certificate ☒ Permit ☒ Docket No. MC-161864.

(b) Applicant hereby applies for authority to self-insure:
☐ Bodily Injury and Property Damage (BI&PD) Liability
☐ Cargo Liability
☒ Both BI&PD and Cargo Liability

3. Where self-insurance authority for bodily injury and property damage is requested for an amount less than the full required limits of liability, state the amount of coverage desired.

Self-insurance authority is sought for $1,500,000 Bodily Injury and Property Damage and full required limits for cargo.

4. Exhibits as described in "Table of Contents" to ________, *inclusive*, are attached hereto and made a part hereof.

WHEREFORE, applicant prays that the Interstate Commerce Commission will authorize the self-insurance proposed herein.

Dated the 15 day of July, 19 93

Independent Freightway, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

Address:
2330 23rd Avenue
Rockford, Illinois 61108

Attention: A false statement in this application is punishable by law.

Each person by whom this application is signed certifies that the representations appearing in said application and exhibits attached thereto (including any accompanying schedules or statements) are, to the best of his/her knowledge and belief, true, correct, and complete, based on all the information required to be included therein, of which he/she has any knowledge, and these representations are made in good faith.

Dated this 15 day of July, 19 93

Independent Freightway, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

EXHIBIT A

GENERAL INTERROGATORIES

INDEPENDENT FREIGHTWAY, INC.

(Name of applicant)

1. Have you qualified as a self-insurer in any State? No *(Yes or no)* If "yes" furnish full particulars N/A

2. Has your authority to self-insure in any State ever been revoked? N/A *(Yes or No)* If "yes," give reasons.

3. Has your application to any State for permission to qualify as a self-insurer ever been declined? No *(Yes or no)* If "yes," give reasons.

4. Have you made or will you make application to all States, in which you operate, for authority to self-insure to the same extent application is made herein? No *(Yes or no)* If "no," explain See Exhibit A-4 Attached

5. Attach statement giving the following information for each of the past three years for each class of insurance you desire to self-insure: See Exhibit A-5 Attached

(a) Names and addresses of insurance companies who have insured your operations.

(b) Provide information concerning the following:

(1) Premium history;
(2) Losses and loss expenses paid by insurer, broken down to show those claims settled and those in reserve; and
(3) Breakdown of claims within your proposed self-insured retention and those in excess thereof, by number of claims and aggregate of losses;

(c) Your sources of information for the above data.

6. Give complete details of your present insurance coverage for each type of insurance you desire to self-insure, including the name of insurance company, limits of liability, and deductibles, if any.

See Exhibit A-6 Attached

7. If you presently handle any of your own claims under a deductible provision, state the amount of said deductible, and type of coverage involved. Cargo Insurance - $100,000 per occurrence

Bodily Injury & Property Damage Insurance - $1 million per occurrence

INDEPENDENT FREIGHTWAY, INC.

8. If your application to self-insure is approved, what excess insurance, if any, do you intend to carry thereafter? See Exhibit A-8 Attached

(a) With what insurer? ____________________

(b) Have you obtained a firm commitment from an excess insurer? ____________________

Name of insurance company ____________________

9. Has your insurance on any type of risk been cancelled by any insurance company during the past 5 years?

Yes (Yes or no) If "yes," give full particulars. See Exhibit A-9 Attached

10. Attach a statement outlining, in detail, the nature and scope of your operation, including (a) the commodities you intend to transport; (b) the territory to be served (general description); (c) number and type of equipment to be operated; and (d) location of headquarters and terminal facilities. See Exhibit A-10 Attached

11. (a) Attach a statement outlining, in detail, the operation of your present safety program, if any. This must include, as a minimum, the names, duties, experience, and length of service of each person devoting full-time to safety. Also furnish the same information for those persons engaging in safety work part-time (giving approximate percentage of time). See Exhibit A-11 Attached

(b) Have you received a safety rating from the U.S. Department of Transportation?

Yes (Yes or No) If "yes," what is your current rating? Satisfactory

12. (a) Do you maintain a salaried or other claims department personnel? Yes (Yes or no)?

See Exhibit A-12 Attached

(b) If "yes," attach a statement outlining, in detail, the names, duties, experience, and length of service of each person devoting full time to said claims work. Also furnish the same information for those persons engaging in claims work part-time (giving approximate percentage of time).

13. What do you estimate your annual savings will be if your application to self-insure is approved?

See Exhibit A-13 Attached

14. Explain briefly how you arrived at the figure in 13, above.

See Exhibit A-13 Attached

15. For what reason, other than potential monetary savings, do you desire to self-insure?

See Exhibit A-13 Attached

INDEPENDENT FREIGHTWAY, INC.

EXHIBIT B

INSTRUCTIONS RELATING TO INFORMATION TO BE INCLUDED IN EXHIBITS B AND C

Applicant should submit the following information:

1) Balance sheets, income statements and statements of cash flows, in conformance with generally accepted accounting principles, for the latest available period of the current year and the previous two calendar years. If two or more affiliates are requesting self-insurance approval in a single application, separate financial statements for each applicant should be submitted.

See Exhibit B-1 Attached

2) If available, an outside auditor's most recent financial statements, including accompanying notes to these statements.

See Exhibit B-1 Attached

3) If an individual or a corporation will act as a surety for applicant's self-insurance claims, the proposed surety's latest financial statements (balance sheet, income statement and statement of cash flows) in conformance with generally accepted accounting principles.

N/A

4) Full disclosure of receivables due from affiliated companies and stockholders, and payables due to affiliated companies and stockholders. This includes disclosure of amounts, names, terms and conditions.

See Exhibit B-4 Attached

5) Full disclosure of terms and conditions in regard to liabilities to financial institutions. This includes interest rates, maturity dates, assets pledged and restrictive covenants.

See Exhibit B-5 Attached

In addition to the financial statement data described above, the applicant should attach a statement describing the sources of funds that will be used to pay self-insurance claims. Specifically, applicant should indicate if an irrevocable letter of credit or an irrevocable trust fund will be established and maintained for the sole purpose of paying such claims. Pertinent details should be provided, such as amount of the letter of credit or trust fund, the financial institution where funds will be deposited, and the terms and conditions of the arrangement, if available.

See Exhibit B-6 "Sources of Funds" Attached

See Exhibit B-7 "Initial Public Offering and Recapitalization" Attached

INDEPENDENT FREIGHTWAY INC.

EXHIBIT C

Attach the following as separate exhibits identifying them as follows:

Exhibit "C 1"

Copies of all resolutions of stockholders or directors authorizing this application. If the charter or bylaws require approval by the stockholders, copies of resolutions of the stockholders authorizing this application for self-insuring under 49 U.S.C. 10927 and indicate the percentage of stock voting for such authorization.

See Exhibit C-1 Attached

Exhibit "C 2"

Copies of all resolutions of stockholders or directors, or duly authorized committees thereof, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant.

See Exhibit C-1 Attached

Exhibit "C 3"

If an organization other than a corporation is an applicant, there shall be furnished documentary evidence showing authorization and designation of the individuals signing, verifying, and filing on behalf of the applicant.

GENERAL INSTRUCTIONS

1. This application must be filed in accordance with the provisions of 49 C.F.R. 1043.5, Qualifications as a self-insurer and other securities or agreements. This regulation appears on the reverse side of this form.

2. Exhibits must be typewritten on paper 8 1/2 by 11 inches or folded to conform. The applicant's name should appear on the top of each page thereof.

3. The name of each person signing this application must be typed or printed beneath the signature.

4. All information required must be given, unless neither known nor available to applicant without unreasonable effort or expense. In such case, explicit statements to such effect shall be provided in lieu of the omitted material, setting forth the reasons why the information is not known or available.

5. A filing fee must accompany the application. (Since these filing fees are subject to change, please contact the Commission regarding current fees.)

6. There should be filed with this Commission ten true copies of the application for use by the Commission.

APPROVED BY OMB
3120-0081
Expires 10/31/95

BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. ______________
(For Office Use Only)

APPLICATION FOR AUTHORITY TO SELF-INSURE UNDER 49 U.S.C. 10927

(Note: Read Instructions Before Answering)

To the Interstate Commerce Commission, Washington, D.C.

1. (a) Applicant (Legal Name) Ranger Transportation, Inc.

(b) Business Address 4057 Carmichael Avenue
(Actual Street Address)

Jacksonville, Florida 32207
(City) *(State)* *(Zip Code)*

*Mailing Address *(If different)* P.O. Box 19060, Jacksonville, Florida 32245

Phone Number *(Include Area Code)* ______________

(c) Form of Business--Applicant must check one of the following and provide any additional information, if pertinent, in the space below:

☒ CORPORATION (if so, give State of incorporation) Delaware
☐ PARTNERSHIP (if so, identify each of the partners below)
☐ SOLE PROPRIETORSHIP
☐ OTHER (Please specify below)

(d) Applicant's representative to whom inquiries may be made (if you are the applicant you may represent yourself; if so, put your name and address here):

Jeremy Kahn, Esq. Kahn and Kahn
(Name)

1726 M Street, N.W., Suite 702
(Street Address)

Washington, DC 20036
(City) *(State)* *(Zip Code)*

(202) 887-0037
Phone Number (Include Area Code)

***Mailing address may be given but actual street address must be shown.**

2. (a) This is an application to self-insure under the provisions of 49 U.S.C. 10927 security requirements, for operations conducted or pending under I.C.C. Certificate ☒ Permit ☒ Docket No. MC-166960.

(b) Applicant hereby applies for authority to self-insure:
☐ Bodily Injury and Property Damage (BI&PD) Liability
☐ Cargo Liability
☒ Both BI&PD and Cargo Liability

3. Where self-insurance authority for bodily injury and property damage is requested for an amount less than the full required limits of liability, state the amount of coverage desired.

Self-insurance authority is sought for $1,500,000 Bodily Injury and Property Damage and full required limits for cargo.

4. Exhibits as described in "Table of Contents" to ________, inclusive, are attached hereto and made a part hereof.

WHEREFORE, applicant prays that the Interstate Commerce Commission will authorize the self -insurance proposed herein.

Dated the 15 day of July, 19 93

Ranger Transportation, Inc.
(Applicant)

By

Henry H. Gerkens
Vice President
(Title)

Address:
4057 Carmichael Avenue
Jacksonville, Florida 32207

Attention: A false statement in this application is punishable by law.

Each person by whom this application is signed certifies that the representations appearing in said application and exhibits attached thereto (including any accompanying schedules or statements) are, to the best of his/her knowledge and belief, true, correct, and complete, based on all the information required to be included therein, of which he/she has any knowledge, and these representations are made in good faith.

Dated this 15 day of July, 19 93

Ranger Transportation, Inc.
(Applicant)

By

Henry H. Gerkens
Vice President
(Title)

EXHIBIT A

GENERAL INTERROGATORIES

RANGER TRANSPORTATION, INC.

(Name of applicant)

1. Have you qualified as a self-insurer in any State? No *(Yes or no)* If "yes" furnish full particulars N/A

2. Has your authority to self-insure in any State ever been revoked? N/A *(Yes or No)* If "yes," give reasons.

3. Has your application to any State for permission to qualify as a self-insurer ever been declined? No *(Yes or no)* If "yes," give reasons.

4. Have you made or will you make application to all States, in which you operate, for authority to self-insure to the same extent application is made herein? No *(Yes or no)* If "no," explain See Exhibit A-4 Attached

5. Attach statement giving the following information for each of the past three years for each class of insurance you desire to self-insure: See Exhibit A-5 Attached

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(b) Provide information concerning the following:

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7. If you presently handle any of your own claims under a deductible provision, state the amount of said deductible, and type of coverage involved. Cargo Insurance - $100,000 per occurrence

Bodily Injury & Property Damage Insurance - $1 million per occurrence

RANGER TRANSPORTATION, INC.

8. If your application to self-insure is approved, what excess insurance, if any, do you intend to carry thereafter? See Exhibit A-8 Attached

(a) With what insurer? ____________

(b) Have you obtained a firm commitment from an excess insurer? ____________

Name of insurance company ____________

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RANGER TRANSPORTATION, INC.

EXHIBIT B

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2) If available, an outside auditor's most recent financial statements, including accompanying notes to these statements.

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3) If an individual or a corporation will act as a surety for applicant's self-insurance claims, the proposed surety's latest financial statements (balance sheet, income statement and statement of cash flows) in conformance with generally accepted accounting principles.

N/A

4) Full disclosure of receivables due from affiliated companies and stockholders, and payables due to affiliated companies and stockholders. This includes disclosure of amounts, names, terms and conditions.

See Exhibit B-4 Attached

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See Exhibit B-6 "Sources of Funds" Attached

See Exhibit B-7 "Initial Public Offering and Recapitalization" Attached

RANGER TRANSPORTATION, [illegible]C.

EXHIBIT C

Attach the following as separate exhibits identifying them as follows:

Exhibit "C 1"

Copies of all resolutions of stockholders or directors authorizing this application. If the charter or bylaws require approval by the stockholders, copies of resolutions of the stockholders authorizing this application for self-insuring under 49 U.S.C. 10927 and indicate the percentage of stock voting for such authorization.

See Exhibit C-1 Attached

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Copies of all resolutions of stockholders or directors, or duly authorized committees thereof, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant.

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If an organization other than a corporation is an applicant, there shall be furnished documentary evidence showing authorization and designation of the individuals signing, verifying, and filing on behalf of the applicant.

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3. The name of each person signing this application must be typed or printed beneath the signature.

4. All information required must be given, unless neither known nor available to applicant without unreasonable effort or expense. In such case, explicit statements to such effect shall be provided in lieu of the omitted material, setting forth the reasons why the information is not known or available.

5. A filing fee must accompany the application. (Since these filing fees are subject to change, please contact the Commission regarding current fees.)

6. There should be filed with this Commission ten true copies of the application for use by the Commission.

APPROVED BY OMB
3120-0081
Expires 10/31/95

BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. ____________
(For Office Use Only)

APPLICATION FOR AUTHORITY TO SELF-INSURE UNDER 49 U.S.C. 10927

(Note: Read Instructions Before Answering)

To the Interstate Commerce Commission, Washington, D.C.

1. (a) Applicant (Legal Name) Ligon Nationwide, Inc.

(b) Business Address P.O. Drawer L, Highway 85 East
(Actual Street Address)

Madisonville, Kentucky 42431
(City) *(State)* *(Zip Code)*

*Mailing Address *(If different)* N/A

Phone Number *(Include Area Code)* ____________

(c) Form of Business--Applicant must check one of the following and provide any additional information, if pertinent, in the space below:

XX CORPORATION (if so, give State of incorporation) Delaware
☐ PARTNERSHIP (if so, identify each of the partners below)
☐ SOLE PROPRIETORSHIP
☐ OTHER (Please specify below)

(d) Applicant's representative to whom inquiries may be made (if you are the applicant you may represent yourself; if so, put your name and address here):

Jeremy Kahn, Esq. Kahn and Kahn
(Name)

1726 M Street, N.W., Suite 702
(Street Address)

Washington, DC 20036
(City) *(State)* *(Zip Code)*

(202) 887-0037
Phone Number (Include Area Code)

***Mailing address may be given but actual street address must be shown.**

2. (a) This is an application to self-insure under the provisions of 49 U.S.C. 10927 security requirements, for operations conducted or pending under I.C.C. Certificate ☒ Permit XX Docket No. MC-167225.

(b) *Applicant hereby applies for authority to self-insure:*
☐ Bodily Injury and Property Damage (BI&PD) Liability
☐ Cargo Liability
XX Both BI&PD and Cargo Liability

3. Where self-insurance authority for bodily injury and property damage is requested for an amount less than the full required limits of liability, state the amount of coverage desired.

Self-insurance authority is sought for $1,500,000 Bodily Injury and Property Damage and full required limits for cargo.

4. Exhibits as described in "Table of Contents" to ____________, inclusive, are attached hereto and made a part hereof.

WHEREFORE, applicant prays that the Interstate Commerce Commission will authorize the self-insurance proposed herein.

Dated the 15 day of July, 19 93

Ligon Nationwide, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

Address:
P.O. Drawer L, Highway 85 East
Madisonville, KY 42431

Attention: A false statement in this application is punishable by law.

Each person by whom this application is signed certifies that the representations appearing in said application and exhibits attached thereto (including any accompanying schedules or statements) are, to the best of his/her knowledge and belief, true, correct, and complete, based on all the information required to be included therein, of which he/she has any knowledge, and these representations are made in good faith.

Dated this 15 day of July, 19 93

Ligon Nationwide, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

EXHIBIT A

GENERAL INTERROGATORIES

LIGON NATIONWIDE, INC.

(Name of applicant)

1. Have you qualified as a self-insurer in any State? No *(Yes or no)* If "yes" furnish full particulars N/A

2. Has your authority to self-insure in any State ever been revoked? N/A *(Yes or No)* If "yes," give reasons.

3. Has your application to any State for permission to qualify as a self-insurer ever been declined? No *(Yes or no)* If "yes," give reasons.

4. Have you made or will you make application to all States, in which you operate, for authority to self-insure to the same extent application is made herein? No *(Yes or no)* If "no," explain See Exhibit A-4 Attached

5. Attach statement giving the following information for each of the past three years for each class of insurance you desire to self-insure: See Exhibit A-5 Attached

(a) Names and addresses of insurance companies who have insured your operations.

(b) Provide information concerning the following:

(1) Premium history;
(2) Losses and loss expenses paid by insurer, broken down to show those claims settled and those in reserve; and
(3) Breakdown of claims within your proposed self-insured retention and those in excess thereof, by number of claims and aggregate of losses;

(c) Your sources of information for the above data.

6. Give complete details of your present insurance coverage for each type of insurance you desire to self-insure, including the name of insurance company, limits of liability, and deductibles, if any.

See Exhibit A-6 Attached

7. If you presently handle any of your own claims under a deductible provision, state the amount of said deductible, and type of coverage involved. Cargo Insurance - $100,000 per occurrence

Bodily Injury & Property Damage Insurance - $1 million per occurrence

LIGON NATIONWIDE, INC.

8. If your application to self-insure is approved, what excess insurance, if any, do you intend to carry thereafter? See Exhibit A-8 Attached

(a) With what insurer? ______

(b) Have you obtained a firm commitment from an excess insurer? ______

Name of insurance company ______

9. Has your insurance on any type of risk been cancelled by any insurance company during the past 5 years?

Yes (Yes or no) If "yes," give full particulars. See Exhibit A-9 Attached

10. Attach a statement outlining, in detail, the nature and scope of your operation, including (a) the commodities you intend to transport; (b) the territory to be served (general description); (c) number and type of equipment to be operated; and (d) location of headquarters and terminal facilities. See Exhibit A-10 Attached

11. (a) Attach a statement outlining, in detail, the operation of your present safety program, if any. This must include, as a minimum, the names, duties, experience, and length of service of each person devoting full-time to safety. Also furnish the same information for those persons engaging in safety work part-time (giving approximate percentage of time). See Exhibit A-11 Attached

(b) Have you received a safety rating from the U.S. Department of Transportation?

Yes (Yes or No) If "yes," what is your current rating? Satisfactory

12. (a) Do you maintain a salaried or other claims department personnel? Yes (Yes or no)?

See Exhibit A-12 Attached

(b) If "yes," attach a statement outlining, in detail, the names, duties, experience, and length of service of each person devoting full time to said claims work. Also furnish the same information for those persons engaging in claims work part-time (giving approximate percentage of time).

13. What do you estimate your annual savings will be if your application to self-insure is approved?

See Exhibit A-13 Attached

14. Explain briefly how you arrived at the figure in 13, above.

See Exhibit A-13 Attached

15. For what reason, other than potential monetary savings, do you desire to self-insure?

See Exhibit A-13 Attached

LIGON NATIONWIDE, IN

EXHIBIT B

INSTRUCTIONS RELATING TO INFORMATION TO BE INCLUDED IN EXHIBITS B AND C

Applicant should submit the following information:

1) Balance sheets, income statements and statements of cash flows, in conformance with generally accepted accounting principles, for the latest available period of the current year and the previous two calendar years. If two or more affiliates are requesting self-insurance approval in a single application, separate financial statements for each applicant should be submitted.

See Exhibit B-1 Attached

2) If available, an outside auditor's most recent financial statements, including accompanying notes to these statements.

See Exhibit B-1 Attached

3) If an individual or a corporation will act as a surety for applicant's self-insurance claims, the proposed surety's latest financial statements (balance sheet, income statement and statement of cash flows) in conformance with generally accepted accounting principles.

N/A

4) Full disclosure of receivables due from affiliated companies and stockholders, and payables due to affiliated companies and stockholders. This includes disclosure of amounts, names, terms and conditions.

See Exhibit B-4 Attached

5) Full disclosure of terms and conditions in regard to liabilities to financial institutions. This includes interest rates, maturity dates, assets pledged and restrictive covenants.

See Exhibit B-5 Attached

In addition to the financial statement data described above, the applicant should attach a statement describing the sources of funds that will be used to pay self-insurance claims. Specifically, applicant should indicate if an irrevocable letter of credit or an irrevocable trust fund will be established and maintained for the sole purpose of paying such claims. Pertinent details should be provided, such as amount of the letter of credit or trust fund, the financial institution where funds will be deposited, and the terms and conditions of the arrangement, if available.

See Exhibit B-6 "Sources of Funds" Attached

See Exhibit B-7 "Initial Public Offering and Recapitalization" Attached

LIGON NATIONWIDE, I

EXHIBIT C

Attach the following as separate exhibits identifying them as follows:

Exhibit "C 1"

Copies of all resolutions of stockholders or directors authorizing this application. If the charter or bylaws require approval by the stockholders, copies of resolutions of the stockholders authorizing this application for self-insuring under 49 U.S.C. 10927 and indicate the percentage of stock voting for such authorization.

See Exhibit C-1 Attached

Exhibit "C 2"

Copies of all resolutions of stockholders or directors, or duly authorized committees thereof, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant.

See Exhibit C-1 Attached

Exhibit "C 3"

If an organization other than a corporation is an applicant, there shall be furnished documentary evidence showing authorization and designation of the individuals signing, verifying, and filing on behalf of the applicant.

GENERAL INSTRUCTIONS

1. This application must be filed in accordance with the provisions of 49 C.F.R. 1043.5, Qualifications as a self-insurer and other securities or agreements. This regulation appears on the reverse side of this form.

2. Exhibits must be typewritten on paper 8 1/2 by 11 inches or folded to conform. The applicant's name should appear on the top of each page thereof.

3. The name of each person signing this application must be typed or printed beneath the signature.

4. All information required must be given, unless neither known nor available to applicant without unreasonable effort or expense. In such case, explicit statements to such effect shall be provided in lieu of the omitted material, setting forth the reasons why the information is not known or available.

5. A filing fee must accompany the application. (Since these filing fees are subject to change, please contact the Commission regarding current fees.)

6. There should be filed with this Commission ten true copies of the application for use by the Commission.

APPROVED BY OMB
3120-0081
Expires 10/31/95

BEFORE THE INTERSTATE COMMERCE COMMISSION

Docket No. ____________
(For Office Use Only)

APPLICATION FOR AUTHORITY TO SELF-INSURE UNDER 49 U.S.C. 10927

(Note: Read Instructions Before Answering)

To the Interstate Commerce Commission, Washington, D.C.

1. (a) Applicant (Legal Name) Gemini Transportation Services, Inc.

(b) Business Address 4057 Carmichael Avenue
(Actual Street Address)

Jacksonville, Florida 32207
(City) *(State)* *(Zip Code)*

*Mailing Address *(If different)* P.O. Box 19116, Jacksonville, FL 32245

Phone Number *(Include Area Code)* ____________

(c) Form of Business--Applicant must check one of the following and provide any additional information, if pertinent, in the space below:

XX CORPORATION (if so, give State of incorporation) Delaware
☐ PARTNERSHIP (if so, identify each of the partners below)
☐ SOLE PROPRIETORSHIP
☐ OTHER (Please specify below)

(d) Applicant's representative to whom inquiries may be made (if you are the applicant you may represent yourself; if so, put your name and address here):

Jeremy Kahn, Esq. Kahn and Kahn
(Name)

1726 M Street, N.W., Suite 702
(Street Address)

Washington, DC 20036
(City) *(State)* *(Zip Code)*

(202) 887-0037
Phone Number (Include Area Code)

***Mailing address may be given but actual street address must be shown.**

2. (a) This is an application to self-insure under the provisions of 49 U.S.C. 10927 security requirements, for operations conducted or pending under I.C.C. Certificate XX Permit XX Docket No. MC-177505.

(b) Applicant hereby applies for authority to self-insure:
☐ Bodily Injury and Property Damage (BI&PD) Liability
☐ Cargo Liability
XX Both BI&PD and Cargo Liability

3. Where self-insurance authority for bodily injury and property damage is requested for an amount less than the full required limits of liability, state the amount of coverage desired.

Self-insurance authority is sought for $1,500,000 Bodily Injury and Property Damage and full required limits for cargo.

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WHEREFORE, applicant prays that the Interstate Commerce Commission will authorize the self-insurance proposed herein.

Dated the 15 day of July, 19 93

Gemini Transportation Services, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

Address:
4057 Carmichael Avenue
Jacksonville, FL 32207

Attention: A false statement in this application is punishable by law.

Each person by whom this application is signed certifies that the representations appearing in said application and exhibits attached thereto (including any accompanying schedules or statements) are, to the best of his/her knowledge and belief, true, correct, and complete, based on all the information required to be included therein, of which he/she has any knowledge, and these representations are made in good faith.

Dated this 15 day of July, 19 93

Gemini Transportation Services, Inc.
(Applicant)

By [signature]
Henry H. Gerkens
Vice President
(Title)

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GEMINI TRANSPORTATION SERVICES, INC.
(Name of applicant)

1. Have you qualified as a self-insurer in any State? No *(Yes or no)* If "yes" furnish full particulars N/A

2. Has your authority to self-insure in any State ever been revoked? N/A *(Yes or No)* If "yes," give reasons.

3. Has your application to any State for permission to qualify as a self-insurer ever been declined? No *(Yes or no)* If "yes," give reasons.

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(Yes or No)

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See Exhibit B-7 "Initial Public Offering and Recapitalization" Attached

GEMINI TRANSPORTATION SERVICES, INC.

EXHIBIT C

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See Exhibit C-1 Attached

Exhibit "C 3"

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5. A filing fee must accompany the application. (Since these filing fees are subject to change, please contact the Commission regarding current fees.)

6. There should be filed with this Commission ten true copies of the application for use by the Commission.

Common Control of the Applicants

Motor carrier applicants Poole, Inway, Ranger, Ligon and Gemini are all motor carriers of property whose transportation operations include (but are not limited to) those under the ICC's jurisdiction.

All five carrier applicants are wholly owned subsidiaries of Landstar, a non-carrier holding company.

The common control of the five motor carriers by non-carrier Kelso & Companies, Incorporated, through intermediary non-carrier companies, namely Landstar Holding Corporation and Landstar System, Inc., was exempted from the requirement of prior ICC approval under 49 U.S.C. §11343(e), in Kelso & Companies, Incorporated -Control Exemption - Gemini Transportation Services, Inc., Independent Freightway, Inc., Ligon Nationwide, Inc., Poole Truck Line, Inc., and Ranger Transportation, Inc., Docket MC-F-19795, published in the ICC *Register* of February 11, 1991; affirmed by ICC decision served March 27, 1991. [1]

On February 10, 1993, the Boards of Directors of the two intermediary non-carriers authorized changes in each corporation's name. The name of the former Landstar

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1 ICC approval of the common control of property broker Landstar Transportation Service, Inc. (See, note 1 to the Preliminary Statement, supra) was not required under 49 U.S.C. §11343, which applies only to carriers, not to brokers. cf. Shamrock Van Lines, Inc. - Purchase - LaGreta Lowman Reely, 93 M.C.C. 455, 461 (1964).

Holding Corporation was changed to Landstar System, Inc.; the name of the former Landstar System, Inc. was changed to Landstar System Holdings, Inc. [2]

As a result of an initial public common stock offering in March, 1993, Landstar sold approximately 2.5 million shares of stock and Kelso (through an affiliate) and others sold approximately 2.89 million shares of stock, diluting Kelso's percentage ownership in Landstar. [3] The five motor carrier subsidiaries of Landstar are applicants in this proceeding.

As pertinent to this application, Landstar has one other wholly owned subsidiary, Risk Management Claim Services, Inc., ("RMCS"), a non-carrier, which provides insurance and risk management services to Landstar and the Landstar operating motor carriers.

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[2] The ICC was advised of the name changes of these non-carriers by a letter from Landstar's General Counsel on March 19, 1993.

[3] Such stock sale was not subject to prior Commission approval or exemption from the requirement of prior approval pursuant to 49 U.S.C. §11343, because that section of the law applies to the "acquisition of control" and the sale of stock related to the divestiture of control.

Exhibit A-4

Application to States for Authority to Self-Insure

Generally, applicants intend to make application to all states for permission to qualify as a self-insurer, but it is not clear whether such applications can be filed successfully in all states.

With respect to interstate operations, applicants intend to apply for self-insurance authorization. It is believed that most all states will approve such applications, contingent upon prior ICC approval. It is also expected that the Commission's decision, Single State Insurance Registration, 9 I.C.C. 2d 610 (1993), will enhance the application process.

Factors unique to operations within particular states, particularly California (and its special insurance requirements for owner-operators), may result in delays in obtaining self-insurance authorization with respect to intrastate operations in such states.

Applicants intend to seek such authorization wherever possible, but recognize there may be a time lag between the ICC's approval of self-insurance authorization and approval by the states.

Several of the Landstar companies operate into Canada. It is expected that applicants will maintain commercial insurance coverage for such operations.

Exhibit A-5

Information Concerning, Insurance, Premiums, and Losses 1990-1993

During the past three years (1990-1993) all applicable insurance has been issued in the name "Landstar System, Inc." with a named insured endorsement which includes all subsidiaries and affiliates, including the five motor carrier applicants. That endorsement reads as follows:

> Landstar System, Inc. and any other subsidiary or affiliated or acquired company in line of corporate descent and/or managed, leased, controlled companies and/or ventures in which they have a financial interest all as may now or hereafter exist.

For purposes of historical information, all insurance has been issued in the name Landstar System, Inc. but includes each of the motor carrier applicants in the named insured endorsement.

During the past three years and currently, automobile liability coverage has been provided by National Union Fire Insurance Co. of Pittsburgh, PA, 70 Pine Street, New York, New York 10270.

Currently, cargo insurance is issued by Northbrook Property & Casualty Insurance Co., 10320 Little Patuxent Parkway, Suite 900, Columbia, Maryland 21044. From May 1, 1992 until May 1, 1993, cargo insurance had been issued by New Hampshire Insurance Group, 70 Pine Street, New York, New York 10270. During the period April 1, 1990 - May 1, 1992, cargo insurance was issued by The Home Insurance Co., One Independence Mall, Philadelphia, PA, 19106 and Lloyds Underwriters, c/o Price Forbes Limited, Aldgate House, 33 Aldgate High Street, London EC 3N 1AJ.

All of the historical information regarding insurance coverage has been provided by Alexander & Alexander, Inc., Baltimore, Maryland, and Oland International Insurance Brokers, Los Angeles, California, Landstar's insurance brokers.

The following describes Premium History during the period.

Automobile Liability Insurance

5/1/93-present	$ 4,300,000
5/1/92-5/1/93	$ 1,241,499
5/1/91-5/1/92	$ 2,685,890
4/1/90-5/1/91	$ 2,310,865

Cargo Liability Insurance

5/1/93-present	$ 190,000
5/1/92-5/1/93	$ 200,000
5/1/91-5/1/92	$ 204,480
4/1/90-5/1/91	$ 222,472

With respect to Losses and Loss Experience, the following information is presented (all claims are valued as of June 1, 1993):

Automobile Liability Claims
Within $1.5 Million Deductible Limits

	Open Claims	Closed Claims	Total Claims	Paid To Date	Outstanding	Total Incurred
Ligon						
4/1/90-4/30/91	9	463	472	4,838,604	674,763	5,513,367
5/1/91-4/30/92	9	259	268	1,368,433	223,469	1,591,902
5/1/92-4/30/93	45	210	255	362,424	840,789	1,203,213
Inway						
4/1/90-4/30/91	10	533	543	4,638,010	717,846	5,355,856
5/1/91-4/30/92	17	377	394	1,506,995	382,272	1,889,267
5/1/92-4/30/93	71	353	424	542,876	918,559	1,461,435
Gemini						
4/1/90-4/30/91	4	197	201	1,295,829	73,062	1,368,891
5/1/91-4/30/92	0	9	9	20,387	0	20,387
5/1/92-4/30/93	9	39	48	97,446	61,857	159,303
Ranger						
4/1/90-4/30/91	10	647	659	3,385,086	432,163	3,817,249
5/1/91-4/30/92	30	515	545	1,261,561	695,593	1,957,154
5/1/92-4/30/93	164	477	641	1,037,831	1,352,378	2,390,209
Poole						
4/1/90-4/30/91	6	729	735	3,476,255	469,877	3,946,132
5/1/91-4/30/92	17	531	548	2,183,593	1,480,914	3,664,507
5/1/92-4/30/93	124	499	623	936,736	2,082,327	3,019,064

NOTE: Excludes non-trucking liability losses which are insured under first dollar policy with Lloyds of London and funded by independent contractors.

Cargo Liability Claims
Within $100,000 Deductible Limits

	Open Claims	Closed Claims	Total Claims	Paid To Date	Outstanding	Total Incurred
			Ligon			
4/1/90-4/30/91	2	254	256	1,574,822	756	1,575,578
5/1/91-4/30/92	3	167	170	1,156,069	33,118	1,189,187
5/1/92-4/30/93	65	126	191	627,289	182,464	809,754
			Inway			
4/1/90-4/30/91	0	408	408	1,013,003	0	1,013,003
5/1/91-4/30/92	3	394	397	888,875	23,634	912,509
5/1/92-4/30/93	132	282	414	547,438	382,012	929,450
			Gemini			
4/1/90-4/30/91	1	82	83	159,018	7,826	166,845
5/1/91-4/30/92	1	8	9	74,464	12,267	86,731
5/1/92-4/30/93	7	0	7	0	109,941	109,941
			Ranger			
4/1/90-4/30/91	2	755	757	1,232,382	3,731	1,236,113
5/1/91-4/30/92	22	578	600	1,236,458	30,875	1,267,333
5/1/92-4/30/93	290	309	599	407,018	763,129	1,170,147
			Poole			
4/1/90-4/30/91	0	512	512	620,472	0	620,472
5/1/91-4/30/92	0	385	385	560,503	0	560,503
5/1/92-4/30/93	0	391	391	552,436	0	552,436

Analysis of Claims Exceeding Proposed Self-Insurance Limits
Automobile Coverage Liability Claims
In Excess of $1.5 million per Occurrence

	Open Claims	Closed Claims	Total Claims	Paid To Date	Outstanding	Total Incurred
			Ligon			
4/1/90-4/30/91	1	1	2	6,842,040	100,000	6,942,040
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0
			Inway			
4/1/90-4/30/91	0	1	1	114,758	0	114,758
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0
			Gemini			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0
			Ranger			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0		0
			Poole			
4/1/90-4/30/91	0	1	1	2,800,000	0	2,800,000
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0

Analysis of Claims Exceeding Proposed Self-Insurance Limits
Cargo Coverage Liability Claims
In Excess of $100,000 per Occurrence

	Open Claims	Closed Claims	Total Claims	Paid To Date	Outstanding	Total Incurred
			Ligon			
4/1/90-4/30/91	0	2	2	282,451	0	282,451
5/1/91-4/30/92	1	2	3	69,258	0	69,258
5/1/92-4/30/93	0	0	0	0	0	0
			Inway			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	1	1	67,035	0	67,035
			Gemini			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0
			Ranger			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0
			Poole			
4/1/90-4/30/91	0	0	0	0	0	0
5/1/91-4/30/92	0	0	0	0	0	0
5/1/92-4/30/93	0	0	0	0	0	0

LANDSTAR SYSTEM, INC.
April 1, 1986 through May 1, 1993
Incurred Losses in Excess of $1 Million
Automobile Liability - Losses Valued on June 1, 1993

Policy Year	Date of Loss	Settlement Date	Operating Company	Paid To Date	Outstanding Reserve	Total Incurred
4/1/86-87	06/08/86	02/28/87	Poole	1,436,314	--	1,436,314
	07/21/86	10/27/89	Ranger	2,807,398	--	2,807,398
	08/06/86	08/06/93	Ranger	1,308,666	250,000	1,558,666
	08/10/86	05/18/87	Inway	1,409,167	--	1,409,167
	10/31/86	07/20/88	Gemini	1,660,000	--	1,660,000
4/1/87-88	09/09/87	09/29/89	Ranger	1,114,240	--	1,114,240
	09/12/87	03/04/91	Poole	2,795,486	--	2,795,486
	02/18/88	07/22/91	Ranger	2,215,000	--	2,215,000
4/1/88-89	06/31/88	10/31/90	Ranger	1,699,243	--	1,699,243
	12/16/88	12/16/93	Gemini	--	1,120,000	1,120,000
	03/08/89(1)	09/09/91	Ranger	1,017,093	--	1,017,093
	03/18/89	10/07/91	Ligon	1,175,000	--	1,175,000
4/1/89-90	04/10/89	04/10/93	Ranger	34,248	1,500,000	1,534,248
	05/17/89	01/30/92	Ligon	1,690,033	--	1,690,033
	06/27/89	09/09/91	Poole	1,927,539	--	1,927,539
	10/10/89	12/07/92	Inway	6,216,432	--	6,216,432
	11/14/89	01/23/91	Ranger	1,349,315	--	1,349,315
	11/14/89	08/19/91	Gemini	1,013,000	--	1,013,000
4/1/90-4/30/91	05/09/90	05/09/93	Ligon	4,826,836	100,000	4,926,836
	05/18/90(1)	12/03/91	Ligon	5,015,204	--	5,015,204
	07/15/90	07/01/91	Inway	1,614,758	--	1,614,758
	04/07/91	10/30/92	Poole	4,300,000	--	4,300,000
	04/08/91	10/21/92	Inway	1,250,000	25,000	1,275,000
5/1/91-92	09/19/91	06/11/92	Poole	1,016,308	--	1,016,308
	04/06/92	04/06/94	Poole	48,894	1,000,000	1,048,894
5/1/92-93	None					

(1) Non-Trucking Liability Claims

Exhibit A-6

Present Insurance Coverage

All insurance coverage within the Landstar organization is issued in the name "Landstar System, Inc.," with a Named Insured Endorsement including all subsidiaries and affiliates, including the five operating motor carrier applicants.

The Named Insured Endorsement reads as follows:

> Landstar System, Inc. and any other subsidiary or affiliated or acquired company in line of corporate descent and/or managed, leased, controlled companies and/or ventures in which they have a financial interest all as may now or hereafter exist.

Currently, Landstar maintains Automobile Liability coverage in the amount of $5 million, issued by National Union Fire Insurance Co. of Pittsburgh, PA, 70 Pine Street, New York, New York 10270, in policy numbers RMCA1430935, RMCA1430936, and RMCA1430937, with a $1 million deductible provision.

Landstar also maintains Cargo Insurance coverage in the amount of $10 million issued by Northbrook Property & Casualty Insurance Co., 10320 Little Patuxent Parkway, Suite 900, Columbia, Maryland 21044, in policy number 82-414799, with a $100,000 deductible provision.

Landstar also maintains excess insurance coverage. Its first excess layer is $20 million in excess of the initial $5 million, issued by New Hampshire Insurance Company per Lloyd Thompson Cover Note LU9300741. Its second excess layer is in the amount of $10 million in excess of the initial $25 million, written by Chubb Group of Insurance Companies, 200 St. Paul Place, 25th Floor, Baltimore, Maryland 21202.

All of these policies expire April 30, 1994.

Exhibit A-7

Current Deductible Provisions

In its current insurance, and effective for many years, Landstar has maintained deductible provisions in its insurance policies.

Current deductible limits are $1 million per occurrence for Automobile Liability coverage and $100,000 per occurrence for Cargo Liability insurance coverage. [1]

Landstar has maintained a $1 million deductible policy for Automobile Liability for several years, except during the period May 1, 1991 thru April 30, 1992, when it maintained a $1.5 million deductible policy.

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[1] ICC regulations require cargo insurance coverage of only $10,000. Landstar maintains $10 million coverage. (*See* Exhibit A-8)

Exhibit A-8

Excess Insurance

As explained (*See* Exhibit A-6) Landstar currently maintains two layers of general excess coverage, totalling $30 million in excess of its $5 million auto liability policy.

The first layer, issued by New Hampshire Insurance Company, provides for $20 million in excess of the initial $5 million.

The second layer, issued by Chubb Group of Insurance Companies, provides for $10 million in excess of the initial $25 million.

Exhibit A-9

Insurance Cancelled During the Past Five Years

With one exception, no insurance policy has been cancelled during the past five years.

Effective May 1, 1992, certain insurance policies including fidelity and fiduciary coverage; cargo coverage; boiler and machinery coverage; excess liability coverage for directors and officers; and claims adjusters' errors and omissions policies were cancelled voluntarily by Landstar. This was done in order to bring these Landstar coverages into a master program then in effect including other Kelso entities.

Exhibit A-10

Nature and Scope of Applicants' Operations

Together, the five Landstar motor carrier subsidiaries comprise one of the largest truckload motor carrier operations within North America, with 1992 revenues of $672.5 million. The Landstar carriers operate throughout North America, providing a highly responsive, "high service" operation.

Each of the motor carrier subsidiaries is operated independently of the others, with the exception of certain limited administrative activities, including safety and claims handling.

Poole, headquartered in Evergreen, Alabama, was founded in 1950 and today is a specialized truckload carrier conducting operations generally east of the Rocky Mountains, including international service to and from points in eastern Canada. Poole's fleet consists of approximately 1,050 owned tractors and 50 leased from owner operators, 1,250 dry van trailers and 600 flatbed trailers, including a number of specialty trailers. Like the other Landstar motor carrier subsidiaries, Poole is a "high service" truckload carrier, providing highly responsive transportation to shippers in established traffic lanes.

This carrier transports generally such commodities as building materials, wood products, machinery, paper, and other such products.

Poole is unique among the Landstar motor carrier subsidiaries, because it operates exclusively with company owned (or leased) trucks and company employee drivers. The company employs approximately 1,050 drivers among its approximate 1,400 total employees.

Poole's executive office at Evergreen, Alabama includes full administrative facilities as well as facilities for equipment storage and maintenance.

Poole is a modern and highly sophisticated carrier. The company's fleet of trailers includes a variety of types to meet shippers' changing needs. Poole's offerings to shippers include a complete Electronic Data Interchange ("EDI") capability, a computerized dispatched system, and a tracking system for all shipments.

Among the many company polices directed to enhanced safety is the policy of standardizing tractor specifications which, in turn enhances driver safety training.

Poole operates through additional terminals (other than Evergreen), located at Nashville, Tennessee; Mobile, Alabama; West Memphis, Arkansas; Spartanburg, South Carolina; Moline, Illinois; Pensacola, Florida; Wiggins, Mississippi; and Brunswick, Georgia.

Inway, headquartered in Rockford, Illinois, was founded in 1982. This carrier is another "high service" truckload carrier whose operations include the transportation of general freight throughout the United States, much of Canada, and more recently expanding into Mexico. It holds intrastate authorities in approximately 20 states.

Inway's fleet consists of approximately 1,750 tractors, and more than 1,300 flatbed trailers, as well as 850 dry and specialty van trailers. All tractors and many trailers are leased from owner operators.

The carrier's 1992 revenues were approximately $175.5 million.

Inway operates through five Regional Offices at San Ramon, California; Bridgeport, New Jersey; Matthews, North Carolina; Euless, Texas; and Waukesha, Wisconsin; and more than 250 agency locations throughout the United States.

Inway's administrative facilities are located at Rockford. The carrier operates with the most modern communications system and full EDI capabilities.

Ranger is headquartered in Jacksonville, Florida. This carrier is engaged in transportation throughout the United States and much of Canada, but its heaviest traffic is carried East of the Mississippi River. Ranger transports a wide range of commodities, including building materials, automotive parts, plastics, foodstuffs, beverages, chemicals, metals, and machinery, among other items. The carrier operates approximately 3,000 tractors and more than 4,300 trailers, of which nearly 3,400 are dry van trailers (of various configurations) and more than 900 are flatbed trailers (of various configurations).

Ranger's 1992 revenues were approximately $257.4 million.

Ranger's facilities house its modern communications system, its computerized tracking system, and complete EDI capabilities. The carrier operates through more than 235 agency locations throughout the United States.

Ligon, founded in 1962, is headquartered in Madisonville, Kentucky. This carrier operates generally throughout the Eastern and mid-Western United States, but provides nationwide coverage. This carrier specializes in service for larger, national accounts. Its fleet includes approximately 1,040 tractors, 1,150 flatbed and specialty trailers and 350 dry vans. Its specialized heavy haul division provides services generally associated with heavy haul carriers. Ligon's years of experience in providing heavy haul service make it a leader in that field. The carrier has recently implemented a new LTL program for larger LTL shipments.

All of the carrier's tractors and most trailers are leased from owner operators.

Ligon's 1992 revenues were approximately $106.6 million.

Ligon's Madisonville main office, which employs approximately 150 persons, includes complete administrative facilities, including computerized dispatch and tracking and EDI. The carrier also maintains an inspection facility for equipment, driver training facilities, and, through an affiliated entity, a trailer repair shop.

Ligon maintains ten additional facilities located throughout the United States.

Gemini significantly modified its operations in 1990; this carrier now provides trucking services in connection with intermodal transportation. Gemini offers intermodal and international "through shipment" services, primarily for intermodal cargo containers. Gemini services include the transportation of steamship containers to and from the major Atlantic and Gulf Ports, and drayage services involving rail transportation. Gemini operates not only within the Southeast; its operations extend throughout the United States and into Ontario and Quebec. Its goal is to offer seamless transportation service for international shipments.

The company operates approximately 245 tractors, all of which are leased from owner operators.

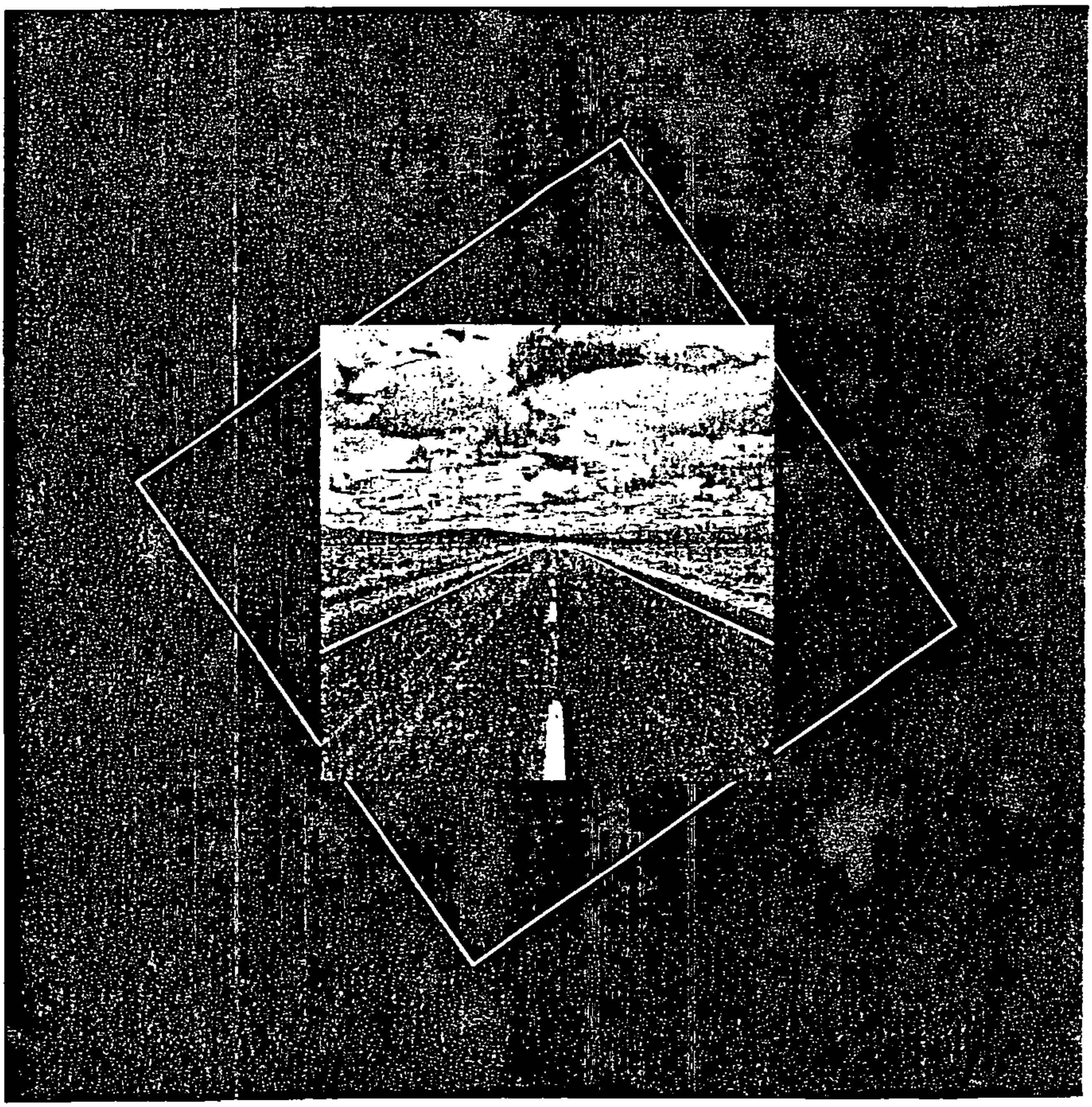
This carrier's 1992 revenues were approximately $19.3 million.

Gemini calls upon its complete, modern communications system to provide responsive service; it offers full EDI capabilities.

The operations of the several operating companies are described in additional detail in the Landstar brochure, *Landstar, The Road to Success*, which is attached to this Exhibit as pages 8 - 18.

LANDSTAR

THE ROAD TO



LANDSTAR

Representative Customer List

AT&T

ALCAN

ALCOA

ANHEUSER BUSCH

CARRIER AIR CONDITIONING

CHAMPION

CHRYSLER

E.I. DU PONT

FORD MOTOR

GENERAL ELECTRIC

GENERAL MOTORS

GEORGIA PACIFIC

GOODYEAR

INTERNATIONAL PAPER

JAMES RIVER

JOHN DEERE

LIBBY OWENS FORD

LTV STEEL

MILLER BREWING

MONSANTO

OWENS-CORNING FIBERGLASS

PPG

REYNOLDS METAL

U.S. GOVERNMENT

U.S. PIPE

Table of Contents

Mission

To be the leading provider of safe, specialized transportation services through a network of employees, agents, drivers and owner-operators who deliver safe, specialized services to a broad range of customers throughout North America

Chairman's Letter

Landstar's record of achievement continued to reach new heights in 1992 as the company had revenue of $672.5 million with operating income of $22.9 million. On the strength of these outstanding results, the company was able to launch a successful initial public offering of common stock. Thus, on March 5, 1993, Landstar System, Inc. became a public company with its shares traded on the NASDAQ National Market System under the symbol "LSTR".

The net proceeds of the offering were applied to the redemption of the company's outstanding $38 million, 14% Subordinated Notes, which in turn will reduce interest and debt expense by $5.8 million a year. In addition, a refinancing of our bank loans provided $80 million of borrowing capacity at favorable interest rates.

This combination greatly improves Landstar's financial strength and gives us substantial operating and financial flexibility to improve and expand our business. As a public company, we now have the capability of accessing public markets – an additional financial resource.

Stockholders' equity increased to approximately $30 million on December 26, 1992 and to almost $60 million as a result of the public offering and related transactions. What this means is that Landstar has never been stronger than it is today and we are well-positioned to take advantage of opportunities that present themselves.

The Road To Success

Through its five carriers, Landstar operates the third largest truckload business in North America. Ranger, Inway, Ligon and Gemini, our four owner-operator companies, provide transportation services through a network of 750 independent agents. Poole, our company-owned operation, is geared to the needs of certain higher volume customers with greater regular schedule and service requirements.

Combined, this network, the largest of its kind in the industry, gives Landstar customers immediate access to a wide range of specialized equipment and services designed to meet varied transportation requirements.

Landstar's strategy is to provide high quality, specialized transportation services to our customers. Our size and structure provide many of the economies of scale of a large company, while preserving the entrepreneurial spirit of a small company. From a marketing standpoint, Landstar has the overall size, geographic coverage, equipment and service capabilities to meet the needs of even the largest shippers, and thereby qualifies as a "core carrier". At the same time, Landstar's network of 750 agents and 30 local sales offices provides both large and small shippers a level of local service and quality typically offered only by small entrepreneurial carriers.

In a move designed to provide brokerage and logistics services to customers, Landstar formed Landstar Transportation Services, Inc. (LTSI) in 1993. This unit analyzes customers' transportation needs and provides cost-effective solutions utilizing

Jeffrey C. Crowe

Landstar vehicles, as well as those of other carriers. LTSI serves as a resource to our own carriers and their shippers by providing logistics support, single-source alternatives, dedicated fleet services, brokerage and other solutions.

As the demands of shippers become more complex, Landstar's challenge is to meet them with tailored solutions. Whether a shipper needs trucks or a combination of rail, sea and air links, we have developed an intermodal capability that is an industry standout. And our carriers traverse the continent from east to west and from north to south, transporting goods within the United States and into Canada and Mexico.

A Mission of Safety

Our mission statement stresses safety: "To be the leading provider of safe, specialized transportation services..." Our safety programs have resulted in substantial reductions in both accident frequency and severity. Efforts have been concentrated in two areas: safety equipment and equipment maintenance, and training. Through the use of reflective materials, convex mirrors and active vehicle inspection programs, significant progress has been made.

Safety training programs are an integral part of each driver's initial and ongoing training. Landstar's 1993 program theme, "We Care About You", focuses on our concern for the driver's well-being, and is a part of our overall safety program.

Managers With a Vested Interest

As a public company, Landstar has offered its professional management the opportunity to become shareholders, which they have grasped. As owners as well as top managers, Landstar executives are entrepreneurial with a vested interest in the continued success and growth of the company.

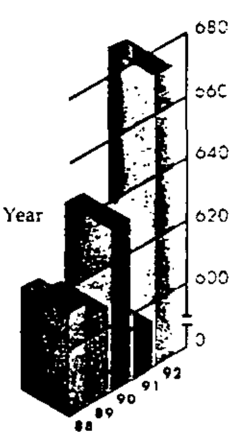
This team spirit pervades the company as employees are motivated, through incentives and opportunities for advancement, to give their all, thereby insuring the highest level of service to all our customers. Many Landstar employees, agents and owner-operators, expressing their vote of confidence in our company, purchased shares of the company during our initial public offering. We believe it is this all-consuming desire to succeed, and personal stake in the company, that will guarantee our growth in the future.

Jeffrey C Crowe

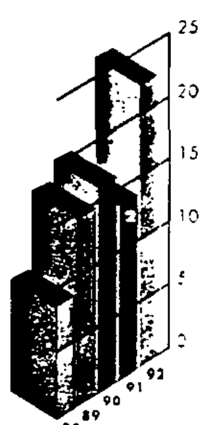
Jeffrey C. Crowe
Chairman, President and CEO
April 10, 1993

Revenues
($ in millions)

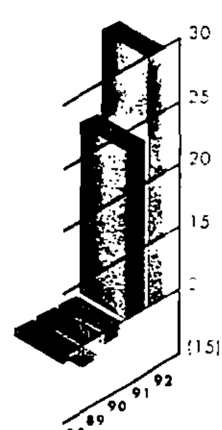
1 Combined Year
2 Pro Forma



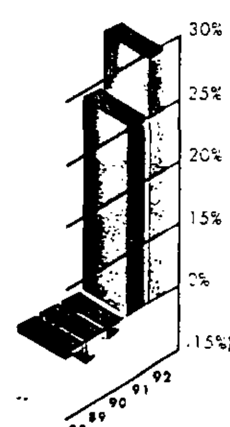
Operating Income
($ in millions)



Shareholders' Equity
($ in millions)



Shareholders' Equity as a Percentage of Total Capitalization



Overview

Landstar's fleet consists of more than 7,000 tractors and 9,800 trailers, including dry vans of various capacities, a variety of flatbeds, specialty and temperature-controlled vans and containers. Specialized services are the company's mainstay and include a large fleet of flatbed trailers, multi-axle trailers capable of hauling extremely heavy or oversized loads, tractors equipped with communications devices and drivers certified to handle ammunition and explosives. Landstar's intermodal capability with railroads and steamship lines includes movement of ocean-going containers between U.S. ports and inland cities.

The company's diverse customer base covers virtually every industry, from automotive and chemicals to machinery and steel. Landstar is not dependent on any one customer; its top 25 shippers represent only a quarter of total revenues.

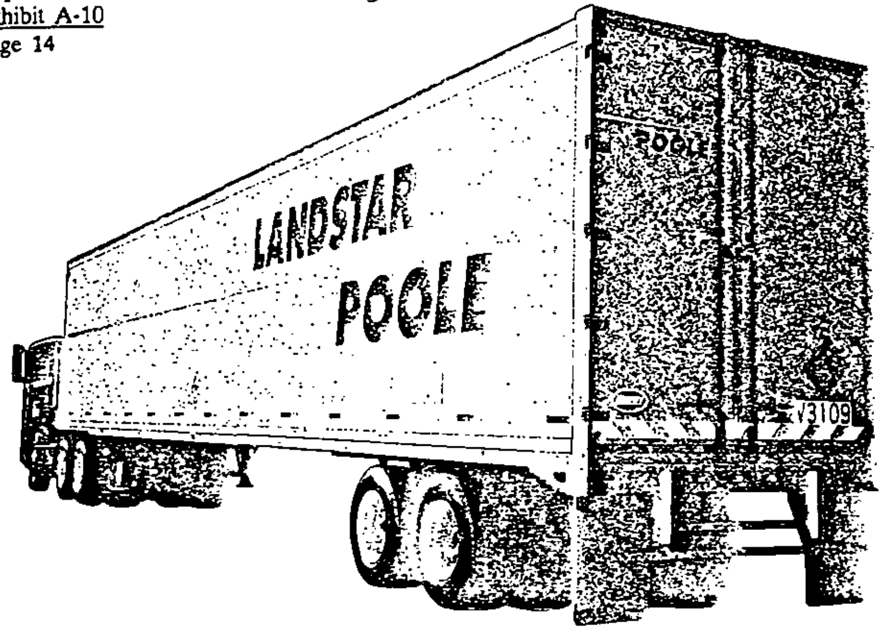
Technological Advantage

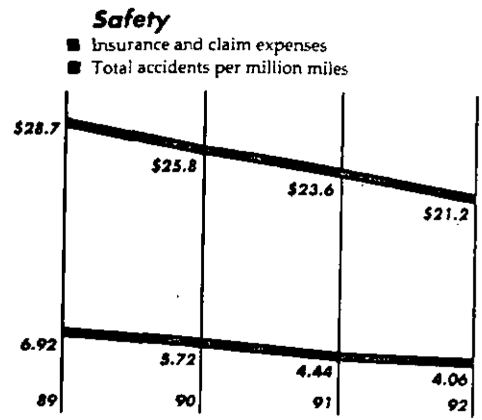
While technology is an important part of the company's operating strategy, Landstar is never dazzled by technology for its own sake. Technological advancements are put in place only when they have demonstrated major productivity and cost benefits. A good example of this is a proprietary personal computer-based software system called Landstar Electronic Administrative and Dispatch System (LEADS). LEADS enhances communications between central operations, agents and drivers, resulting in quicker and simpler administrative processes.

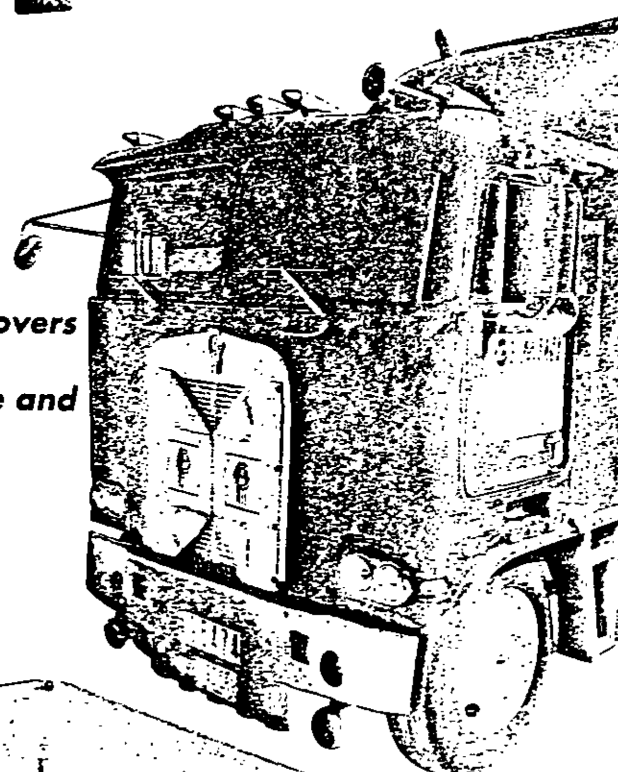
Each carrier uses electronic data interchange to enhance quality control and customer service. Landstar also has made a major commitment to onboard communications through the use of pagers, allowing agents to communicate with drivers to ascertain shipment status, pickup and delivery information and availability.

Landstar and Its Driver-Operators

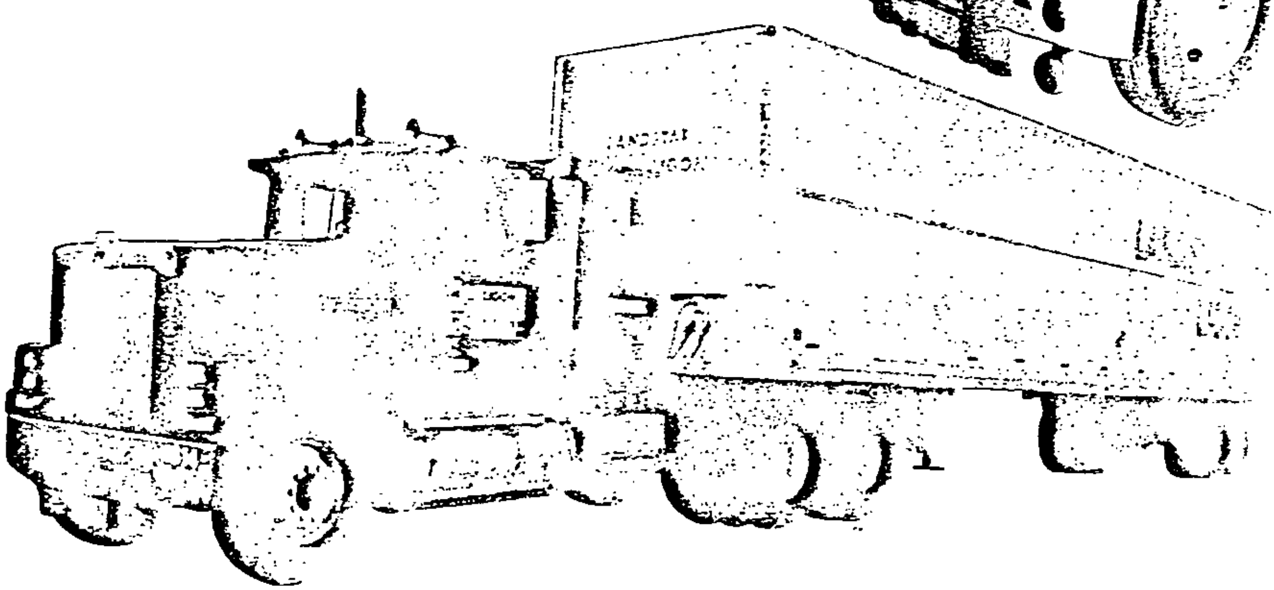
Landstar meets the specialized needs of independent contractors through programs designed to reduce their operating costs.

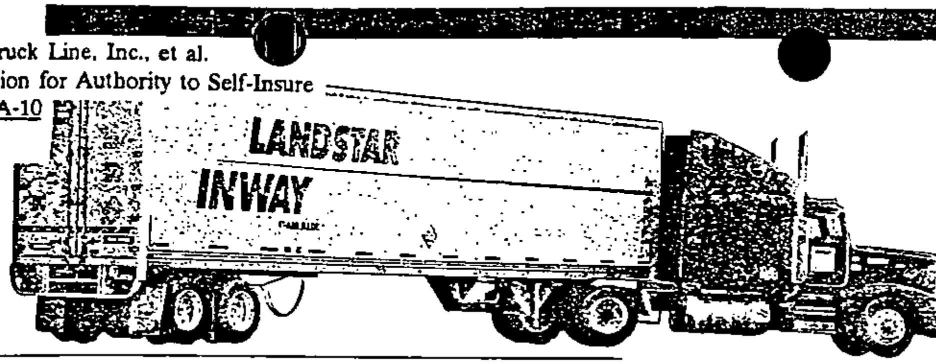




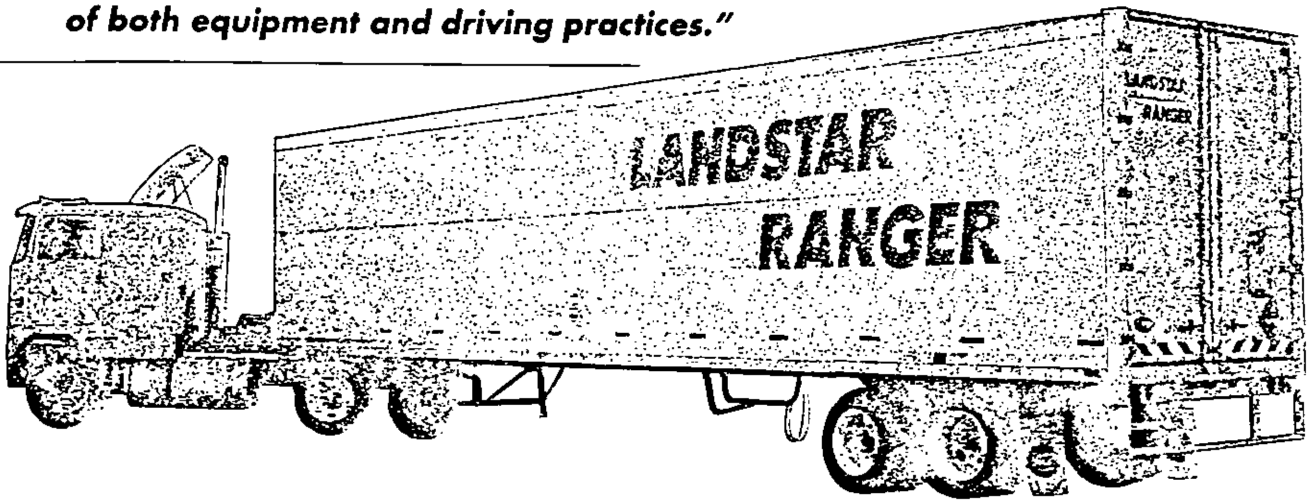


"The company's diverse customer base covers virtually every industry, from automotive and chemicals to machinery and steel."





"Landstar meticulously emphasizes the safety of both equipment and driving practices."



The Landstar Contractors Advantage Purchase Program (LCAPP), for example, uses Landstar's purchasing power to provide significant discounts to owner-operators when they purchase equipment, fuel, tires and other essential items. In addition, LCAPP has negotiated favorable rates with financial institutions for owner-operators seeking financing assistance.

Owner-operators must meet company-wide guidelines for safety, driving experience and physical examinations. Landstar meticulously emphasizes the safety of both equipment and driving practices. The company's Code of Safety is best illustrated by the "Roadstar Award" given to operators with the best driving records. This incentive, along with other ongoing safety programs, continues to result in improvements upon Landstar's accident record.

The road to success begins and ends with attention to detail in every facet of the operation. From technology to communications and from safety to systems, Landstar values the contributions of every person and each part in making the whole an outstanding enterprise. Everything we do must meet one essential criterion — better service to our customers. As we continue on this road, we are certain to succeed.

Landstar's success depends on its six operating companies: Ranger, Gemini, Inway, Ligon, Poole and LTSI.

Ranger

Ranger is Landstar's largest and most established owner-operator/agent-based carrier. It operates throughout the continental United States and much of Canada, transporting a wide range of general commodities including building materials, automotive parts, plastics, foodstuffs, beverages, chemicals, metals, machinery and munitions. In a number of industries, Ranger serves as a primary carrier of raw and/or finished goods. Ranger is consistently rated among the best service-performing truckload carriers in the nation.

Gemini

Gemini is a leading provider of personalized, safe, domestic and international intermodal transportation services. It offers seamless service to or from any point in the world while specializing in short-to-medium hauls between major Atlantic and Gulf ports and inland points. Gemini's services include local drayage and line haul; access to chassis, flatbed and lowboy equipment; crossdocking to and from intermodal equipment; container yard/depot; and rail intermodal.

Inway

Inway operates the company's largest fleet of flatbeds, specialty vans, dropdecks/lowboys and light specialty equipment. The company is one of the preeminent full-service carriers in the United States, and provides transportation into Canada and Mexico. General commodities transported include steel and other metals, building materials, machinery and paper. Inway offers flatbed multiple pickup and delivery service.

Ligon

Ligon is one of Landstar's most versatile carriers with capabilities ranging from transporting flatbed less-than-truckload shipments to truckload, heavy, specialized and out-of-the-ordinary jobs. Freight hauled by Ligon includes metal products from mills to distribution centers and industrial consumers; tanks; construction equipment; and heavy machinery. Ligon's advanced communications and information processing systems help it maintain its reputation of offering the highest quality service with reliable, on-time deliveries.

Poole

Poole is the only Landstar carrier that owns or leases its own tractors and employs its own drivers in addition to a small group of owner-operators. Its strategy is to provide a high level of service on short- and medium-length regional traffic lanes throughout the United States and Canada. Poole features a wide variety of equipment and has considerable experience in hauling specialized freight such as forest products, telephone poles and plate glass.

Landstar Transportation Services, Inc. (LTSI)

LTSI offers a wide range of logistics services to customers seeking a single contact within the Landstar System. LTSI serves as a broker of third-party services, moving companies' goods from point to point in the most efficient way. It takes care of every detail from telephoning, negotiating and planning to contracting. LTSI provides the best transportation solution for the best value, while providing customers with one estimate, predictable pricing and one bill.

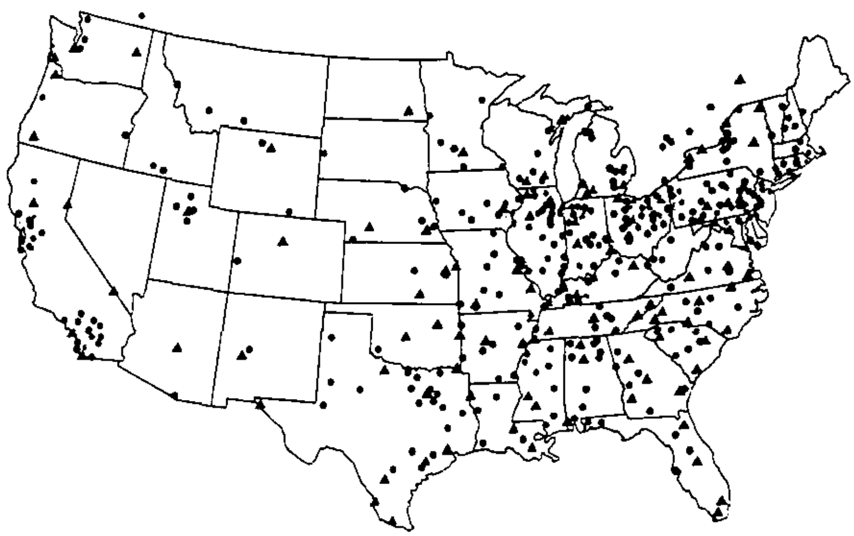
Left (*top to bottom*) James B. Shephard, President; Donald A. Lucchesi, President; John Delavan, President; Right (*top to bottom*) Neil A. DuJardin, President; Eddie R. Brown, President; David Gress, Vice President/General Manager

Landstar Network

Field Offices

▲ Multiple Companies · ■ Poole · ■ Inway · ■ Ranger · ■ Ligon · ■ Gemini

Landstar has nearly 800 field offices strategically located close to manufacturing facilities, ports and metropolitan centers for optimum efficiency.



		Ranger	Gemini	Inway	Ligon	Poole	Total
Trailer Equipment	Vans	2,936	–	819	343	1,287	**5,385**
	Specialty Vans	307	–	36	–	–	**343**
	Reefers	166	–	–	4	–	**170**
	Flatbeds	683	–	928	1,021	463	**3,095**
	DropDecks Lowboys	188	–	298	161	129	**776**
	Lite Specialty	10	–	102	7	–	**119**
	Total	**4,290**	–	**2,183**	**1,536**	**1,879**	**9,888**
Power Equipment	Owner-Operators	2,950	260	1,750	1,040	50	**6,050**
	Employee Drivers	–	–	–	–	1,050	**1,050**
	Total	**2,950**	**260**	**1,750**	**1,040**	**1,100**	**7,100**

Board of Directors

Jeffrey C. Crowe
Chairman of the Board

Jerry T. Armstrong
President
Merchants of Texas, Inc.

David G. Bannister
Managing Director
Alex. Brown & Sons Incorporated

John B. Bowron
Senior Vice President
Landstar System, Inc.

Arthur J. Fritz, Jr.
President
J. Fritz Winery

John H. Morris
President
The Gordon + Morris Group

David Wahrhaftig
Vice President
Kelso & Company, Inc.

Executive Officers

Jeffrey C. Crowe
Chairman of the Board, President and Chief Executive Officer

Henry H. Gerkens
Vice President and Chief Financial Officer

John B. Bowron
Director and Senior Vice President

Michael L. Harvey
Vice President, General Counsel and Secretary

Brian C. Kinsey
Vice President — Operations and Safety

Robert C. LaRose
Vice President and Controller

Robert C. Luminati
Vice President — Management Information Systems

Offices

Corporate Headquarters
Landstar System, Inc.
First Shelton Place
1000 Bridgeport Avenue
PO Box 898
Shelton, CT 06484-0898
(203) 925-2900

Automotive Marketing Office
28457 Hildebrandt
Romulus, MI 48174
(313) 946-4006

Government Marketing Office
6225 Brandon Avenue, Suite 320
Springfield, VA 22150
(800) 443-6808
(703) 912-6808

Risk Management Claim Services, Inc.
1850 Lantaff Boulevard, Suite 102
PO Box 70
Madisonville, KY 42431-0070
(502) 821-0400

Operating Subsidiaries

Gemini Transportation Services, Inc.
4057 Carmichael Avenue
PO Box 19116
Jacksonville, FL 32245
(800) 862-9232
(904) 398-9400

Independent Freightway, Inc.
(Inway)
2330 23rd Avenue
PO Box 7013
Rockford, IL 61125-7013
(800) 435-4373
(815) 395-1112

Ligon Nationwide, Inc.
2911A Anton Road
PO Drawer L
Madisonville, KY 42431
(800) 325-4466
(502) 821-4141

Operating Subsidiaries (continued)

Poole Truck Line, Inc.
Bates Road
PO Drawer 500
Evergreen, AL 36401
(800) 544-1440
(205) 578-2836

Ranger Transportation, Inc.
4057 Carmichael Avenue
PO Box 19060
Jacksonville, FL 32245
(800) 872-9400
(904) 398-9400

Landstar Transportation Services, Inc. (LTSI)
First Shelton Place
1000 Bridgeport Avenue
PO Box 898
Shelton, CT 06484-0898
(203) 925-2900

Common Stock

Landstar System, Inc.
Traded on NASDAQ National Market System
Symbol: LSTR

Transfer Agent

Common Stock
Chemical Bank
55 Water Street
New York, NY 10041

Independent Accountants

KPMG Peat Marwick

Exhibit A-11

Safety Program

The Landstar organization is fully committed to the conduct of its trucking operations in the safest possible manner. This is a commitment that starts at the top with the President of Landstar System, is made known, monitored, enforced, and reinforced throughout the operating companies by senior management personnel, and is implemented by all Landstar employees and drivers.

The Landstar organization maintains its Safety Program at the Landstar level to assure certain uniformity and to provide benefits from economies of scale in developing and implementing the Safety Program. Each individual motor carrier has its own independent safety program, but conducts the program and reports on its results directly to Landstar.

The Landstar Safety Council

The heart of the Landstar Safety Program is the Landstar System Safety Council, made up of senior management personnel from Landstar and each of its motor carrier subsidiaries. Senior management is actively involved in the Safety Council, because safety is a matter of utmost concern at Landstar's highest levels of management and on down.

The member of the Safety Council from Landstar System is Brian Kinsey, Vice President, Operations, Safety, Marketing and Planning.

Members from Ranger's management are Jay Folladori, Vice President of Operations; J.E. Rohrbaugh, Vice President Safety Services; and Herman Fauss, Safety Director.

Members from Inway's management are Mike Stopka, Senior Vice President; John Collins, Vice President Operations; and Dan Smith, Safety Director.

Members from Ligon's management are Randy Workman, Vice President Administration and Quality Control; John Higgs, Vice President Operations; Tom Mayes, Director of Loss Prevention; and Donnie Carroll, Safety Director.

Members from Poole's management are Jerry Umthun, Vice President Operations; Richard Jenkins, Vice President Quality and Loss Prevention; and Harry Crabtree, Safety Director.

The member from Gemini (whose operations are vastly smaller than those of the other motor carriers) is Don Lucchesi, President.

Finally, Dennis Owen, Vice President, Risk Management for RMCS, also sits on the Safety Council.

Safety Council Resumes

The resumes for all of the members of the Safety Council are set forth here.

Landstar, Brian Kinsey - Brian Kinsey graduated from Georgia Tech in 1973 with a Bachelor of Science degree in Behavioral Management. In 1975, he received an MBA from Harvard Business School. From 1975 through 1980, he worked in the Airline Services Division of Dobbs House, Inc. in the position of General Manager at three airport facilities, solving employee relations, customer service, and safety and profitability problems. In 1981, he joined North American Van Lines as Director of Planning and in 1983 he became Vice President of Operations, High Value Products Division. In 1984, he joined Independent Freightway, Inc. as Vice President, Operations and Safety. In 1989, he was promoted to Executive Vice President, and was subsequently promoted to his current position at Landstar System. He is Chairman of the ATA Foundation Task Force on Alternative Fuels, as a member of the ATA Highway Policy Committee and the ATA Safety Management Council. He was Chairman of the Independent Contractor Division of the Interstate Truckload Carriers Conference in 1991-92, and is currently Chairman of the Driver Development Committee of the ITCC. He has also served on the Board of Directors and Executive Committee of the ITCC for the past 3 years.

RCMS, Dennis Owen - Dennis Owen joined Landstar in 1985 as Vice President of Risk Management. He is responsible for property/casualty insurance, claims administration, alternative risk financing, loss control, employee benefits and risk management for Landstar. Prior to joining

Landstar, Mr. Owen was the Director of Risk Management for Ligon. Mr. Owen has additional experience with Brand Insulations, Inc. as General Counsel. Mr. Owen holds a Bachelor of Science degree in personnel Management from Northern Illinois University in Dekalb, Illinois and a Doctor of Laws Degree from Loyola University in Chicago, Illinois. He is a deputy member of the Risk Management Society and a member of the American Bar Association.

Gemini, Donald A. Lucchesi - Donald Lucchesi was elected Vice President - Planning and Marketing of Landstar effective October 18, 1988 and has served as General Manager of Gemini since February, 1991. Mr. Lucchesi became President of Gemini February 20, 1991. He joined IU Truckload in September 1988 as Vice President - Planning. Prior to joining IU Truckload, Mr. Lucchesi served as Director or Marketing and other positions at United Brands Company and subsidiaries thereof from September 1982 to September 1988.

Ranger, Jay Folladori - Jay Folladori attended the University of Arkansas in Fayetteville. He has been in the transportation industry for over 17 years. His previous experience includes Director of Operations and Senior Vice President of Sales and Marketing for Eck Miller Transportation and time as an account executive for Schilli Transportation, Inc. Jay now serves as Vice President of Operations.

Ranger, J.E. "Jamie" Rohrbaugh - After serving in the U.S. Army from 1966 to 1969, Jamie Rohrbaugh attended Georgia State University, Atlanta. His additional education includes attendance at Penn State University in 1983 and accident investigation training at Penn State in 1984. In June of 1976, he joined Kee Transportation Company in Jacksonville, Florida, serving various positions including sales, operations, and special commodities division management. He was promoted to Vice President and General Manager in 1979. Mr Rohrbaugh joined Ranger in 1983 as the Safety Manager. He was promoted in 1984 to Director of Safety and Compliance. In 1986, he was appointed Director of Flatbed Operations. He became Region General Manager covering the Central and Midwest regions in May of 1988. A year later, he was appointed General Manager of the Midwest region. He was then promoted to Vice President in April 1990. Currently, Mr. Rohrbaugh serves as Vice President of Safety Service for Ranger.

Ranger, Herman Fauss - Herman Fauss has a four year Bachelor degree in Business Administration with a major in transportation from the University of Georgia. He has four years of service as a commissioned officer in the U.S. Army Transportation Corps. From 1957 to 1965, he worked as a Safety Inspector for the Interstate Commerce Commission. During his time with the ICC, he developed a training program and wrote a text book for the National Conference of State Transportation Specialist in safety and economics of motor transportation. From 1965 to 1987, he was District Supervisor, Special Agent, and Officer-in-Charge for the ICC in Jacksonville, Florida. He came to Ranger in 1987 as Director of Safety and Compliance and holds that position presently.

Inway, Mike Stopka - Michael Stopka started his transportation career in 1970 as Traffic Coordinator for Toyota Motors. While employed at Toyota, he graduated from the College of Advanced Traffic and attended Triton Junior College. From 1972 to 1974, he was employed at E.J. Brach & Sons as a rate analyst. In 1974, he joined Spector Red Ball as Traffic Analyst and was promoted in 1980 to Manager of Market Services. In 1982, he joined Inway as Director of Traffic and was promoted to Senior Vice President in March 1991.

Inway, John Collins - John Collins graduated from Mount Mercy College, Cedar Rapids, Iowa in 1977 with a B.S. degree in Business Administration and Criminal Justice Administration. From 1977 to 1979, he was a police officer for the City of Cedar Rapids. He began as Management Trainee in safety and claims at CRST and was later promoted to Fleet Manager of 100 drivers and Supervisor of Dispatch. In 1985, he was hired as Manager of Operations by Inway, promoted to Director of Operations in 1986, and to Vice President of Operations in 1989. In this position, he is responsible for the Trailer, Operations, and Fleet Administration Departments. These departments, in addition to the entire Inway staff, have reduced driver turnover to 43%, developed a Buddy Program, and implemented new dispatch and operational programs.

Inway, Dan Smith - Dan Smith attended Denver University from 1956 to 1957, majoring in Production Management, and Bradley University from 1957 to 1960, majoring in Management and Accounting. In 1957, while attending college, he began working at United Parcel Services as Extended Terminal Manager. In 1960, he worked at Moore Business Forms, Inc., as a Special Account Sales Representative. He went to work at Elkstorm Carlson & Company as Manager of Traffic and Material Control in 1962. In 1983, Mr. Smith came to work at Inway as Supervisor of Safety and Claims. From 1984 to present, he has held the position of Director of Safety at Inway.

Ligon, Randy Workman - Randy Workman served in the U.S. Navy in Germany from 1971-1972. In 1976, he graduated from Michigan State University with a B.A. in Telecommunications. Since 1976, he has been with Ligon moving up through the ranks as Editor/Photographer/Inspector for the Safety Department, and driving for three months before moving into Operations in 1977 as a Van Truck Coordinator. Since that time, he has held positions as Regional Freight Supervisor, Assistant Manager, Van Division Operations Manager, Chief Truck Coordinator, Freight Operations Manager, Van Division Operations Manager. In 1987, he was promoted to Director of the Van Division and then Director of Recruiting, Director of Truck Operations, Director of Operations (Freight and Trucks), and, in 1993, was promoted to Vice President of Administration and Quality Control.

Ligon, John Higgs - In 1957 to 1959, John Higgs attended Murray State College majoring in Industrial Arts. He began his trucking career with straight trucks and became an owner operator in 1961. By 1971, he owned a small fleet, and, after selling it, became a dispatcher and worked in sales for a heavy haul company. Later, he joined Eck Miller as Director of Machinery Division from 1976 to 1979. He went on to become an Agent and Fleet owner for Ligon in Owensboro, Kentucky, and starting a sided fleet and recruiting owner operators. In 1980, he became the Branch Office Manager and, the following year, served as District Manager for Kentucky, Indiana, Illinois, and Ohio. In 1982, he became Director of Support Services in Madisonville, Kentucky, and served as Director of Recruiting until 1985 when he was promoted to Director of Maintenance. Mr Higgs has served as Vice President of Operations since 1988.

Ligon, Tom Mayes - Tom Mayes graduated from Western University in 1965 with a Bachelor of Science degree in Mathematics. Subsequent to his graduation, he began his career as a high school math instructor. In 1969, he started working as an Insurance Agent specializing in Property and Casualty Insurance. In 1970, he joined Ligon as Revenue Consultant. In 1971, he became Orientation Instructor. From 1967 to present, he has served as Ligon's Safety Director. He has successfully completed the Dale Carnegie course and attended a workshop dealing with hazardous materials. He has held office of Vice Chairman for the Council of Safety Supervisors, American Trucking Association.

Ligon, Donnie Carroll - Donnie Carroll attended the University of Kentucky and Eastern Kentucky University and served in the U.S. Air Force. He also attended the National Sheriffs Academy at University of Southern California at Los Angeles and graduated with a Law Enforcement Management degree. He served as Deputy Sheriff, Sheriff, and Jailer of Hopkins County prior to joining Ligon's Safety Department in October, 1979. Positions in which Donnie has served include: Senior Safety Advisor, Claims Specialist Supervisor, Risk Management/Claims Specialist, Claims Adjustor/Investigator, and most recently as Manager of Cargo Claims. Donnie was promoted to Safety Director in April, 1993 in which position he oversees the daily operation of both the Safety Department and Accident/Cargo Claims Department.

Poole, Jerry Umthun - Jerry Umthun graduated in 1980 from the University of Tennessee with a Bachelor of Science degree in Business Administration. Beginning in 1971, he worked for Umthun Trucking Company doing various shop and maintenance duties part-time and later was an over-the-road driver. In 1979, he became employed by Skyline Transportation as a local delivery driver and dock worker. After graduating from the University of Tennessee, he went to work for Ryder/PIE Nationwide, Inc. and Pacific Intermountain Express and served in the capacities of Operations and Sales Trainee, Operations Supervisor, Operations Manager, and Terminal Manager. From 1984 to 1991, Mr. Umthun worked for Inway as Manager of Communications and Advance, Manager of Trailing Equipment, Maintenance, Manager of Recruiting and Retention, and Director of Operations. He presently holds the office of Vice President of Operations at Poole.

Poole, Richard G. Jenkins - Richard Jenkins graduated from Troy State University with degrees in Business Administration and Marketing. He was a division supervisor for eight years at Travelers Insurance Company with areas of responsibility in commercial auto and property, large loss injury supervision, and claim rep training. He was also a division supervisor for American States Insurance Company with job duties similar to those at Travelers with the addition of supervision of all motor truck cargo loss, inland marine loss, and workers' compensation loss. He has been with Poole since 1981 having served as Claim Manager, Risk Manager, and is currently Vice President of Quality and Loss Prevention. He is enrolled in CPCU, working toward an Associate in Risk Management Degree, and is a personal injury paralegal.

Poole, Harry Crabtree - Harry Crabtree has an Associate of Arts Degree in Business Management with a 4.0 GPA. He began his career with Poole Truck Line in 1979 in the Maintenance Department. From 1979 to 1983, he was the Assistant Warehouse Foreman. From 1983 to 1986, he was a dispatcher in the Operations Department. From 1986 to 1989, he was the Cargo Claim Manager. From 1989 to mid 1991, he held the position of Assistant Safety Director. Presently he holds the position of Director of Safety.

Oversight, support and coordination of the Landstar System Safety Program comes from Brian Kinsey and Dennis Owen. They direct the Safety Council to formulate company strategy, develop loss control and prevention policies and foster their adoption, implementation and maturation throughout the Landstar organization. Rather than a passive approach, Landstar has adopted enthusiastically a proactive risk management program.

The results of this program are explained throughout this self-insurance application. They extend to all aspects of operations, risk management, driver retention, and culminate in impressive safety results and the award of the highest "satisfactory" safety rating to each of the motor carrier companies.

Safety Council Purposes and Programs

The heart of the program is the Safety Council. The Council's stated purposes are as follows:

- To achieve compliance with US Department of Transportation safety regulations which apply to the trucking industry.
- To provide the Landstar motor carrier operating companies with timely information concerning the nature and extent of exposures represented by the risk and the effectiveness of the company's loss control practices.
- To inform each operating company of Landstar's minimal loss control standards, the company's rating according to these standards, and the actions each company must take to achieve and maintain these standards.
- To assist and encourage each of the operating companies in its maintenance and improvement of its loss control procedures, so that each company

will enjoy optimum loss reduction, lower insurance costs and lower claim costs.

The Landstar Safety Program includes consideration of safety standards and a program to achieve compliance with those standards. The Landstar program includes consideration of a number of different items, including the following, illustrative items.

With respect to driver qualification, Landstar is committed to meeting (and in many instances exceeding) the minimum requirements for qualification of drivers of commercial motor vehicles. Landstar has identified several of the DOT regulations that are critical to its minimum loss control standards. These are:

- Completion of a suitable driver employment or contract application.
- Satisfactory confirmation of prior commercial driving experience, work history, and background.
- Holding a valid commercial driver's license.
- A current and eligible motor vehicle record abstract.
- Completion of a thorough physical exam at prescribed intervals by a qualified physician confirming physical fitness to operate a commercial motor vehicle.
- Successful completion of a written exam covering DOT rules pertaining to commercial motor vehicle safety.

- Completion of a well designed road driving skill test.
- Completion of the required drug test.

Regarding motor vehicle records, each operating company is required to secure appropriate driver records at the time of initial application, each year thereafter, and promptly following any driver involvement in an avoidable accident. Driving records are evaluated according to DOT and Landstar criteria.

Regarding driver eligibility requirements, Landstar maintains an extensive list of driver eligibility requirements which exceed those established by DOT Safety regulations. These include explicit listing of standards which will disqualify a potential driver if they occur during the three years prior to employment and certain violations of regulations (including, for example, driving a commercial motor vehicle while under the influence of alcohol or controlled substances) which are permanently disqualifying.

Another part of the Safety Program is a road driving skill test, administered by each operating company. The test is designed to determine the applicant's ability to:

- Operate the assigned equipment in a safe and defensive manner.

- Transport the cargo normally handled in a safe and secure manner.

- Perform the loading and unloading assignments in a safe and proper manner.

Company standards for the administration of the road test are detailed, to assure that the test is given and the drivers skill is demonstrated under conditions as close to ordinary operating conditions as possible.

Regarding the DOT mandated drug testing policy, Landstar has a clearly and explicitly stated policy to provide a drug free work environment for its employees, independent contractors and others, and, to be in compliance with DOT regulations and other applicable laws and regulations in this area.

Landstar maintains a DOT qualified drug testing program, with the tests performed as prescribed by DOT regulations. In addition, each operating company has established an employee assistance program which includes an educational and training program for drivers and supervisory personnel; this addresses issues relating to use of controlled substances.

Once a driver is hired (or an owner operator is under contract) the Safety Program includes an explicit policy of driver control and improvement. Based on RMCS' experience in handling trucking accident claims, the company has identified a number of facts significant to loss control. Many of these results suggest that a few drivers are involved in a disproportionate number of accidents. For this reason, the Landstar program requires special steps to be taken following an accident, including promptly obtaining an updated motor vehicle record on each driver involved in an avoidable accident, and the conduct of post accident interview with a driver in order to identify the likely causes of the accident and to prescribe corrective action necessary to avoid a future incident. This is but another example of the proactive nature of the Landstar program.

Although safety primarily focuses on the driver, another important element of safety is fleet equipment maintenance. From its analysis of operations, Landstar's policy is that proper fleet equipment maintenance is essential to profitable motor carrier operations and an integral part of loss control. Experience has shown that improperly maintained equipment contributes to loss exposure through mechanical failures (and such equipment is often the basis for poor driver attitudes and performance), and defective equipment often cannot be operated safely.

With this in mind, Landstar encourages its operating companies to establish a fleet maintenance program that is in full compliance with the DOT regulations (and conducted in accordance with the equipment manufacturer's maintenance specifications), including enforced requirements that drivers conduct pre-trip and post-trip inspection of each vehicle. Certifications of safety are required for each leased vehicle as well as certifications of regular maintenance repair and inspection by the owner of all leased equipment.

The maintenance program and records of each of the operating companies is audited by Landstar to assure compliance with these maintenance standards.

Landstar has also developed, at significant cost, a <u>conspicuity program</u>, which involves the application of special reflective sheeting to all of Landstar's more than 10,000 vehicles, including its owner operator and fleet trailers of all kinds. To Landstar's knowledge, this program was the first large scale fleetwide commitment to trailer conspicuity in the truckload industry. This program leads to dramatically increased visibility on the highway, resulting in fewer incidents.

Landstar's Proactive Approach to Safety

A number of specific examples demonstrate Landstar's imaginative and proactive approach to safety.

The Safety Council prepares certain reports throughout the year. The *Contract Hauler's Quarterly* is a 4-6 page publication distributed to over 7,000 Landstar contractors and drivers, and other interested persons. The publication addresses such issues as safety, weather, legal, financial, and other topics pertinent to the Landstar System.

The Council also publishes the *Scoreboard and Safety Report* on a monthly basis for distribution to senior level management personnel at Landstar and the operating subsidiaries. This in-house publication contains an up-to-date safety activity report, complete with charts and graphs, comments on he latest accident trends and success in addressing the accident rate goals. Feedback from this publication indicates that it helps management identify problem areas and potential problem areas, thereby making it possible to address these problems at the earliest possible stage, rather than after an accident happens.

Throughout the year, both Mr. Kinsey and Mr. Owen are constantly on the lookout for safety related articles. When these are unavailable elsewhere, they prepare their own memos or "white papers" dealing with loss prevention and safety. This material is distributed with an appropriate cover letter to senior management in order to keep them fully up-to-date regarding safety issues. Recent topics prepared for this distribution include accident investigation and the defense of lawsuits, renewed focus on driver development programs, evaluating retention programs, safety theme benefits, and the Vorad vehicle detection and driver alert system.

As a part of the Safety Program, each of the operating companies has an accident rate goal for each period. Each month's *Scoreboard and Safety Report* compares actual year to date accident frequency with the goal. If the monthly report indicates that companies are not meeting their goals, each offending company is responsible for reporting immediately directly to Landstar's President, Jeff Crowe, to explain the reasons for failure to meet the goals and the steps to be taken to improve performance.

Among the programs underway, Landstar has surveyed drivers and has used the feedback from the survey to develop its 1993 Safety Program using the theme "We care about you." The importance of following through on this theme, to improve driver attitude and safety performance, is reflected in the fact that Landstar's President Jeff Crowe, led the presentation of this program to the Safety Council. At the recent Landstar "convention," attended by virtually all management of the operating motor carriers, Mr. Crowe personally made a keynote presentation on behalf of maintained and improved safety performance.

One small example (but one which shows the breadth of this program) is the poster (one of many prepared by drivers' children) under the "We care about you" theme, included as the last page of this Exhibit.

The extent of Landstar's Safety Program and management emphasis on it is reflected as well in the results of the Landstar motor carrier operating companies. For example, in 1992, in reviewing the total incident frequency rate, each of the operating companies (except Gemini) improved on the performance during 1991. Overall there was a 9% improvement for all of the operating companies. (Gemini's failure to improve was the result of its being much smaller than the other companies and therefore even a very few incidents harm its average.)

Comparing the DOT reportable accident frequency rate, for 1992 with that for 1991, each of the motor carrier operating companies showed an improvement from 1991; overall, there was a 12% improvement from 1991.

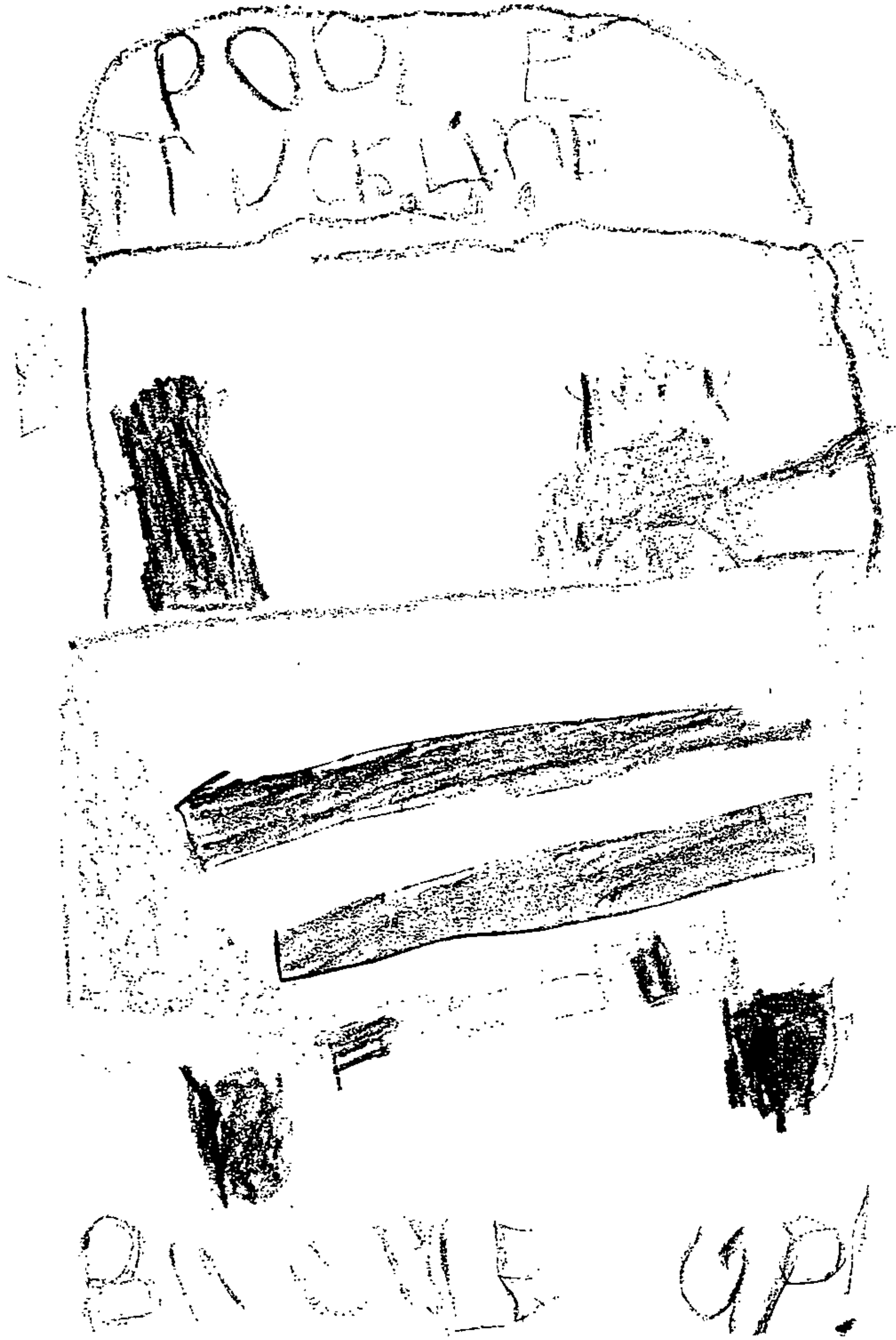
In terms of the fatal accident frequency rate, it is pertinent to know that each company improved from 1991, and overall, there was a 70% improvement from 1991. It is far more significant to note that these five operating companies, which operated approximately 592 million miles during 1992, had a total for five carriers of eight fatal accidents and nine fatalities in 1992. Of these, five accidents, accounting for 6 of the fatalities, involved the other vehicle striking a Landstar truck. This is both an extraordinarily low number and a significant improvement over an already low 1991 result. No fatality is acceptable, but these results show a true commitment to safety and the successful implementation of the Safety Program at the driver level.

Another measurement of Landstar's commitment to safety is its improvement in safety performance. For example, comparing the DOT reportable accident rate per million miles for the years 1987-1992 shows the following significant improvement:

1987	.71 accidents per million miles
1988	.75 accidents per million miles
1989	.74 accidents per million miles
1990	.58 accidents per million miles
1991	.52 accidents per million miles
1992	.46 accidents per million miles.

This is but another example of the success of the Landstar Safety Program, not only in theory but also in practice

The foregoing is intended to provide a very brief description of the vast, thorough, highly effective, and ever improving Landstar Safety Program, which makes the Landstar motor carriers especially well qualified to act as self-insurers.



Drawing done by Alexandria Arceneaux,
daughter of Poole driver Jerome K. Arceneaux.

Exhibit A-12

Claims Department

The Landstar carriers have for some years operated with "deductible" insurance policies - $1 million for automobile liability (increased to $1.5 million during the period May 1, 1991 - April 30, 1992) and $100,000 for cargo liability. [1] This means, for all practical purposes, Landstar's motor carriers for many years have been self-insured to the limits sought in this application.

To handle all claims and provide complete risk management services to all operating motor carriers, Landstar created Risk Management Claim Services, Inc. ("RMCS"), a wholly-owned Landstar subsidiary devoted entirely to risk management and related claims activities on behalf of the Landstar motor carriers.

RMCS is active in the formation and implementation of the Landstar risk management policy. Among RMCS's many activities are all aspects of the process relating to the evaluation of and placing of insurance, and all claims and litigation management of all automobile and general liability claims.

RMCS's activities are headed by Dennis Owen, who also holds the title of Vice President of Risk Management

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[1] Although ICC regulations require only $10,000 cargo insurance coverage, Landstar maintains coverage of $10 million. (<u>See</u>, Exhibit A-8)

for Landstar. Mr. Owen's qualifications are described in Exhibit A-11.

Working under Mr. Owen in the Claims Department are the following individuals:

William Cary Burns, Clams Manager, holds a Bachelor of Arts degree from the University of Kentucky. His continuing education includes more than 100 hours in accident reconstruction and courses dealing with the evaluation of catastrophic personal injury claims. Other related education includes ATLA seminars dealing with investigation and evaluation and disposition of casualty claims; motor fleet security courses; the legal evaluation of marine claims; and other courses involving evaluation techniques for claims. Mr Burns has been employed by RMCS since 1984, and for 12 years prior to that he was employed by Ligon in a variety of claims related positions, including Claims Manager Loss Control Director.

Lisa E. Smith, Legal Secretary/Office Manager, is involved in performing support duties for the Vice President, including maintaining records on cases in litigation and correspondence to outside counsel dealing with such cases.

Margaret McBride, a data processing specialist, has been employed by RMCS since 1988. Her responsibilities include data input, analyzing and correcting data for purposes of generating reports for claims and safety related purposes.

Wilma Henderson, a claims examiner, has been employed by RMCS since 1989. Her responsibilities include the administration of third party liability claims for several of the Landstar operating companies and providing assistance to the Claims Manager in administering lawsuits.

Mary Lou Noffsinger, a Claims Specialist, has been employed by RMCS since 1986. Her responsibilities include preparing claim files for several Landstar operating companies and assisting claim representatives in various day to day activities.

Reva J. Sunn, Claims Examiner, has been employed by RMCS since 1986. Her responsibilities include the administration of third party liability claims for various Landstar operating companies. She has been employed in trucking related claim fields since 1975.

Deborah S. Butler, Claims Examiner, has been employed by RMCS since 1988. Her activities include examination of claims, administration of third party liability claims for various Landstar operating companies, and providing assistance to the Claims Manager in administering lawsuits involving certain Landstar companies.

The sophistication of Landstar's risk management program is shown in part by the relatively high deductible limits for its insurance policies. Insurance carriers do not permit such high deductible limits (since the insurance carrier is legally responsible for first dollar coverage, the insurance carrier must approve any deductible limits) except when the motor carrier demonstrates its own satisfactory risk management capabilities.

To provide an overview of the activities of RMCS, one can consider the RMCS "Risk Management Procedures Manual" which the company has developed and maintains. This manual, nearly three inches thick, includes a thorough description of the risk management program, devised to provide uniformity and a thorough consideration and treatment of each claim.

In addition to the "usual" features describing the company's insurance coverage and a general statement of policy, the manual includes, at great length and in great detail, information explaining the procedures to be followed in handling claims.

For example, under the heading "Personal Injury and Property Damage Accident Reporting" the manual includes specific sections dealing with the driver's responsibility for reporting incidents to the operating company; the operating company's responsibility for reporting to RMCS; the operating company's responsibility for reporting to the US Department of Transportation; and RMCS' responsibility for reporting to insurance carriers.

The manual includes a separate section including similar descriptions for dealing with cargo claims.

The manual also includes a detailed list of approved adjustors throughout the United States, and, should legal action be instituted, a directory of recommended attorneys throughout the United States and Canada. Depending on the nature of any legal action actually begun, RMCS representatives work closely with defense attorneys.

Another section of the manual includes precise, step by step requirements relating to the investigation of all claims. This includes a checklist, a description of RMCS internal controls, a description of data processing procedures for each claim, a description of the policy regarding file retention and destruction of documents, and a statement relating to liability reserve standards.

Similarly, the manual includes explicit instructions relating to litigation management, including specific provisions relating to settlements of claims.

The foregoing is intended as but the visible "tip of the iceberg" regarding risk management and claims handling procedures under the direction of RMCS. Landstar's risk management and claims handling process, described briefly here, is an extension of the Landstar safety program, which is described in additional detail in Exhibit A-11.

Exhibit A-13

Savings From Self-Insurance

The Landstar organization expects meaningful savings from approval of its self-insurance application, measured both in strictly monetary terms, but also in less readily quantifiable terms which are nevertheless important.

In terms of monetary savings, it is difficult to place an exact value on expected savings by reason of the continuing need, at least for the immediate future, to file first dollar coverage in Canada for international operations and in certain states for which approval as a self-insurer for intrastate operations may not readily be available. (See, Exhibit A-4, supra.)

As a part of its arrangement with its insurer under current policies, Landstar effectively "guarantees" with letters of credit the performance of payment of claims with respect to BI & PD claims within the limits of its $1 million deductible coverage. [1] These letters of credit are for the purpose of setting aside funds to guarantee the payment of claims. At May 1, 1993, letters of credit to

[1] *With rare exception, cargo claims are readily paid out of current funds.*

guarantee payment of Landstar claims totalled approximately $ 28.5 million. [2]

Landstar believes that with the replacement of its current $1 million deductible program with ICC authorized self-insurance, it shall no longer be required to incur the cost of maintaining such letters of credit. As past claims are settled, Landstar shall realize savings from reducing the letters of credit relating to such claims and the annual cost of maintaining them, now approximately $12,500 per million dollars, or approximately $357,000 annually.

Based on past ICC decisions, Landstar would expect to maintain letters of credit totalling only $5 million, which would provide for significant annual savings of as much as $219,000 when all letters of credit in excess of $11 million ($5 million for ICC self-insurance and $6 million for worker's compensation) have been eliminated.

Less tangible but still meaningful are the benefits flowing from freeing the borrowing capacity under the Landstar credit arrangement (<u>See</u>, Exhibit B-5, <u>infra</u>), so

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[2] This includes letters of credit of approximately $6 million for Worker's Compensation claims which will continue to be required upon this application's approval.

that such credit may be made available for other general operations.

Landstar also believes that as its self-insurance program is implemented within the remaining states, its insurance premiums will drop.

In addition to the foregoing monetary savings, there are non-monetary reasons for seeking to self-insure.

First, Landstar believes that by obtaining self-insurance authorization, it cannot only achieve meaningful savings during the first year, but that such savings will increase in future years. All indications seem to be that as a result of a variety of factors, including a number of natural disasters during the past year, insurance premiums may be expected to increase in the near term. [3] With self-insurance authorization, Landstar expects its savings to extend beyond the current year into the future, when the dollar savings from self-insurance will be greater.

Second, Landstar believes that by self-insuring, it insulates itself to a large degree from the periodic dramatic swings in the cost of liability insurance

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[3] See, for example, "Reinsurance Rate Hikes Expected to Continue," Journal of Commerce, May 26, 1993, p. 9A.

coverage. One of the reasons for Landstar's ongoing improvement in operating results has been its ability to identify certain goals and work toward accomplishing those goals. In this way, those in the Landstar organization can see that their hard work has an immediate payback in terms of achieving these goals. This results in improved performance throughout the organization.

By insuring against fluctuations in the cost of commercial insurance - fluctuations which most dramatically affect first dollar coverage - Landstar can focus its personnel on achieving financial results which are directly and wholly a result of Landstar's activities, not unexpectedly impacted by the unpredictible swings of the commercial insurance market.

There is one further benefit to self-insurance authorization. Landstar is justifiably proud of the safety performance of its operating companies, as described throughout this application. Today, for all practical purposes, Landstar operates under a semi-self insurance program by virtue of its $1 million deductible limits. To the extent Landstar becomes even more responsible for its own safety results as a self-insurer, there is an increased effort put forth throughout the operating companies to improve safety performance even further.

In a nutshell, by self-insuring the initial $1 million level, Landstar can better control its future costs. This is the most important "saving" from self-insurance authorization.

Exhibit B-1

Financial Information

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LANDSTAR SYSTEM, INC. AND SUBSIDIARY

Consolidated Financial Statements and Consolidating Information

March 27, 1993

(Unaudited)

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

	March 27, 1993 (Unaudited)	December 26, 1992
Assets		
Current assets:		
Cash	$ 2,822	$ 12,335
Cash held in escrow	35,150	
Trade accounts receivable, less allowance of $2,836 and $2,428	73,050	73,519
Other receivables, including advances to owner-operators, less allowance of $3,636 and $3,294	9,502	7,101
Inventories	1,026	1,092
Prepaid expenses and other current assets	4,836	4,704
Total current assets	126,386	98,751
Operating property, less accumulated depreciation of $20,462 and $17,709	50,894	44,002
Goodwill, less accumulated amortization of $2,128 and $1,904	34,060	34,284
Deferred income taxes and other assets	4,672	4,041
Total assets	$ 216,012	$ 181,078
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Cash overdraft	$ 5,305	$ 5,463
Accounts payable	17,823	17,785
14% senior subordinated notes	35,000	
Borrowings under revolving credit facility	6,500	
Current maturities of long-term debt	9,488	10,838
Estimated insurance claims	13,873	13,548
Accrued compensation	3,255	9,747
Other current liabilities	16,655	22,008
Total current liabilities	107,899	79,389
Long-term debt, excluding current maturities	35,453	57,469
Estimated insurance claims	12,190	10,341
Other liabilities	606	1,123
Warrants		2,899
Common shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,316,881 and 8,747,241 shares	123	88
Additional paid-in capital	54,124	21,894
Retained earnings	5,857	8,115
Cost of 24,041 shares of common stock in treasury	(240)	(240)
Total common shareholders' equity	59,864	29,857
Total liabilities and common shareholders' equity	$ 216,012	$ 181,078

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended	
	March 27, 1993	March 28, 1992
Revenue	$ 171,121	$ 148,221
Costs and expenses:		
Purchased transportation	108,469	92,486
Drivers' wages and benefits	9,105	8,845
Fuel and other operating costs	13,933	13,817
Insurance and claims	7,651	6,420
Commissions, agents and brokers	9,729	7,975
Selling, general and administrative	15,490	13,718
Management fee	1,275	75
Depreciation and amortization	3,093	2,777
Total costs and expenses	168,745	146,113
Operating income	2,376	2,108
Interest and debt expense	2,275	2,409
Income (loss) before income taxes	101	(301)
Income taxes (benefit)	47	(205)
Income (loss) before extraordinary loss	54	(96)
Extraordinary loss	(1,830)	
Net loss	$ (1,776)	$ (96)
Earnings (loss) per share:		
Earnings (loss) before extraordinary loss	$ .01	$ (.01)
Extraordinary loss	(.18)	
Net loss	$ (.17)	$ (.01)
Average number of common shares and common stock equivalents outstanding	10,230,000	8,840,000

See accompanying notes to consolidated financial statements.

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

	Thirteen Weeks Ended March 27, 1993	Thirteen Weeks Ended March 28, 1992
OPERATING ACTIVITIES		
Net loss	$ (1,776)	$ (96)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Extraordinary loss	1,830	
Depreciation of operating property	2,869	2,510
Amortization of goodwill	224	267
Other amortization	176	328
Provision for losses on trade and other accounts receivable	986	429
Income tax benefit	(3)	(205)
Gain on sales of operating property	(172)	
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(2,918)	(3,169)
Decrease in inventory, prepaid expenses and other assets	112	1,563
Decrease in accounts payable and other liabilities	(10,360)	(558)
Increase (decrease) in estimated insurance claims	2,108	(929)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(6,924)	140
INVESTING ACTIVITIES		
Purchases of operating property	(514)	(168)
Proceeds from sales of operating property	497	109
NET CASH USED BY INVESTING ACTIVITIES	(17)	(59)
FINANCING ACTIVITIES		
Proceeds from sale of common stock and exercise of warrants, net of issuance costs	28,480	244
Borrowings under new term loan, net of debt issuance costs	18,800	
Borrowings under revolving credit facility	6,500	
Increase (decrease) in cash overdraft	(158)	278
Retirement of debt and principal payments on long-term debt including capital lease obligations	(21,044)	(2,296)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	32,578	(1,774)
Increase (decrease) in cash	25,637	(1,693)
Cash at beginning of period	12,335	5,642
Cash at end of period	$ 37,972	$ 3,949

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN COMMON SHAREHOLDERS' EQUITY
Thirteen Weeks Ended March 27, 1993
(Dollars in thousands)
(Unaudited)

	Common Stock		Additional Paid-In	Retained	Treasury Stock at Cost		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Balance Dec. 26, 1992	8,747,241	$ 88	$ 21,894	$ 8,115	24,041	$ (240)	$ 29,857
Sale of common stock	2,500,000	25	28,425				28,450
Exercise of warrants	1,069,640	10	3,805				3,815
Net loss				(1,776)			(1,776)
Increase in carrying value of warrants				(482)			(482)
Balance March 27, 1993	12,316,881	$ 123	$ 54,124	$ 5,857	24,041	$ (240)	$ 59,864

See accompanying notes to consolidated financial statements.

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

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("Landstar"), and reflect all adjustments (all of a normal, recurring nature) which are, in the opinion of management, necessary to a fair statement of the results for the periods presented.

(1) Management Fee

The 1993 management fee includes one-time charges in the amounts of $1,000,000 and $200,000 for the termination of the consulting and management services agreements with Kelso & Company, Inc. and Alex. Brown & Sons Incorporated, respectively. After deducting related income tax benefits of $504,000, these charges reduced earnings per share by $.07 per share.

(2) Income Taxes

The provisions for income taxes (benefit) for the 1993 and 1992 thirteen week periods are based on estimated combined full year effective income tax rates of approximately 47% and 68%, respectively, both of which are higher than the statutory federal income tax rate, primarily, as a result of state income taxes, amortization of goodwill and the meals and entertainment exclusion. The meals and entertainment exclusion relates primarily to per diem reimbursement to Company-employed drivers.

(3) Earnings (Loss) Per Share

The 1993 earnings (loss) per share amounts are based on the weighted average number of common shares and warrants outstanding and assumes the 84,444 warrants issued March 1, 1993 were outstanding during the entire period.

The 1992 loss per share amount is based on the weighted average number of common shares outstanding and assumes that the 132,964 common shares issued during fiscal year 1992 and the 84,444 warrants issued March 1, 1993 were outstanding during the entire 1992 period.

(4) Initial Public Offering and Recapitalization

On March 12, 1993, Landstar completed its Initial Public Offering (IPO) by selling 2,500,000 common shares at $13.00 per share and received proceeds, net of underwriting discounts and commissions and issuance costs, in the amount of $28,450,000. In addition, all of the 1,069,640 outstanding Landstar warrants, with a carrying value of $3,785,000, were exercised at $.028075 per share, or $30,000.

On March 12, 1993, Landstar entered into a new credit facility with a syndicate of banks and Chemical Bank, as agent (the "New Credit Agreement"). The New Credit Agreement provides $80,000,000 of financing consisting of a $20,000,000 term loan (the "New Term Loan") and $60,000,000 of revolving credit (the "Revolving Credit Facility"). $40,000,000 of the total borrowing capacity under the Revolving Credit Facility may be utilized in the form of letter of credit guarantees. The New Term Loan is repayable in ten equal semi-annual installments commencing September 30, 1993. The Revolving Credit Facility expires March 12, 1998.

The New Term Loan and borrowings under the Revolving Credit Facility bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by Chemical Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, plus in each case a margin of 1/4% (or, if certain financial tests are met, a margin of 0%), or (ii) the rate at the time offered to Chemical Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin of 1 1/4% (or, if certain financial tests are met, a margin of 1%). The unused portion of the Revolving Credit Facility carries a commitment fee of 3/8% per annum.

The New Credit Agreement requires Landstar to, among other things, maintain minimum levels of Net Worth, as therein defined, and Interest and Fixed Charge Coverages, as therein defined, and restricts among other things the payment of dividends, the incurrence of additional indebtedness, the incurrence of lease or capital lease obligations and the making of capital expenditures.

The net proceeds of $28,450,000 received from the IPO, $30,000 received from the exercise of the warrants, $18,800,000 in net proceeds from the New Term Loan and short-term borrowings under the Revolving Credit Facility were used to repay $15,229,000 of outstanding borrowings under a prior credit agreement and redeem or purchase all of Landstar's outstanding $38,000,000 principal amount 14% senior subordinated notes ("14% Notes"). $35,000,000 principal amount of the 14% Notes, were redeemed subsequent to March 27, 1993 and as such are classified in the accompanying balance sheet as a current liability. At March 27, 1993, $35,150,000 in cash was held in escrow for the redemption of $35,000,000 principal amount of the 14% Notes, plus accrued interest.

(5) **Extraordinary Loss**

The call for redemption and purchase of Landstar's $38,000,000 principal amount of outstanding 14% Notes at par value resulted in a pre-tax charge of $3,106,000. The charge for the early extinguishment of the 14% Notes, net of related income tax benefits, of $1,830,000 or $0.18 per share has been classified as an extraordinary loss.

(6) **Supplementary Earnings Per Share**

If the IPO and the redemption of the 14% Notes had taken place at the beginning of the 1993 period, net income would have been $834,000, or $.07 per share, and the weighted average number of common shares and common stock equivalents outstanding would have been 12,291,000.

(7) **Additional Cash Flow Information**

In 1993, Landstar paid income taxes and interest of $137,000 and $1,021,000, respectively, and acquired operating property by entering into capital leases in the amount of $9,572,000. In 1992, Landstar paid income taxes and interest of $116,000 and $739,000, respectively, and acquired operating property by entering into capital leases in the amount of $3,685,000.

(8) **Stock Option Plan**

On February 9, 1993, shareholders approved the Landstar System, Inc. 1993 Stock Option Plan (the "Plan"). Under the Plan, the Compensation Committee of the Board of Directors may grant stock options to employees of Landstar to purchase up to an aggregate of 615,000 shares of common stock at an exercise price which is not less than Fair Market Value on the date of grant.

On March 15, 1993, options to purchase 5,000 shares of common stock were granted under the Plan at an exercise price of $13.125.

(9) **Commitments and Contingencies**

At March 27, 1993, Landstar had commitments for letters of credit outstanding in the amount of $28,866,000, primarily as collateral for estimated insurance claims.

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition of Landstar.

Schedule I

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION
MARCH 27, 1993
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
Assets											
Current assets:											
Cash		$ 2,689	$ 84		$ 49						$ 2,822
Cash held in escrow		35,150									35,150
Trade accounts receivable, less allowance					28,759	$ 3,311	$ 20,159	$ 10,400	$ 10,421		73,050
Other receivables, including advances to independent contractors, net		48	321		3,331	172	1,869	3,027	734		9,502
Inter-company receivables		9,868	4,589	$ 10	32,373	9,169	23,603	21,410	28,889	$ (129,911)	
Inventories								56	970		1,026
Prepaid expenses and other current assets		983	1,253	3	405		432	336	1,424		4,836
Total current assets		48,738	6,247	13	64,917	12,652	46,063	35,229	42,438	(129,911)	126,386
Investment in subsidiaries	$ 63,570	97,837								(161,407)	
Operating property, net		186	12		7,564	9	4,728	4,013	34,382		50,894
Goodwill			147		4,880		3,282	6,053	19,698		34,060
Deferred income taxes and other assets		3,609			541		220	102	200		4,672
Total assets	$ 63,570	$ 150,370	$ 6,406	$ 13	$ 77,902	$ 12,661	$ 54,293	$ 45,397	$ 96,718	$ (291,318)	$ 216,012
Liabilities and Common Shareholders' Equity											
Current liabilities:											
Cash overdraft		$ 318	$ 9		$ 2,453	$ 29	$ 935	$ 1,086	$ 475		$ 5,305
Accounts payable			175		9,773	22	3,419	2,941	1,493		17,823
14% senior subordinated notes		35,000									35,000
Borrowings under revolving credit facility		6,500									6,500
Current maturities of long-term debt		4,000			963		562	269	3,694		9,488
Estimated insurance claims			1,217		3,583	575	2,374	1,753	4,371		13,873
Accrued compensation		195			588	39	439	518	1,476		3,255
Inter-company payables	$ 2,171	117,672	7,302		570	273	947	976		$ (129,911)	
Other current liabilities	1,535	1,325	1,049		4,780	663	3,980	1,332	1,991		16,655
Total current liabilities	3,706	165,010	9,752		22,710	1,601	12,656	8,875	13,500	(129,911)	107,899
Long-term debt, excluding current maturities		16,000			3,101		2,518	1,174	12,660		35,453
Inter-company long-term debt		(84,000)			18,213	6,120	12,023	15,564	32,080		
Estimated insurance claims			1,480		2,398	448	1,930	1,663	4,271		12,190
Other liabilities							220	72	314		606
Common shareholders' equity:											
Common stock	123	3	1		1	1	1	1	1	(9)	123
Additional paid-in capital	54,124	61,290	109		20,519	6,757	13,387	17,327	51,228	(170,617)	54,124
Retained earnings	5,857	(7,846)	(4,936)	$ 13	10,960	(2,266)	11,558	721	(17,336)	9,132	5,857
Treasury stock	(240)	(87)								87	(240)
Total common shareholders' equity	59,864	53,360	(4,826)	13	31,480	4,492	24,946	18,049	33,893	(161,407)	59,864
Total liabilities and common shareholders' equity	$ 63,570	$ 150,370	$ 6,406	$ 13	$ 77,902	$ 12,661	$ 54,293	$ 45,397	$ 96,718	$ (291,318)	$ 216,012

Schedule II

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF OPERATIONS INFORMATION
FOR THE THIRTEEN WEEKS ENDED MARCH 27, 1993
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustment Eliminations	Total
Revenue:											
Transportation revenue				$ 854	$ 63,502	$ 5,774	$ 45,411	$ 26,921	$ 28,659		$ 171,121
Revenue from affiliates					3,069	6	2,220	1,538	245	$ (7,078)	
				854	66,571	5,780	47,631	28,459	28,904	(7,078)	171,121
Costs and expenses:											
Purchased transportation				820	52,272	4,201	36,296	21,746	212	(7,078)	108,469
Drivers' wages and benefits									9,105		9,105
Fuel and other operating costs					679	33	893	59	12,269		13,933
Insurance and claims			$ 400		1,816	125	1,149	1,135	3,026		7,651
Commissions, agents and brokers				11	4,368	556	2,963	1,812	19		9,729
Selling, general and administrative	$ 38	$ 1,308	262	47	4,156	704	3,915	2,739	2,321		15,490
Management fee	(38)	(350)			613	53	431	275	291		1,275
Depreciation and amortization		15	2		449	1	321	234	2,071		3,093
Total costs and expenses	0	973	664	878	64,353	5,673	45,968	28,000	29,314	(7,078)	168,745
Operating income (loss)	0	(973)	(664)	(24)	2,218	107	1,663	459	(410)	0	2,376
Interest and debt expense		(1,018)	28		710	204	483	535	1,333		2,275
Income (loss) before income taxes		45	(692)	(24)	1,508	(97)	1,180	(76)	(1,743)		101
Income taxes (benefit)		19	(315)	(11)	690	(44)	540	(35)	(797)		47
Equity in earnings of subsidiaries	(1,776)	28								1,748	
Income before extraordinary loss	(1,776)	54	(377)	(13)	818	(53)	640	(41)	(946)	1,748	54
Extraordinary loss		(1,830)									(1,830)
Net income (loss)	$ (1,776)	$ (1,776)	$ (377)	$ (13)	$ 818	$ (53)	$ 640	$ (41)	$ (946)	$ 1,748	$ (1,776)

Schedule III

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION
FOR THE THIRTEEN WEEKS ENDED MARCH 27,1993
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
OPERATING ACTIVITIES											
Net income(loss)	$ (1,776)	$ (1,776)	$ (377)	$ (13)	$ 818	$ (53)	$ 640	$ (41)	$ (946)	$ 1,748	$ (1,776)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:											
Extraordinary loss		1,830									1,830
Equity in undistributed earnings of subsidiaries	1,776	(28)								(1,748)	
Depreciation of operating property		15	1		417	1	299	194	1,942		2,869
Amortization of goodwill			1		32		22	40	129		224
Other amortization		110	28		12	4	5	6	11		176
Provision for losses on trade and other accounts receivable					263	109	382	195	37		986
Deferred income taxes (benefit), net		(3)	38	1	(78)	5	(61)	4	91		(3)
Loss (gain) on sales of operating property					23		(2)	10	(203)		(172)
Changes in operating assets and liabilities:											
Decrease (increase) in trade and other accounts receivable		69	66		753	(201)	(343)	(2,195)	(1,067)		(2,918)
Decrease (increase) in inventories, prepaid expenses and other assets		(379)	(526)	(4)	350	19	53	175	424		112
Increase (decrease) in accounts payable and other liabilities	1,351	(2,759)	(3,573)		(2,646)	186	(2,466)	78	(531)		(10,360)
Increase (decrease) in estimated insurance claims			(345)		718	(71)	206	166	1,434		2,108
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,351	(2,921)	(4,687)	(16)	662	(1)	(1,265)	(1,368)	1,321	0	(6,924)
INVESTING ACTIVITIES											
Investment in LSHI	(28,480)									28,480	
Purchases of operating property		(5)	(2)		(67)		(51)	(249)	(140)		(514)
Proceeds from sales of operating property					33		9	75	380		497
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(28,480)	(5)	(2)		(34)		(42)	(174)	240	28,480	(17)
FINANCING ACTIVITIES											
Proceeds from sale of common stock and exercise of warrants , net	28,480	25,285								(25,285)	28,480
Borrowings under new term loan net,		18,800									18,800
Borrowings under revolving credit facility		6,500									6,500
Increase (decrease) in cash overdraft		134	(1,182)		(140)	(11)	401	294	346		(158)
Retirement of debt and principal payments on long-term debt including capital lease obligations		(19,978)			(197)		(143)	(60)	(666)		(21,044)
Increase (decrease) of inter-company account	(1,351)	(2,257)	5,931	16	(272)	12	1,049	1,308	(1,241)	(3,195)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	27,129	28,484	4,749	16	(609)	1	1,307	1,542	(1,561)	(28,480)	32,578
Increase in cash	0	25,558	60	0	19	0	0	0	0	0	25,637
Cash at beginning of period	0	12,281	24	0	30	0	0	0	0	0	12,335
Cash at end of period	$ 0	$ 37,839	$ 84	$ 0	$ 49	$ 0	$ 0	$ 0	$ 0	$ 0	$ 37,972

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

Consolidated Financial Statements and Consolidating Information

December 26, 1992

(With Independent Auditors' Report Thereon)

t Marwick

Certified Public Accountants

Stamford Square
3001 Summer Street
Stamford, CT 06905

Independent Auditors' Report

The Board of Directors
Landstar Systems, Inc.:

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 26, 1992 and December 28, 1991, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for the fiscal year ended December 26, 1992 and the period March 28, 1991 (inception) through December 28, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 26, 1992 and December 28, 1991 and the results of their operations and their cash flows for the fiscal year ended December 26, 1992 and the period March 28, 1991 through December 28, 1991, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in Schedules I through III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG Peat Marwick

Stamford, Connecticut
February 10, 1993 (except for Note 12,
as to which the date is March 1, 1993)

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

	Dec. 28, 1991	Dec. 26, 1992
Assets		
Current assets:		
Cash	$ 5,642	$ 12,335
Trade accounts receivable, less allowance of $2,041 and $2,428	59,336	73,519
Other receivables, including advances to independent contractors, less allowance of $3,432 and $3,294	7,663	7,101
Inventories	1,161	1,092
Prepaid expenses and other current assets	7,978	4,704
Total current assets	81,780	98,751
Operating property, less accumulated depreciation and amortization of $7,164 and $17,709	41,208	44,002
Goodwill, less accumulated amortization of $892 and $1,904	40,104	34,284
Deferred income taxes and other assets	2,082	4,041
Total assets	$165,174	$181,078
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Cash overdraft	$ 6,561	$ 5,463
Accounts payable	11,482	17,785
Current maturities of long-term debt	9,022	10,838
Estimated insurance claims	17,111	13,548
Accrued compensation	4,392	9,747
Other current liabilities	18,154	22,008
Total current liabilities	66,722	79,389
Long-term debt, excluding current maturities	58,131	57,469
Estimated insurance claims	12,620	10,341
Other liabilities	1,543	1,123
Warrants	2,463	2,899
Common shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 8,660,567 and 8,747,241 shares	87	88
Additional paid-in capital	21,493	21,894
Retained earnings	2,201	8,115
Cost of 8,611 and 24,041 shares of common stock in treasury	(86)	(240)
Total common shareholders' equity	23,695	29,857
Total liabilities and common shareholders' equity	$165,174	$181,078

See accompanying notes to consolidated financial statements.

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

	March 28, 1991 through Dec. 28, 1991	Fiscal Year Ended Dec. 26, 1992
Revenue	$453,591	$672,450
Costs and expenses:		
Purchased transportation	289,542	426,137
Drivers' wages and benefits	25,315	35,354
Fuel and other operating costs	36,598	55,209
Insurance and claims	16,165	21,238
Commissions, agents and brokers	24,580	37,783
Selling, general and administrative	39,260	61,643
Management fee	225	376
Depreciation and amortization	8,218	11,839
Total costs and expenses	439,903	649,579
Operating income	13,688	22,871
Interest and debt expense	7,723	9,701
Income before income taxes	5,965	13,170
Income taxes	3,764	6,820
Net income	$ 2,201	$ 6,350
Earnings per share	$ .22	$ .67
Average number of common shares and common stock equivalents outstanding	9,842,000	9,799,000

See accompanying notes to consolidated financial statements.

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

	March 28, 1991 through Dec. 28, 1991	Fiscal Year Ended Dec. 26, 1992
OPERATING ACTIVITIES		
Net income	$ 2,201	$ 6,350
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	7,326	10,827
Amortization of goodwill	892	1,012
Other amortization	947	1,129
Provision for losses on trade and other accounts receivable	930	3,877
Non-cash charge in lieu of income taxes	5,001	4,808
Deferred income tax benefit, net	(2,751)	(2,178)
Gain on sales of operating property		(216)
Changes in operating assets and liabilities excluding effect of acquisition:		
Decrease (increase) in trade and other accounts receivable	2,205	(17,498)
Decrease (increase) in inventories, prepaid expenses and other assets	(3,494)	3,562
Increase in accounts payable	67	6,303
Increase (decrease) in other liabilities	(1,114)	8,596
Decrease in estimated insurance claims	(4,172)	(6,405)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,038	20,167
INVESTING ACTIVITIES		
Acquisition of Landstar System Holdings, Inc., net of $2,154 of cash acquired	(14,168)	
Purchases of operating property	(2,101)	(3,553)
Proceeds from sales of operating property	2,711	1,314
NET CASH USED BY INVESTING ACTIVITIES	(13,558)	(2,239)
FINANCING ACTIVITIES		
Proceeds from sales of common stock	20,080	402
Decrease in cash overdraft	(1,244)	(1,098)
Borrowings under working capital loan		1,900
Principal payments on senior term loan, working capital loan and capital lease obligations	(7,588)	(12,285)
Purchases of common stock	(86)	(154)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	11,162	(11,235)
Increase in cash	5,642	6,693
Cash at beginning of period	0	5,642
Cash at end of period	$ 5,642	$ 12,335

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN COMMON SHAREHOLDERS' EQUITY

For the Fiscal Year Ended December 26, 1992 and the Period March 28, 1991 through December 28, 1991
(Dollars in thousands)

	Common Stock		Additional Paid-In	Retained	Treasury Stock At Cost		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Sales of common stock	8,032,000	$ 80	$ 20,000				$ 20,080
Common stock issued in acquisition of Landstar System Holdings, Inc.	654,400	7	1,493				1,500
Net income				$ 2,201			2,201
Purchases of common stock					8,611	$ (86)	(86)
Adjustment for non-split treasury stock (Note 12)	(25,833)						
Balance December 28, 1991	8,660,567	$ 87	$ 21,493	$ 2,201	8,611	$ (86)	$ 23,695
Net income				6,350			6,350
Sales of common stock	132,964	1	401				402
Purchases of common stock					15,430	(154)	(154)
Increase in carrying value of warrants				(436)			(436)
Adjustment for non-split treasury stock (Note 12)	(46,290)						
Balance December 26, 1992	8,747,241	$ 88	$ 21,894	$ 8,115	24,041	$ (240)	$ 29,857

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Landstar System, Inc. (name changed from Landstar Holding Corporation (Note 12)) and its subsidiary, Landstar System Holdings, Inc. (name changed from Landstar System, Inc. (Note 12)). Landstar System, Inc. and subsidiary are herein referred to as Landstar. Significant inter-company accounts have been eliminated in consolidation.

Fiscal Year

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

Revenue Recognition

Revenue is recognized upon completion of freight delivery.

Insurance Claim Costs

Landstar provides, generally on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $100,000 for each cargo claim.

Inventories

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

Tires

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

Operating Property

Operating property is recorded at estimated fair value at March 28, 1991 with subsequent additions at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets. Revenue equipment is being depreciated over a maximum of 7 years.

Goodwill

Goodwill represents the excess of purchase cost over the estimated fair value of net assets acquired on March 28, 1991, as adjusted for certain income tax benefits (Note 3). It is being amortized on a straight-line basis over 40 years.

Income Taxes

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." FAS 109 requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes. Under the asset and liability method of FAS 109, deferred tax assets and liabilities are recorded for the future tax effects attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Landstar adopted FAS 109 in 1992 and has applied the provisions of FAS 109 retroactively to inception. The retroactive restatement increased net income by $45,000 in 1991 and had no effect on income before income taxes or earnings per share.

Earnings Per Share

Earnings per share is based on the weighted average number of common shares outstanding plus the dilutive effect of the warrants and assumes that the 132,964 common shares issued in fiscal year 1992 and the 84,444 warrants issued on March 1, 1993 were outstanding during the entire 1992 and 1991 periods. Earnings per share amounts have been restated to reflect the four-for-one stock split effected in the form of a 300% stock dividend (Note 12).

(2) Capitalization and Acquisition of Landstar System Holdings, Inc.

On March 28, 1991, Landstar acquired 100% of the outstanding common stock of Landstar System Holdings, Inc. ("LSHI"), for cash and securities. Landstar was capitalized by the sale of 8,024,000 shares of common stock for $2.50 per share, $.01 par value, or $20,060,000 in a private placement to Kelso Investment Associates IV L.P. (KIA IV), ABS MB Limited Partnership (ABS), Management, T. Rowe Price Associates and New England Mutual Life Insurance Company.

In accordance with the acquisition plan, Management was vested in 62.1656% of its LSHI Class B convertible common stock which was converted into Class A common stock in accordance with the terms of the restricted stock award plans. The remaining Class B convertible common stock outstanding was canceled. Management exchanged all of its LSHI Class A common stock for Landstar common stock at a 2.5 for 1 exchange rate. Landstar purchased from EnviroSource, Inc. (EnviroSource) its entire investment in LSHI consisting of 730,000 shares of Class A common stock and 640,000 shares of redeemable convertible preferred stock for $12,000,000 in cash and the assumption of $600,000 of debt due LSHI from EnviroSource. The 640,000 shares of redeemable convertible preferred stock, which had a carrying value of $19,000,000, were converted into 13,618,000 shares of LSHI Class A common stock, and 2,765,000 of the 3,002,000 outstanding LSHI warrants were exchanged for 985,196 Landstar warrants. In addition, Landstar purchased from LSHI an additional 9,701,626 shares of Class A common stock for $8,052,350, or $.83 per share, and exercised the 2,765,000 LSHI warrants for $.01 per share, or $27,650, and received 2,765,000 additional shares of Class A common stock.

Landstar has accounted for the acquisition of LSHI as a purchase with a total cost including expenses of $21,426,000. The net assets shown on the consolidated balance sheet are based upon estimated fair values at the March 28, 1991 date of acquisition. In connection with the acquisition, Landstar acquired assets with a fair value of $121,479,000, including $40,503,000 of operating property which is being depreciated over the estimated remaining useful lives, and assumed liabilities of $144,600,000. The excess of purchase price over the fair value of net assets acquired of $44,547,000 is being amortized on a straight-line basis over forty years. Additional paid in capital and goodwill has been reduced by $136,000 which represents the effect of Landstar shares issued to Management which are valued at their predecessor basis. Income tax benefits in the amount of $1,586,000, net of a valuation allowance, were recorded as part of the acquisition accounting because realization of these benefits was assured. A valuation allowance in the amount of $9,466,000 was recorded as part of the acquisition accounting as the realization of these deferred income tax benefits was not likely at that time. As realization of these deferred income tax benefits becomes more likely, goodwill and the related valuation account will be reduced (Note 3).

(3) **Income Taxes**

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

	March 28, 1991 through Dec. 28, 1991	Fiscal Year Ended Dec. 26, 1992
Current:		
Federal	$ 635	$ 2,919
State	879	1,271
	1,514	4,190
Deferred:		
Federal	(3,154)	(2,357)
State	403	179
	(2,751)	(2,178)
Non-cash charge in lieu of income taxes	5,001	4,808
	$ 3,764	$ 6,820

As part of the acquisition accounting, Landstar recorded deferred income tax assets of

$21,227,000, deferred income tax liabilities of $12,245,000 and a $9,466,000 valuation allowance. The valuation allowance was established because realization of deferred income tax benefits in excess of available deferred income tax liabilities and $1,586,000 of available net operating loss carrybacks, was not assured at the date of acquisition. Both goodwill and the valuation allowance were reduced by $4,808,000 in fiscal year 1992 and $3,415,000 in the period March 28, 1991 through December 28, 1991 as realization of the deferred income tax benefits became likely. The change in the valuation allowance in both periods and the $1,586,000 of deferred income tax benefits recorded in 1991, as part of the acquisition accounting resulted in the non-cash charge in lieu of income taxes. At December 26, 1992, the valuation allowance of $1,271,000 is attributable to deferred state income tax benefits. The valuation allowance and goodwill will be reduced by $1,243,000 when realization of deferred state income tax benefits becomes likely.

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

	Dec. 28, 1991	Dec. 26, 1992
Deferred tax assets:		
Allowance for doubtful accounts	$ 1,995	$ 2,023
Deferred state income tax benefit	542	962
State net operating loss carryforwards	961	1,568
Self insured claims	13,605	10,576
Compensated absences	611	824
Long-term debt	874	638
All other	569	1,032
	19,157	17,623
Valuation allowance	(6,051)	(1,271)
	$13,106	$ 16,352
Deferred tax liabilities:		
Operating property	$10,231	$ 10,402
All other	2,194	3,091
	$12,425	$ 13,493

The following table summarizes the differences between income taxes calculated at the federal income tax rate of 34% and the provision for income taxes (in thousands):

	Mar. 28, 1991 Through Dec. 28, 1991	Fiscal Year Ended Dec. 26, 1992
Income tax at statutory federal income tax rate	$ 2,028	$ 4,478
State income taxes, net of federal income tax benefit	1,073	1,361
Amortization of goodwill	303	344
Meals and entertainment exclusion	314	461
Increase in valuation allowance		28
Other, net	46	148
	$ 3,764	$ 6,820

Landstar paid income taxes of $3,451,000 in 1992 and $2,318,000 in the period March 28, 1991 through December 28, 1991.

(4) Operating Property

A summary of operating property follows (in thousands):

	Dec. 28, 1991	Dec. 26, 1992
Land	$ 2,509	$ 2,434
Leasehold improvements	321	322
Buildings and improvements	5,440	5,345
Revenue equipment	36,598	49,095
Other equipment	3,504	4,515
	48,372	61,711
Less accumulated depreciation and amortization	7,164	17,709
	$41,208	$ 44,002

Included above is $21,652,000 in 1992 and $10,762,000 in 1991 of operating property under capital lease, $18,399,000 and $9,688,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering into capital leases in the amount of $11,166,000 in fiscal year 1992 and $8,792,000 in the period March 28, 1991 through December 28, 1991.

(5) Pension Plan

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full time employees who have completed one year of service. Eligible employees make voluntary contributions up to 6% of their base salary subject to certain limitations. Landstar contributes an amount equal to 50% of such contributions, subject to certain limitations. In addition, one subsidiary makes contributions, in accordance with negotiated labor contracts (generally based on the number of weeks worked), to union sponsored multiemployer defined benefit pension plans for the benefit of approximately 300 union drivers.

The expense for the company sponsored defined contribution plan and for union sponsored plans was $754,000 and $1,143,000 in 1992, respectively, and $554,000 and $879,000, respectively, in the period March 28, 1991 through December 28, 1991.

(6) Debt

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

	Dec. 28, 1991	Dec. 26, 1992
Term loan	$23,979	$ 16,979
14% senior subordinated notes due October 1, 1998, less discount of $3,479 and $3,106	34,521	34,894
Capital leases	8,509	16,365
Other	144	69
	67,153	68,307
Less current maturities	9,022	10,838
Total long-term debt	$58,131	$ 57,469

LSHI and its subsidiaries are parties to a Loan and Security Agreement (the "Credit Agreement"). The term loan portion of the Credit Agreement bears interest at the rate of 1 1/2% above the prime rate, or at the option of LSHI, 3.4% above the commercial paper rate, and is repayable in quarterly installments of $1,750,000 through October 1, 1994 and two final quarterly installments of $2,000,000 and $979,000 thereafter. LSHI may borrow up to $42,000,000 under the working capital loan provisions of the Credit Agreement at the same interest rate as the term loan. At December 26, 1992, the prime rate was 6.0%. The capacity to borrow under the working capital loan provisions expires when the term loan is repaid in full. $34,000,000 of the total borrowing capacity under the working capital loan provisions may be utilized by LSHI in the form of letter of credit guarantees or lender guarantees. At December 26, 1992, LSHI had commitments for letters of credit outstanding in the amount of $28,666,000, primarily as collateral for estimated insurance claims. LSHI is required to pay a monthly fee of .150% of the face amount of the letter of credit guarantees outstanding and a monthly fee of .167% of the face amount of the lender guarantees outstanding. Based on the borrowing rates offered to Landstar in a commitment letter received from a major bank, the fair value of the term loan is estimated to be $17,241,000.

The Credit Agreement requires LSHI and its subsidiaries, among other things, to maintain minimum levels of working capital and tangible net worth as well as certain minimum financial statement ratios. Under the most restrictive covenant, debt free cash flow, as defined, of Poole Truck Line, Inc., a LSHI subsidiary, exceeded the required minimum level by approximately $5,771,000 in 1992. In addition, the Credit Agreement generally prohibits LSHI from paying dividends on its common stock or from transferring assets to an entity other than one of its subsidiaries. Therefore, as LSHI is Landstar's only asset, all of Landstar's net assets are effectively restricted. However, dividend payments to Landstar are permitted under certain circumstances to repurchase Landstar common stock from employees.

The $38,000,000 principal amount of 14% senior subordinated notes are redeemable at LSHI's option at any time on or after October 1, 1993, at a 6.22% premium through September 30, 1994, and at declining premiums thereafter. The 14% senior subordinated notes are also redeemable, at par plus accrued but unpaid interest, on and after a change in control date, as defined. LSHI is required to redeem $12,600,000 principal amount of the notes on each October 1, 1996 and 1997 through the operation of a sinking fund. Amortization of discount increased interest and debt expense by $373,000 in 1992 and $265,000 during the period March 28, 1991 through December 28, 1991 based upon an effective interest rate of 16.75%. The 14% senior subordinated notes are expressly subordinated to borrowings under the Credit Agreement, including outstanding commitments for letters of credit, and effectively subordinated to all other long-term debt of LSHI. Based on the intention of Landstar to redeem all of the 14% senior subordinated notes at par value (Note 12), the fair value of the notes is estimated to be $38,000,000.

Installments of long-term debt, excluding capital lease obligations, maturing in the years 1993, 1994, 1995, 1996 and 1997 amount to $7,069,000, $7,000,000, $2,979,000, $12,600,000 and $12,600,000, respectively.

Landstar paid interest of $8,646,000 in 1992 and $8,076,000 in the period March 28, 1991 through December 28, 1991.

(7) **Leases**

The future minimum lease payments under all noncancelable leases at December 26, 1992, principally for revenue equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
1993	$ 5,227	$ 10,452
1994	5,188	7,901
1995	5,004	4,679
1996	3,203	2,141
1997	1,114	540
Thereafter	-	1,266
	19,736	$ 26,979
Less amount representing interest (7.25% to 14.0%)	3,371	
Present value of minimum lease payments	$16,365	

Total rent expense, net of sublease income, was $15,328,000 in 1992 and $10,959,000 in the period March 28, 1991 through December 28, 1991.

(8) **Warrants**

The 985,196 warrants issued in accordance with the acquisition plan (Note 2) and the 84,444 warrants issued on March 1, 1993 (Note 12) entitle the warrant holders to purchase 1,069,640 shares of common stock at an initial purchase price of $.028075 per share, which is subject to future adjustments. The warrants expire on October 1, 1999 and are currently exercisable. From March 28, 1998, if the warrants are not exercised, Landstar may, at its option, redeem all of the warrants not exercised at a price determined based upon the appraised value of Landstar and the number of fully diluted shares then outstanding. The warrants may be redeemed at the option of the warrant holder from March 28, 1996 up to the expiration date at a similar price. The warrants are being accreted to their estimated fair value over the remaining period to put date. Based on the assumption that the initial public offering price per common share is at $13.50 (the midpoint of the estimated range) (Note 12), the fair value of the Landstar warrants is estimated to be $14,410,000.

(9) **Common Shareholders' Equity**

In 1992, Landstar purchased 15,430 shares of common stock from employees at $10.00 per share (pre-split-Note 12) or $154,300.

During the period March 28, 1991 through December 28, 1991, Landstar purchased 8,611 shares of common stock from employees at $10.00 per share (pre-split-Note 12), or $86,110.

1,069,640 shares of common stock are reserved for issuance upon exercise of the warrants.

(10) Related Party Transactions

Affiliates of KIA IV and ABS charged Landstar a management fee in the amounts of $326,000 and $50,000 in 1992, respectively, and $188,000 and $37,000 in the period March 28, 1991 through December 28, 1991, respectively, for management services provided to Landstar. In addition, these affiliates were paid investment banking fees in connection with the acquisition of LSHI in the amounts of $1,937,500 and $500,000, respectively.

(11) Commitments and Contingencies

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition of Landstar.

(12) Subsequent Events

On January 18, 1993, the Board of Directors authorized the filing of a registration statement with respect to an initial public offering by the Company. By an amendment to the Company's Certificate of Incorporation on February 10, 1993, the name of the Company was changed to Landstar System, Inc., the Company's authorized common stock was increased to 20,000,000 shares and 2,000,000 shares of preferred stock were authorized. On February 9, 1993, the Company's Board of Directors, declared a four-for-one stock split in the form of a 300% stock dividend (other than shares of common stock held in treasury) payable on February 10, 1993 to shareholders of record on that date, and approved a stockholder rights agreement and declared a dividend of one right (to purchase certain of the Company's securities) on each outstanding share of Common Stock, payable on February 11, 1993 to shareholders of record on that date. Also on February 10, 1993, the name of the Company's subsidiary, Landstar System, Inc. was changed to Landstar System Holdings, Inc.

All share and per share information in the accompanying consolidated financial statements have been retroactively restated to give effect to the stock split.

On March 1, 1993 the remaining 237,000 LSHI warrants were exchanged for 84,444 Landstar warrants at the same exchange rate offered to the other LSHI warrant holders in March of 1991.

Pursuant to certain requirements of the Securities and Exchange Commission in connection with initial public offerings, 132,964 shares of common stock issued in fiscal year 1992 and the 84,444 warrants issued on March 1, 1993 were assumed to be outstanding during the entire 1992 and 1991 periods for purposes of the earnings per share calculation.

All of the net proceeds of the offering are expected to be applied toward the retirement of LSHI's $38,000,000 14% Senior Subordinated Notes due 1998 prior to their stated maturity, which retirement will result in an extraordinary charge to Landstar's results of operations.

Schedule I

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE BALANCE SHEET INFORMATION
DECEMBER 26, 1992
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
Assets											
Current assets:											
Cash		$ 12,281	$ 24		$ 30						$ 12,335
Trade accounts receivable, less allowance					31,524	$ 3,373	$ 18,788	$ 10,124	$ 9,710		73,519
Other receivables, including advances to independent contractors, net		117	387		1,582	18	3,279	1,303	415		7,101
Inter-company receivables		10,525	3,836	$ 26	32,172	9,770	24,575	22,483	27,648	$ (131,035)	
Inventories								62	1,030		1,092
Prepaid expenses and other current assets		604	765		520	24	424	488	1,879		4,704
Total current assets		23,527	5,012	26	65,828	13,185	47,066	34,460	40,682	(131,035)	98,751
Investment in subsidiaries	$ 36,462	97,809								(134,271)	
Operating property, net		196	11		6,305	10	4,387	3,065	30,028		44,002
Goodwill			148		4,912		3,304	6,093	19,827		34,284
Deferred income taxes and other assets		2,800			698		220	123	200		4,041
Total assets	$ 36,462	$ 124,332	$ 5,171	$ 26	$ 77,743	$ 13,195	$ 54,977	$ 43,741	$ 90,737	$ (265,306)	$ 181,078
Liabilities and Common Shareholders' Equity											
Current liabilities:											
Cash overdraft		$ 184	$ 1,191		$ 2,593	$ 40	$ 534	$ 792	$ 129		$ 5,463
Accounts payable		208	190		9,709	9	3,288	2,433	1,950		17,785
Current maturities of long-term debt		7,000			654		464	107	2,613		10,838
Estimated insurance claims			1,928		3,215	646	2,226	1,886	3,647		13,548
Accrued compensation		4,053			1,463	149	1,205	1,022	1,855		9,747
Inter-company payables	$ 3,522	123,781	618		641	862	870	741		$ (131,035)	
Other current liabilities	184	1,578	4,607		6,509	380	5,813	1,255	1,682		22,008
Total current liabilities	3,706	136,804	8,534		24,784	2,086	14,398	8,236	11,876	(131,035)	79,389
Long-term debt, excluding current maturities		44,872			1,942		2,163	418	8,074		57,469
Inter-company long-term debt		(84,000)			18,213	6,120	12,023	15,564	32,080		
Estimated insurance claims			1,086		2,036	444	1,867	1,358	3,550		10,341
Other liabilities					106		220	75	318	404	1,123
Warrants	2,899	404								(404)	2,899
Common shareholders' equity:											
Common stock	88	3	1		1	1	1	1	1	(9)	88
Additional paid-in capital	21,894	32,406	109		20,519	6,757	13,387	17,327	51,228	(141,733)	21,894
Retained earnings	8,115	(6,070)	(4,559)	$ 26	10,142	(2,213)	10,918	762	(16,390)	7,384	8,115
Treasury stock	(240)	(87)								87	(240)
Total common shareholders' equity	29,857	26,252	(4,449)	26	30,662	4,545	24,306	18,090	34,839	(134,271)	29,857
Total liabilities and common shareholders' equity	$ 36,462	$ 124,332	$ 5,171	$ 26	$ 77,743	$ 13,195	$ 54,977	$ 43,741	$ 90,737	$ (265,306)	$ 181,078

Schedule

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE STATMENT OF INCOME INFORMATION
FOR THE FISCAL YEAR ENDED DECEMCER 26, 1992
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustment Eliminations	Total
Revenue:											
Transportation revenue				$ 2,613	$ 257,351	$ 19,322	$ 175,514	$ 106,566	$ 111,084		$ 672,450
Revenue from affiliates					11,084	18	9,258	6,517	1,127	$ (28,004)	
				2,613	268,435	19,340	184,772	113,083	112,211	(28,004)	672,450
Costs and expenses:											
Purchased transportation				2,540	210,446	14,156	140,498	88,432	71	(28,004)	426,137
Drivers' wages and benefits									35,354		35,354
Fuel and other operating costs					3,815	109	3,024	229	48,032		55,209
Insurance and claims			$ (340)		6,571	365	4,478	3,152	7,012		21,238
Commissions, agents and brokers				24	17,663	1,976	11,423	6,662	35		37,783
Selling, general and administrative	$ 2,968	$ 6,549	462	1	15,802	2,335	14,210	10,318	8,998		61,643
Management fee	(2,968)	(2,736)			2,553	122	1,459	973	973		376
Depreciation and amortization		39	61		1,598	4	1,077	1,043	8,017		11,839
Total costs and expenses	0	3,852	183	2,565	258,448	19,067	176,167	108,809	108,492	(28,004)	649,579
Operating income (loss)	0	(3,852)	(183)	48	9,987	273	8,605	4,274	3,719	0	22,871
Interest and debt expense		(3,507)	236		2,643	856	1,845	2,169	5,459		9,701
Income (loss) before income taxes		(345)	(419)	48	7,344	(583)	6,760	2,105	(1,740)		13,170
Income taxes (benefit)		15	(126)	22	3,127	(176)	2,776	1,036	146		6,820
Equity in earnings of subsidiaries	6,350	6,710								(13,060)	
Net income (loss)	$ 6,350	$ 6,350	$ (293)	$ 26	$ 4,217	$ (407)	$ 3,984	$ 1,069	$ (1,886)	$ (13,060)	$ 6,350

Schedule III

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 26, 1992
(In thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
OPERATING ACTIVITIES											
Net income	$ 6,350	$ 6,350	$ (293)	$ 26	$ 4,217	$ (407)	$ 3,984	$ 1,069	$ (1,886)	$ (13,060)	$ 6,350
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:											
Equity in undistributed earnings of subsidiaries	(6,196)	(6,710)								12,906	
Depreciation of operating property		39	5		1,422	4	972	851	7,534		10,827
Amortization of goodwill			56		176		105	192	483		1,012
Other amortization		566	236		94	37	49	50	97		1,129
Provision for losses on trade and other accounts receivable					1,649	288	717	1,118	105		3,877
Non-cash charge in lieu of income taxes			1,777		1,690		710	631			4,808
Deferred income taxes, net		(457)	665	14	(1,861)	219	(295)	(577)	114		(2,178)
Loss (gain) on sales of operating property					68		(110)	(4)	(170)		(216)
Changes in operating assets and liabilities:											
Decrease (increase) in trade and other accounts receivable		1,133	(385)		(6,893)	(3,491)	(3,327)	(3,048)	(1,487)		(17,498)
Decrease (increase) in inventories, prepaid expenses and other assets		1,555	211		1,134	57	5	151	449		3,562
Increase (decrease) in accounts payable		176	7		4,168	(7)	700	654	405		6,303
Increase (decrease) in other liabilities		776	3,627		974	171	1,291	157	1,600		8,596
Increase (decrease) in estimated insurance claims			(5,250)		(184)	(152)	(764)	(70)	15		(6,405)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	154	3,428	656	40	6,654	(3,281)	4,037	1,374	7,259	(154)	20,167
INVESTING ACTIVITIES											
Purchases of operating property		(167)	(6)		(266)	(7)	(163)	(294)	(2,832)	184	(3,553)
Proceeds from sales of operating property		5			290		154	164	885	(184)	1,314
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(162)	(6)		24	(7)	(9)	(130)	(1,947)	0	(2,239)
FINANCING ACTIVITIES											
Proceeds from sales of common stock	402										402
Increase (decrease) in cash overdraft		(218)	268		(192)	37	(789)	(165)	(39)		(1,098)
Borrowings under working capital loan					400	300	400	400	400		1,900
Principal payments on working capital loan, senior term loan and capital lease obligations		(7,000)			(982)	(300)	(707)	(600)	(2,696)		(12,285)
Purchases of common stock	(154)										(154)
Dividends paid		(154)								154	
Increase (decrease) of inter-company account	(402)	10,771	(892)	(40)	(5,900)	3,251	(2,932)	(879)	(2,977)		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(154)	3,399	(624)	(40)	(6,674)	3,288	(4,028)	(1,244)	(5,312)	154	(11,235)
Increase in cash	0	6,665	24	0	4	0	0	0	0	0	6,693
Cash at beginning of period	0	5,616	0	0	26	0	0	0	0	0	5,642
Cash at end of period	$ 0	$ 12,281	$ 24	$ 0	$ 30	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,335

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of
Landstar Holding Corporation)

Consolidated Financial Statements

December 28, 1991

(With Independent Auditors' Report Thereon)

:at Marwick

Certified Public Accountants

Stamford Square
3001 Summer Street
Stamford, CT 06905

Independent Auditors' Report

The Board of Directors
Landstar System, Inc.:

We have audited the accompanying consolidated balance sheet of Landstar System, Inc. (a wholly owned subsidiary of Landstar Holding Corporation) and subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of income, changes in common shareholder's equity and cash flows for each of the years in the three-year period ended December 28, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiaries as of December 28, 1991 and December 29, 1990, and the results of their operations and their cash flows for each of the years in the three-year period ended December 28, 1991, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

February 28, 1992

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Landstar Holding Corporation)

CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share amounts)

	Dec. 28, 1991	Dec. 29, 1990
Assets		
Current assets:		
Cash	$ 5,642	$ 5,985
Trade accounts receivable, less allowance of $2,041 and $4,150	59,336	64,833
Other receivables, including advances to owner-operators, less allowance of $3,432 and $3,524	8,132	6,278
Inventories	1,161	1,168
Prepaid expenses and other current assets	7,978	7,063
Total current assets	82,249	85,327
Operating property	37,539	35,641
Goodwill	43,736	44,956
Other assets	5,839	8,675
Total assets	$ 169,363	$ 174,599
Liabilities and Common Shareholder's Equity		
Current liabilities:		
Cash overdraft	$ 6,561	$ 7,863
Accounts payable	11,482	14,718
Current maturities of long-term debt	9,022	7,639
Estimated insurance claims	17,111	25,129
Accrued compensation	4,392	5,102
Other current liabilities	18,424	14,958
Total current liabilities	66,992	75,409
Long-term debt, excluding current maturities	59,789	60,858
Estimated insurance claims	13,283	15,293
Other liabilities	1,332	1,716
Warrants	211	2,564
Redeemable convertible preferred stock, including accrued dividends, $.10 par value, $25.00 per share liquidation value, authorized, issued and outstanding 0 and 640,000 shares		18,700
Class B convertible common stock $.01 par value, authorized 0 and 1,890,000 shares, issued and outstanding 0 and 1,702,500 shares		1,703
Unearned compensation - Class B convertible common stock		(1,134)
Common shareholder's equity:		
Common stock in 1991 and Class A common stock in 1990, $.01 par value, authorized 300,000 and 20,000,000 shares, 285,506.26 and 1,490,000 shares issued	3	15
Additional paid-in capital	41,009	10,478
Accumulated deficit	(7,842)	(10,978)
Cost of 1,000 shares of common stock in 1991 and 25,000 shares of Class A common stock in 1990 in treasury	(87)	(25)
Acquisition costs due from parent	(5,327)	
Total common shareholder's equity	27,756	(510)
Total liabilities and common shareholder's equity	$ 169,363	$ 174,599

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Landstar Holding Corporation)
CONSOLIDATED STATEMENT OF INCOME
FISCAL YEARS ENDED DECEMBER 28, 1991, DECEMBER 29, 1990 AND DECEMBER 30, 1989
(In thousands)

	1991	1990	1989
Revenue	$ 594,353	$ 629,050	$ 607,631
Costs and expenses:			
Purchased transportation	377,277	397,196	383,864
Drivers' wages and benefits	33,171	33,067	32,572
Fuel and other operating costs	51,339	56,680	49,228
Insurance and claims	23,596	25,769	28,701
Selling, general and administrative	84,333	91,140	87,095
Depreciation	8,257	8,874	11,338
Total costs and expenses	577,973	612,726	592,798
Operating income	16,380	16,324	14,833
Interest and debt expense	10,925	12,099	13,533
Income before income taxes	5,455	4,225	1,300
Income taxes, including a non-cash charge in lieu of federal income taxes of $410 in 1989	3,928	3,852	1,736
Income (loss) before extraordinary income tax benefit	1,527	373	(436)
Extraordinary income tax benefit	2,105	1,782	754
Net income	$ 3,632	$ 2,155	$ 318

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Landstar Holding Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS
FISCAL YEARS ENDED DECEMBER 28, 1991, DECEMBER 29, 1990 AND DECEMBER 30, 1989
(In thousands)

	1991	1990	1989
OPERATING ACTIVITIES			
Net income	$ 3,632	$ 2,155	$ 318
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of operating property	8,257	8,874	11,338
Amortization of goodwill	1,220	1,220	1,215
Other amortization	2,351	2,221	2,392
Provision for losses on trade and other accounts receivable	(98)	3,306	2,883
Gain on sales of operating property	(84)	(2,368)	(1,456)
Deferred income taxes, net	1,561	(1,766)	(407)
Non-cash charge in lieu of income taxes			410
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other accounts receivable	4,057	(2,572)	(10,046)
Decrease (increase) in inventories, prepaid expenses and other assets	(761)	2,423	(3,613)
Increase (decrease) in accounts payable	(3,236)	(574)	2,133
Increase (decrease) in other liabilities	1,671	(1,210)	(993)
Increase (decrease) in estimated insurance claims	(10,740)	159	5,193
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,830	11,868	9,367
INVESTING ACTIVITIES			
Purchases of operating property	(3,486)	(2,623)	(2,339)
Proceeds from sales of operating property	2,991	6,124	3,360
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(495)	3,501	1,021
FINANCING ACTIVITIES			
Increase (decrease) in cash overdraft	(1,302)	(202)	4,128
Principal payments on working capital loan, senior term loan and capital lease obligations	(9,409)	(16,192)	(11,393)
Increase in receivable from parent	(4,791)		
Borrowings under working capital loan		5,500	
Proceeds from sale of common stock	8,052	165	225
Proceeds from exercise of warrants	28		
Purchases of common stock	(170)	(217)	(234)
Dividends paid to parent	(86)		
Payment of recapitalization costs			(2,604)
NET CASH USED BY FINANCING ACTIVITIES	(7,678)	(10,946)	(9,878)
Increase (decrease) in cash	(343)	4,423	510
Cash at beginning of period	5,985	1,562	1,052
Cash at end of period	$ 5,642	$ 5,985	$ 1,562

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Landstar Holding Corporation)

CONSOLIDATED STATEMENT OF CHANGES IN COMMON SHAREHOLDER'S EQUITY

FISCAL YEARS ENDED DECEMBER 28, 1991, DECEMBER 29, 1990 AND DECEMBER 30, 1989
(In thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Cost of Common Stock In Treasury	Acquisition Costs Due From Parent	Total
Balance December 31, 1988	$ 15	$ 10,478	$(10,755)			$ (262)
Net income			318			318
Purchase of Class A common stock from management	(2)	(223)		$ (5)		(230)
Sale of Class A common stock to management	2	223				225
Accrued dividends on preferred stock			(1,200)			(1,200)
Increase in carrying value of warrants			(148)			(148)
Balance December 30, 1989	15	10,478	(11,785)	(5)		(1,297)
Net income			2,155			2,155
Purchase of Class A common stock from management	(2)	(163)		(20)		(185)
Sale of Class A common stock to management	2	163				165
Accrued dividends on preferred stock			(1,200)			(1,200)
Increase in carrying value of warrants			(148)			(148)
Balance December 29, 1990	15	10,478	(10,978)	(25)		(510)
Net income			3,632			3,632
Purchase of Class A common stock from management				(62)		(62)
Dividends paid to parent			(86)			(86)
Accrued dividends on preferred stock			(300)			(300)
Increase in carrying value of warrants			(110)			(110)
Conversion of Class B convertible common stock	10	966				976
Sale of Class A common stock to Landstar Holding Corp.	97	7,955				8,052
Conversion of preferred stock	136	18,864				19,000
Exercise of warrants	28	2,463				2,491
1 for 100 reverse stock split	(283)	283				0
Acquisition costs of parent					$ (5,327)	(5,327)
Balance December 28, 1991	$ 3	$ 41,009	$ (7,842)	$ (87)	$ (5,327)	$ 27,756

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of Landstar Holding Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 28, 1991

(1) Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiaries (Landstar). Significant inter-company accounts have been eliminated in consolidation. Landstar System, Inc. is a wholly owned subsidiary of Landstar Holding Corporation. The consolidated financial statements have been prepared as if Landstar were a stand alone entity and the basis of accounting has not been adjusted to reflect the March 28, 1991 acquisition by Landstar Holding Corporation (Note 2).

Fiscal Year

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

Revenue Recognition

Revenue is recognized primarily upon completion of freight delivery.

Insurance Claim Costs

Landstar provides, generally on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims. Landstar retains liability up to $1,500,000 for each individual property, casualty, and general liability claim, $500,000 for each workers' compensation claim and $100,000 for each cargo claim.

Inventories

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

Tires

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

Operating Property

Operating property is recorded at estimated fair value at March 21, 1988 with subsequent additions at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the related assets. Revenue equipment is being depreciated over a maximum of 7 years (Note 5).

Goodwill

Goodwill represents the excess of allocated purchase cost over the estimated fair value of net assets acquired by EnviroSource Inc. (EnviroSource) at March 21, 1988, as adjusted for realization of certain income tax benefits (Note 4). It is being amortized on a straight-line basis over 40 years (Note 6).

Deferred Debt Issuance Costs

Costs incurred in connection with a 1988 recapitalization were capitalized as deferred debt issuance costs and are included in other assets. Deferred debt issuance costs are being amortized on a straight-line basis over 7 years (Note 7).

Income Taxes

Income tax expense is based on income for financial reporting purposes adjusted for permanent differences between income for financial reporting and tax purposes. Income tax expense includes provision for deferred income taxes and future income tax benefits, which recognize the tax effects of timing differences between financial and tax reporting. However, future federal income tax benefits in excess of federal income tax liabilities have not been recognized since realization of these benefits is not assured (Note 4).

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes", which will require a liability method for income taxes. The Statement is effective for fiscal years beginning after December 15, 1992 and may be adopted retroactively. Landstar has not currently adopted FAS 109, or determined the impact of adoption.

(2) Acquisition by Landstar Holding Corporation

On March 28, 1991, Landstar Holding Corporation, a newly formed company, acquired 100% of the outstanding common stock of Landstar System, Inc. for cash and securities. Landstar Holding Corporation was capitalized by the sale of 2,006,000 shares of common stock for $10.00

per share, $.01 par value, or $20,060,000 in a private placement to Kelso Investment Associates IV L.P. (KIA IV), ABS MB Limited Partnership (ABS), Management, T. Rowe Price Associates and New England Mutual Life Insurance Company.

In accordance with the acquisition plan, Management was vested in 62.1656% of its Landstar System, Inc. Class B convertible common stock which was converted into Class A common stock in accordance with the terms of the restricted stock award plans. Selling, general and administrative expense includes a charge relating to the vesting of the Class B convertible common stock of $515,000 in 1991, $227,000 in 1990 and $305,000 in 1989. The remaining Class B convertible common stock outstanding was cancelled. Management exchanged all of its Landstar System, Inc. Class A common stock for Landstar Holding Corporation common stock at a 10 for 1 exchange rate. Landstar Holding Corporation purchased from EnviroSource its entire investment in Landstar System, Inc. consisting of 730,000 shares of Class A common stock and 640,000 shares of redeemable convertible preferred stock for $12,000,000 in cash and the assumption of $600,000 of debt due Landstar System, Inc. from EnviroSource. The 640,000 shares of redeemable convertible preferred stock, which had a carrying value of $19,000,000, were converted into 13,618,000 shares of Landstar System, Inc. Class A common stock, and 2,765,000 of the 3,002,000 outstanding Landstar System, Inc. warrants were exchanged for 246,299 Landstar Holding Corporation warrants. In addition, Landstar Holding Corporation purchased from Landstar System, Inc. an additional 9,701,626 shares of Class A common stock for $8,052,350, or $.83 per share, and exercised the 2,765,000 Landstar System, Inc. warrants for $.01 per share, or $27,650, and received 2,765,000 additional shares of Class A common stock.

Assuming the exercise of the Landstar Holding Corporation warrants, KIA IV owns 64.2%, ABS 12.5%, Management 11.8% and warrant holders (including T. Rowe Price Associates and New England Mutual Life Insurance Company) 11.5% of Landstar Holding Corporation

(3) Restructuring Charges

Selling, general and administrative expense in 1990 includes a $1,783,000 charge related to the restructuring of the operations and relocation of the corporate headquaters of Gemini Transportation Services, Inc., a wholly owned subsidiary of Landstar System, Inc.

(4) Income Taxes

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

	1991	1990	1989
Current:			
Federal	$ (610)	$ 2,734	$ 976
State	872	1,102	572
	262	3,836	1,548
Deferred:			
Federal	2,724	(170)	(222)
State	942	186	
	3,666	16	(222)
Non-cash charge in lieu of federal income taxes			410
Provision for income taxes before extraordinary income tax benefit	3,928	3,852	1,736
Extraordinary income tax benefit	2,105	1,782	754
	$ 1,823	$ 2,070	$ 982

The extraordinary income tax benefit represents utilization of operating loss carryforward available for financial reporting purposes. Due to the realization of pre-acquisition deferred income tax benefits, additional operating loss carryforward available for financial reporting purposes in 1989 were not recognized resulting in a non-cash charge in lieu of federal income taxes. The realization of pre-acquisition income tax benefits has been recorded as a reduction of income taxes payable and a reduction of goodwill in the amount of $410,000 in 1989.

At December 28, 1991, Landstar has additional operating loss carryforward available for financial reporting purposes of approximately $4,000,000.

Deferred income taxes relate primarily to self-insurance reserves and excess tax over book depreciation.

The following table summarizes the differences between income taxes calculated at the federal income tax rate of 34% and the provision for income taxes (in thousands):

	1991	1990	1989
Income tax at statutory federal income tax rate	$ 1,855	$ 1,437	$ 442
State income taxes, net of federal income tax benefit	1,197	850	378
Amortization of goodwill	415	415	413
Meals and entertainment exclusion	405	420	389
Basis adjustments resulting from purchase accounting	399	1,032	
Other, net	(343)	(302)	114
	$ 3,928	$ 3,852	$ 1,736

Total income taxes paid were $2,698,000 in 1991, $1,353,000 in 1990 and $4,545,000 in 1989.

(5) **Operating Property**

A summary of operating property follows (in thousands):

	1991	1990
Land	$ 2,509	$ 2,642
Leasehold improvements	691	745
Buildings and improvements	5,812	5,853
Revenue equipment	50,912	43,918
Other equipment	7,831	6,733
	67,755	59,891
Less accumulated depreciation	30,216	24,250
	$ 37,539	$ 35,641

Included above is $13,163,000 in 1991 and $3,734,000 in 1990 of operating property under capital lease, $9,688,000 and $1,364,000, respectively, net of accumulated amortization. Landstar acquired operating property in the amount of $9,727,000 in 1991 and $1,812,000 in 1989 by entering into capital leases.

(6) **Goodwill**

A summary of goodwill follows (in thousands):

	1991	1990
Goodwill	$ 48,438	$ 48,438
Less accumulated amortization	4,702	3,482
	$ 43,736	$ 44,956

(7) **Other Assets**

A summary of other assets follows (in thousands):

	1991	1990
Deferred debt issuance costs	$ 6,665	$ 6,665
Less accumulated amortization	3,015	2,063
	3,650	4,602
Other	2,189	4,073
	$ 5,839	$ 8,675

(8) **Pension Plan**

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of certain employees. Eligible employees make voluntary contributions up to 6% of their base salary subject to certain limitations. Landstar contributes an amount equal to 50% of such contributions, subject to certain limitations. In addition, one subsidiary makes contributions to union sponsored pension plans.

One subsidiary had sponsored defined benefit plans which covered certain employees and generally provided for normal retirement at age 65. Annual contribution to these defined benefit plans are based on an actuarial funding method. The defined benefit plans were terminated July 16, 1990.

Assumptions used in determining the actuarial present value of plan benefits reflect a discount rate of 7.75% in 1991 and 8.25% in 1990 and 1989, an investment rate of return of 8.75%, and an assumed rate of salary increase of 5.0% in 1990 and 1989.

The following table summarizes the plans' funded status (in thousands):

	1991	1990
Actuarial present value of total vested projected benefit obligation	$ (1,129)	$ (968)
Plan assets at fair value	1,141	867
Excess funded (unfunded) projected benefit obligation	12	(101)
Unrecognized net loss (gain)	51	(111)
Pension asset (liability) recognized in the accompanying balance sheet	$ 63	$ (212)

The components of the net periodic pension cost for the defined benefit plans were as follows (in thousands):

	1991	1990	1989
Service cost		$ 82	$ 126
Interest cost	$ 80	81	80
Return on plan assets	(86)	(69)	(51)
Net amortization and deferral	(4)	(6)	(9)
Curtailment gain		(206)	-
Net periodic pension cost (benefit)	$ (10)	$ (118)	$ 146

The expense for the company sponsored defined contribution plan was $736,000 in 1991, $749,000 in 1990 and $654,000 in 1989. The expense for union sponsored plans was $1,164,000 in 1991, $1,290,000 in 1990 and $1,320,000 in 1989.

(9) Debt

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

	1991	1990
Term loan	$ 23,979	$31,197
14% senior subordinated notes due October 1, 1998, less original issue discount of $1,821 and $1,968	36,179	36,032
Capital leases	8,509	1,049
Other	144	219
	68,811	68,497
Less current maturities	9,022	7,639
Total long-term debt	$ 59,789	$60,858

Landstar is party to a Loan and Security Agreement (the "Credit Facility"). The term loan portion of the Credit Facility bears interest at the rate of 1 1/2% above the prime rate, or at the option of Landstar, 3.4% above the commercial paper rate, and is repayable in quarterly installments of $1,750,000 through October 1, 1994 and two final quarterly installments of $2,000,000 and $979,000 thereafter. Landstar may borrow up to $42,000,000 under the working capital loan provisions of the Credit Facility at the same interest rate as the term loan. At December 28, 1991, the prime rate was 6.5%. The capacity to borrow under the working capital loan provisions expires when the term loan is repaid in full. $34,000,000 of the total borrowing capacity under the working capital loan provisions may be utilized by Landstar in the form of letter of credit guarantees or lender guarantees. At December 28, 1991, Landstar had commitments for letters of credit outstanding in the amount of $33,157,000, primarily as collateral for estimated insurance claims. Landstar is required to pay a monthly fee of .150% of the face amount of the letter of credit guarantees outstanding.

The Credit Facility requires Landstar, among other things, to maintain minimum levels of working capital and tangible net worth as well as certain minimum financial statement ratios. Under the most restrictive covenant, debt free cash flow, as defined, of Poole Truck Line, Inc., a Landstar System, Inc. subsidiary, exceeded the required minimum level by approximately $115,000 for the fiscal year ended December 28, 1991. In addition, the Credit Facilty generally prohibits Landstar from paying dividends on its common stock. However, dividend payments to Landsar Holding Corporation are permitted under certain circumstances to repurchase Landstar Holding Corporation common stock from employees.

The $38,000,000 principal amount of 14% senior subordinated notes are redeemable at Landstar's option at any time on or after October 1, 1993, at a 6.22% premium through September 30, 1994, and at declining premiums thereafter. Landstar is required to redeem $12,600,000 principal amount of the notes on each October 1, 1996 and 1997 through the operation of a sinking fund. Amortization of original issue discount increased interest and debt expense by $147,000 in 1991, $127,000 in 1990 and $115,000 in 1989 based upon an effective interest rate of 15.16%. The 14% senior subordinated notes are expressly subordinated to borrowings under the Credit Facility, including outstanding commitments for letters of credit, and effectively subordinated to all other long-term debt of Landstar.

Installments of long-term debt, excluding capital lease obligations, maturing in the years 1992, 1993, 1994, 1995 and 1996 amount to $7,075,000, $7,069,000, $7,000,000, $2,979,000 and $12,600,000, respectively.

Total interest paid was $9,181,000 in 1991, $10,351,000 in 1990 and $11,280,000 in 1989.

(10) Leases

The future minimum lease payments under all noncancelable leases at December 28, 1991, principally for revenue equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
1992	$ 2,777	$ 11,843
1993	2,308	10,071
1994	2,308	7,573
1995	2,347	4,107
1996	883	1,645
Thereafter	0	141
	10,623	$ 35,380
Less amount representing interest (11.0% to 14.0%)	2,114	
Present value of minimum lease payments	$ 8,509	

Total rent expense was $14,192,000 in 1991, $14,775,000 in 1990 and $12,513,000 in 1989.

(11) Warrants

237,000 warrants issued in connection with the senior subordinated notes were not exchanged for warrants of Landstar Holding Corporation under the acquisition plan (Note 2). After the 1 for 100 reverse stock split (Note 10) there are 2,370 warrants outstanding. Each warrant entitles the holder to purchase a share of common stock at a purchase price of $1.00 per share, which is subject to future adjustments. The warrants expire October 1, 1999 and are only exercisable upon the occurrence of certain future events. Should the warrants become exercisable, Landstar may, at its option, redeem all of the warrants not exercised at a price determined based upon the appraised value of Landstar and the number of fully diluted shares then outstanding. In the event the warrants do not become exercisable prior to October 1, 1993, the warrants may be redeemed at the option of the warrant holder from October 1, 1993 up until the expiration date at a similar price. The warrants are carried at estimated fair value.

(12) Common Shareholder's Equity

On July 15, 1991, the Board of Directors declared a 1 for 100 reverse stock split. Pursuant to the reverse stock split, 28,550,626 Class A common shares were converted into 285,506.26 shares of common stock. In addition, the Board of Directors amended Landstar System, Inc.'s charter to authorize 300,000 shares of common stock and to cancel the authorization of Class A common stock, Class B convertible common stock and redeemable convertible preferred stock.

2,370 shares of common stock are reserved for issuance upon exercise of the warrants issued with the senior subordinated notes.

(13) Related Party Transactions

Included in selling, general and administrative expense is a management fee charged to Landstar by EnviroSource in the amount of $35,000 in 1991, $150,000 in 1990 and $100,000 in 1989 representing the estimated cost of management and legal services provided to Landstar during such periods. During the period March 28, 1991 through December 28, 1991, Landstar Holding Corporation provided certain management services to Landstar at no cost.

Included in other receivables is $469,000 due from Landstar Holding Corporation for expenditures made by Landstar on behalf of Landstar Holding Corporation during the period March 28, 1991 through December 28, 1991.

Acquisition costs due from parent represents expenditures made by Landstar on behalf of Landstar Holding Corporation for costs incurred and the debt assumed by Landstar Holding Corporation in connection with its acquisition of Landstar (Note 2). Accordingly, this receivable has been classified as a reduction of common shareholder's equity.

Landstar Holding Corporation has no operations and its only significant asset is its investment in Landstar.

(14) Commitments and Contingencies

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, Management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition of Landstar.

Schedule I

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION
DECEMBER 28, 1991
(In thousands)

	Landstar	LSHI	RMCS	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
Assets										
Current assets:										
Cash		$ 5,616		$ 26						$ 5,642
Trade accounts receivable, less allowance				25,877	$ 161	$ 16,636	$ 8,373	$ 8,289		59,336
Other receivables, including advances to independent contractors, net		1,250	$ 2	1,985	27	2,821	1,124	454		7,663
Inter-company receivables	$ 2,799	5,996	2,991	24,608	12,511	21,283	20,645	24,784	$ (115,617)	
Inventories							79	1,082		1,161
Prepaid expenses and other current assets		2,157	976	1,617	24	429	552	2,223		7,978
Total current assets	2,799	15,019	3,969	54,113	12,723	41,169	30,773	36,832	(115,617)	81,780
Investment in subsidiaries	30,061	91,099							(121,160)	
Operating property, net		73	8	4,773	7	2,323	3,162	30,862		41,208
Goodwill			1,981	6,778		4,119	6,916	20,310		40,104
Deferred income taxes and other assets	(282)	906		735	57	220	193	253		2,082
Total assets	$ 32,578	$ 107,097	$ 5,958	$ 66,399	$ 12,787	$ 47,831	$ 41,044	$ 88,257	$ (236,777)	$ 165,174
Liabilities and Common Shareholders' Equity										
Current liabilities:										
Cash overdraft		$ 402	$ 923	$ 2,785	$ 3	$ 1,323	$ 957	$ 168		$ 6,561
Accounts payable		32	183	5,541	16	2,586	1,579	1,545		11,482
Current maturities of long-term debt		7,000		132		17	105	1,768		9,022
Estimated insurance claims			4,964	3,234	774	2,654	1,809	3,676		17,111
Accrued compensation		568		1,159	67	803	1,059	736		4,392
Inter-company payables	$ 6,932	106,550		838	133	805	359		$ (115,617)	
Other current liabilities	(512)	4,983	980	5,105	291	4,924	1,048	1,335		18,154
Total current liabilities	6,420	119,535	7,050	18,794	1,284	13,112	6,916	9,228	(115,617)	66,722
Long-term debt, excluding current maturities		51,500						6,631		58,131
Inter-company long-term debt		(84,000)		18,213	6,120	12,023	15,564	32,080		
Estimated insurance claims			3,064	2,107	431	2,154	1,455	3,409		12,620
Other liabilities				840		220	88	184	211	1,543
Warrants	2,463	211							(211)	2,463
Common shareholders' equity:										
Common stock	87	3	1	1	1	1	1	1	(9)	87
Additional paid-in capital	21,493	32,406	109	20,519	6,757	13,387	17,327	51,228	(141,733)	21,493
Retained earnings	2,201	(12,471)	(4,266)	5,925	(1,806)	6,934	(307)	(14,504)	20,495	2,201
Treasury stock	(86)	(87)							87	(86)
Total common shareholders' equity	23,695	19,851	(4,156)	26,445	4,952	20,322	17,021	36,725	(121,160)	23,695
Total liabilities and common shareholders' equity	$ 32,578	$ 107,097	$ 5,958	$ 66,399	$ 12,787	$ 47,831	$ 41,044	$ 88,257	$ (236,777)	$ 165,174

Schedule II

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE STATEMENT OF INCOME INFORMATION
FOR THE PERIOD ENDED DECEMBER 28, 1991
(In thousands)

	Landstar	LSHI	RMCS	Ranger	Gemini	Inway	Ligon	Poole	Adjustment Eliminations	Total
Revenue:										
Transportation revenue				$ 181,313	$ 6,235	$ 116,207	$ 74,361	$ 75,475		$ 453,591
Revenue from affiliates				6,733	20	6,345	4,519	1,587	$ (19,204)	
				188,046	6,255	122,552	78,880	77,062	(19,204)	453,591
Costs and expenses:										
Purchased transportation				150,338	4,667	93,227	60,513	1	(19,204)	289,542
Drivers' wages and benefits								25,315		25,315
Fuel and other operating costs				(172)	34	2,255	(140)	34,621		36,598
Insurance and claims			$ (1,040)	3,577	129	4,555	2,580	6,364		16,165
Commissions, agents and brokers				12,119	674	7,309	4,452	26		24,580
Selling, general and administrative	$ 244	$ 2,514	1,228	12,238	678	8,561	7,700	6,097		39,260
Management fee	225	(2,133)	(918)	1,282	61	732	488	488		225
Depreciation and amortization		14	82	1,397	2	739	858	5,126		8,218
Total costs and expenses	469	395	(648)	180,779	6,245	117,378	76,451	78,038	(19,204)	439,903
Operating income (loss)	(469)	(395)	648	7,267	10	5,174	2,429	(976)	0	13,688
Interest and debt expense		(2,066)	287	1,952	662	1,279	1,645	3,964		7,723
Income (loss) before income taxes	(469)	1,671	361	5,315	(652)	3,895	784	(4,940)		5,965
Income taxes (benefit)	(234)	842	170	2,217	(202)	1,649	514	(1,192)		3,764
Equity in earnings of subsidiaries	2,436	1,607							(4,043)	
Net income	$ 2,201	$ 2,436	$ 191	$ 3,098	$ (450)	$ 2,246	$ 270	$ (3,748)	$ (4,043)	$ 2,201

Schedule III

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS INFORMATION
FOR THE PERIOD ENDED DECEMBER 28, 1991
(In thousands)

	Landstar	LSHI	RMCS	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
OPERATING ACTIVITIES										
Net income	$ 2,201	$ 2,436	$ 191	$ 3,098	$ (450)	$ 2,246	$ 270	$ (3,748)	$ (4,043)	$ 2,201
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:										
Equity in earnings of sudsidiaries	(2,436)	(1,607)							4,043	
Depreciation of operating property		14	13	1,233	2	644	692	4,728		7,326
Amortization of goodwill			69	164		95	166	398		892
Other amortization		265	283	112	46	61	62	118		947
Provision for losses on trade and other accounts receivable				795	(32)	(76)	(12)	255		930
Non-cash charge in lieu of income taxes			1,843	1,580		795	783			5,001
Deferred income taxes, net		279	210	(1,083)	252	(1,088)	(564)	(757)		(2,751)
Changes in operating assets and liabilities:										
Decrease (increase) in trade and other accounts receivable		(62)	126	2,888	175	(1,777)	666	189		2,205
Decrease (increase) in inventories, prepaid expenses and other assets		(2,154)	260	(889)	(10)	(64)	(134)	(503)		(3,494)
Increase (decrease) in accounts payable		32	(66)	15	(18)	(77)	(217)	398		67
Increase (decrease) in other liabilities	1,648	4,512	1,575	(4,539)	614	(2,014)	(1,183)	(1,727)		(1,114)
Increase (decrease) in estimated insurance claims			(3,224)	(1,776)	(660)	1,353	(310)	445		(4,172)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,413	3,715	1,280	1,598	(81)	98	219	(204)	0	8,038
INVESTING ACTIVITIES										
Acquisition of Landstar System Holdings, Inc., net of $2,154 of cash acquired	(15,708)	(659)	998	379	390	(875)	(125)	1,432		(14,168)
Purchases of operating property		(91)	(6)	(377)	(3)	(51)	(189)	(1,496)	112	(2,101)
Proceeds from sales of operating property		2	86	482		77	127	2,049	(112)	2,711
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(15,708)	(748)	1,078	484	387	(849)	(187)	1,985	0	(13,558)
FINANCING ACTIVITIES										
Proceeds from sales of common stock	12,000	8,080								20,080
Increase (decrease) in cash overdraft		402	(324)	(1,425)	(64)	485	274	(592)		(1,244)
Borrowings under working capital loan										
Principal payments on senior term loan, working capital loan and capital lease obligations		(5,468)		(143)	0	(14)	(108)	(1,855)		(7,588)
Purchases of common stock		(86)								(86)
Dividends paid										
Increase (decrease) of inter-company account	2,295	(279)	(2,034)	(488)	(242)	280	(198)	666		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	14,295	2,649	(2,358)	(2,056)	(306)	751	(32)	(1,781)	0	11,162
Increase in cash	0	5,616	0	26	0	0	0	0	0	5,642
Cash at beginning of period	0	0	0	0	0	0	0	0	0	0
Cash at end of period	$ 0	$ 5,616	$ 0	$ 26	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,642

Exhibit B-4

Receivables and Payables - Affiliated Companies

The Consolidating Schedule of Balance Sheet Information (See, Exhibit B-1, page 11) lists certain "inter-company receivables" as current assets and certain "inter-company payables" as current liabilities.

All of the amounts reflected in these accounts represent amounts due from or payable to Landstar, or one or more of the five motor carrier applicants, or RMCS, Landstar Transportation Services, Inc. (an ICC broker) or Landstar System Holdings, Inc.

The balances shown on each statement represent the net amount due from or payable to a parent, subsidiary, or affiliated company, for expenditures incurred on behalf of another entity within the Landstar controlled group, incurred in the ordinary course of business. Typical transactions that give rise to these amounts are payment of taxes, transfers of cash, hauling freight for a sister company, or, to a limited extent, transfers of revenue equipment.

All of the amounts shown are payable on demand. There is no interest charged or paid on these balances.

Regarding Inter-Company Long Term Debt, the Consolidating Schedule of Balance Sheet information shows an inter-company long term debt. This item represents an allocation of a long term debt incurred by Landstar System Holding, Inc. during an October, 1988 recapitalization. The proceeds were used to pay dividends and the portion of the debt owed by the operating motor carriers (applicants here) to their former corporate parent. The debt incurred consisted of a $46 million senior term loan and a $38 million principal amount of 14 % senior subordinated notes.

The inter-company debt is evidenced by notes bearing interest at approximately 13.2 %. The notes are payable on demand. As of July 1, 1993, no principal payments have been credited against the balance due.

The following table shows for fiscal year 1992, the total interest and debt expense incurred by each of the applicants and that portion of the total amount representing interest on the inter-company long term debt.

	Column A	Column B	Column C
Poole	$5,459,000	$4,241,000	78%
Inway	1,845,000	1,591,000	86%
Ranger	2,643,000	2,401,000	91%
Ligon	2,169,000	2,059,000	95%
Gemini	856,000	813,000	95%

Column A - Total interest and debt expense for fiscal year 1992.
Column B - Portion representing interest on inter-company long term debt
Column C - Percentage of total expense representing interest on inter-company long term debt

Exhibit B-5

Terms and Conditions of Liabilities to Financial Institutions

Following the completion of its Initial Public Offering on March 12, 1993, Landstar on the same day entered into a new credit arrangement with a new syndicate of banks. The new Credit Agreement provided Landstar with $8 million of financing consisting of a $20 million term loan and a $60 million line of revolving credit.

The term loan is repayable in ten equal semi-annual installments, beginning September 30, 1993. The revolving credit arrangement expires March 12, 1998.

Both the term loan and borrowing under the revolving credit arrangement bear interest at rates equal to, at Landstar's option, either (i) the greatest of (a) the prime rate as publicly announced from time to time by Chemical Bank, (b) the three-month CD rate adjusted for statutory reserves and FDIC assessment costs, plus 1%, and (c) the federal funds effective rate plus ½%, plus in each case a margin of ¼% (or, if certain financial tests are met, a margin of 0%), or (ii) the rate at the time offered to Chemical Bank in the Eurodollar market for amounts and periods comparable to the relative loan plus a margin of 1¼% (or, if certain financial tests are met, a margin of 1%). The unused portion of the revolving credit arrangement carries a commitment fee of 3/8% per year.

The Credit Agreement requires Landstar to maintain a minimum Net Worth of approximately $49.5 million.

Exhibit B-6

Sources of Funds

Applicants believe they can make funds readily available to pay self-insurance claims from amounts generated in the ordinary course of their business.

As explained (*See*, Exhibit A-6, *supra*), applicants have been operating for many years under a $1 million deductible program, which is similar to the self-insurance proposed here. Based on this experience, their projections as to the manner in which they will obtain funds for payment of self-insurance claims are based on realistic experience rather than mere projection.

Applicants have consistently been able to pay insurance claims as they arise from operating incomes generated in the ordinary course of their business. All indications are that this condition will continue, especially as operating results continue to improve and the carriers benefit from the reduced debt which flows from the recent Initial Public Offering.

In order to *guarantee* payment of these claims, however, each applicant proposes to establish a letter of credit in the amount of $1.5 million for bodily injury and property damage claims and $10,000 for cargo insurance claims [1] under terms and conditions standard for such letters of credit maintained by self-insured carriers.

These letters of credit will be obtained from Chemical Bank, New York. As explained (See, Exhibit A-13, supra), applicants now maintain letters of credit for all insurance purposes in an amount of $28.5 million, so they believe that appropriate letters of credit will be readily available for this purpose.

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[1] As explained, supra, applicants maintain cargo insurance at levels well above those required by the ICC and plan to continue to do so. The letters of credit described here, however, are only intended to satisfy the ICC's requirements.

Exhibit B-7

Initial Public Offering and Recapitalization

On March 12, 1993, Landstar completed its Initial Public Offering by selling 2.5 million shares of common stock at $13 per share, receiving proceeds (net of underwriting discounts and commissions and issuance costs) in the amount of $28,450,000.

On the same date, Landstar entered into a new credit agreement (See Exhibit B-5, supra) which permitted the company's recapitalization of its outstanding indebtedness.

Specifically, the net proceeds realized from the Initial Public Offering and net proceeds from the term loan and revolving credit available under the March 12, 1993, Credit Agreement were used by Landstar to repay approximately $15,229,000 of outstanding debt under a prior credit agreement and redeem or purchase all of Landstar's then outstanding $38 million outstanding 14% Senior Subordinated Notes.

The effect of the Initial Public Offering and Recapitalization was to strengthen significantly Landstar's capital structure. Common shareholders' equity increased from $29,857,000 at December 26, 1992, to $59,864,000 at March 27, 1993. Common shareholders' equity now represents over 50% of capitalization.

Further, the Recapitalization has substantially benefitted Landstar's operations. This has occurred, because the combination of the new Credit Agreement and the recapitalization provides for greater borrowing capacity and at lower rates than the prior credit agreement in effect. Further, the new Credit Agreement provides for lower principal payments on an annual basis compared to the prior credit agreement. In broad figures, the prior $7 million per year principal payments have now been reduced to $4 million per year. The $5.4 million interest payments on the 14% Senior Subordinated Notes have been eliminated. Reduced interest rates on the new term loan and on the revolving credit arrangement have resulted in decreased interest payments. This permits cash provided by operating activities to be used for purposes other than debt repayment or debt service.

Corporate Resolutions - Poole

I, Michael L. Harvey, Vice President, General Counsel and Secretary of Poole Truck Line, Inc., a corporation organized and existing under the laws of the State of Alabama, do hereby certify that the following are copies of resolutions adopted unanimously by the Board of Directors of Poole Truck Line, Inc. by written consent on July 6, 1993.

> RESOLVED, that the Corporation, make application to the Interstate Commerce Commission for authority under 49 U.S.C. §10927 to act as a self-insurer for purposes of bodily injury and property damage and cargo liability insurance.

> RESOLVED, that Henry H. Gerkens, Vice President, be and he is hereby authorized to execute any and all applications and other related papers required in connection with such application to the Interstate Commerce Commission.

Dated at Shelton, Connecticut this 6th day of July, 1993.

Michael L. Harvey
Vice President, General Counsel and Secretary

Corporate Resolutions - Inway

I, Michael L. Harvey, Vice President, General Counsel and Secretary of Independent Freightway, Inc., a corporation organized and existing under the laws of the State of Delaware do hereby certify that the following are copies of resolutions adopted unanimously by the Board of Directors of Independent Freightway, Inc. by written consent on July 6, 1993.

RESOLVED, that the Corporation, make application to the Interstate Commerce Commission for authority under 49 U.S.C. §10927 to act as a self-insurer for purposes of bodily injury and property damage and cargo liability insurance.

RESOLVED, that Henry H. Gerkens, Vice President, be and he is hereby authorized to execute any and all applications and other related papers required in connection with such application to the Interstate Commerce Commission.

Dated at Shelton, Connecticut this 6th day of July, 1993.

Michael L. Harvey
Vice President, General
Counsel and Secretary

Corporate Resolutions - Ranger

I, Michael L. Harvey, Vice President and General Counsel of Ranger Transportation, Inc., a corporation organized and existing under the laws of the State of Delaware, do hereby certify that the following are copies of resolutions adopted unanimously by the Board of Directors of Ranger Transportation, Inc. by written consent on July 6, 1993.

> RESOLVED, that the Corporation, make application to the Interstate Commerce Commission for authority under 49 U.S.C. §10927 to act as a self-insurer for purposes of bodily injury and property damage and cargo liability insurance.

> RESOLVED, that Henry H. Gerkens, Vice President, be and he is hereby authorized to execute any and all applications and other related papers required in connection with such application to the Interstate Commerce Commission.

Dated at Shelton, Connecticut this 6th day of July, 1993.

Michael L. Harvey

Michael L. Harvey
Vice President and
General Counsel

Corporate Resolutions - Ligon

I, Michael L. Harvey, Vice President, General Counsel and Secretary of Ligon Nationwide, Inc., a corporation organized and existing under the laws of the State of Delaware, do hereby certify that the following are copies of resolutions adopted unanimously by the Board of Directors of Ligon Nationwide, Inc. by written consent on July 6, 1993.

RESOLVED, that the Corporation, make application to the Interstate Commerce Commission for authority under 49 U.S.C. §10927 to act as a self-insurer for purposes of bodily injury and property damage and cargo liability insurance.

RESOLVED, that Henry H. Gerkens, Vice President, be and he is hereby authorized to execute any and all applications and other related papers required in connection with such application to the Interstate Commerce Commission.

Dated at Shelton, Connecticut this 6th day of July, 1993.

Michael L. Harvey
Vice President, General
Counsel and Secretary

Corporate Resolutions - Gemini

I, Michael L. Harvey, Vice President, General Counsel and Secretary of Gemini Transportation Services, Inc., a corporation organized and existing under the laws of the State of Delaware do hereby certify that the following are copies of resolutions adopted unanimously by the Board of Directors of Gemini Transportation Services, Inc. by written consent on July 6, 1993.

> RESOLVED, that the Corporation, make application to the Interstate Commerce Commission for authority under 49 U.S.C. §10927 to act as a self-insurer for purposes of bodily injury and property damage and cargo liability insurance.
>
> RESOLVED, that Henry H. Gerkens, Vice President, be and he is hereby authorized to execute any and all applications and other related papers required in connection with such application to the Interstate Commerce Commission.
>
> Dated at Shelton, Connecticut this 6th day of July, 1993.

Michael L. Harvey
Vice President, General
Counsel and Secretary

INFORMATION REQUIRED BY 49 CFR §1043.5

The Commission's regulations at 49 CFR §1043.5 include certain requirements which must be satisfied before the Commission may authorize motor carriers to self-insure. The Landstar motor carrier applicants readily satisfy those ICC requirements.

The first requirement relates to tangible net worth. The applicants' financial condition (and that of their corporate parent, Landstar) is such that self-insurance is clearly warranted in this case. In its consideration of earlier self-insurance applications, the Commission has traditionally imposed a minimum net worth requirement of $2 million for each operating carrier. [1] By reference to the March 27, 1993, Financial Statements (following the Initial Public Offering and Recapitalization, See, Exhibit B-7, supra) the Landstar Consolidated Balance Sheet shows a net worth of $59,864,000, an increase of $30 million from the December 26, 1992 statement (See, Exhibit B-1, page 4). Working capital is $18,487,000.

With reference to the individual carrier applicants, the net worth of each motor carrier as of March 27, 1993 (See, Exhibit B-1, page 11) was well in excess of $2 million, as follows:

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[1] This argument makes reference to a $2 net worth for each carrier. If the Commission should require a "2 times self-insurance amount" requirement, or $3 million net worth per carrier, applicants readily satisfy that test as well.

Carrier	Net Worth
Poole	$33,893,000
Inway	$24,946,000
Ranger	$31,480,000
Ligon	$18,049,000
Gemini	$ 4,492,000

Thus, these strong balance sheet figures, consistent with Landstar's otherwise sound financial condition and outstanding safety program, satisfy the "tangible net worth" tests generally imposed by the Commission. [2]

Applicants agree to abide by the "usual" ICC condition that each of them maintains a tangible net worth of $2 million (or $3 million if appropriate, see note 1) as a condition of self-insurance.

With respect to a sound self-insurance program, applicants satisfy this requirement as well. First, as explained, applicants have operated with a $1 million deductible provision for bodily injury and property damage insurance for many years, and they have operated successfully under such a system. This $1 million

[2] *In a recent ICC application on behalf of a somewhat comparable carrier group,* ABF Freight System, Inc., Application to be a Self-Insurer, MC-29910 (served April 8, 1993), the Commission approved self-insurance for four affiliated carriers, three of which had net worth of less than $1 million (two *of these had net worth of less than $250,000). There, the Commission imposed* a requirement of a combined tangible net worth of $8 million for all four carriers.

deductible is, for all practical purposes, similar to the self-insurance authorization requested here. Thus, a sound self-insurance program is not actually proposed, it is already in existence and proven by experience.

Applicants have for many years satisfactorily paid claims which arise in the course of their business from operating funds, while, at the same time, maintaining letters of credit to guarantee the payment of those claims.

In this application, each applicant proposes to establish irrevocable letters of credit in the amount of $1.5 million for bodily injury and property damage coverage and $10,000 for cargo coverage. These will be established according to the standard terms and conditions imposed by the Commission for applications of this nature. [3]

Further, Landstar now maintains and plans to continue to maintain excess insurance coverage in an amount of $30 million in excess of statutorily required coverage (See, Exhibit A-8, supra). This significant excess coverage assures adequate protection of the public.

Further, the operating results of the applicants have

---

[3] The "standard" terms appear in the first ordering paragraph of the ABF Freight System, decision, supra, note 2.

been and remain strong. (See, Exhibit B-1, supra).

Operating Income *
(Dollars in Thousands)

	1991	1992	1st Qtr. 1993
Landstar	$21,906	$34,710	$5,469
Poole	4,150	11,736	1,661
Inway	5,913	9,682	1,984
Ranger	8,664	11,585	2,667
Ligon	3,287	5,317	693
Gemini	12	277	108

NOTES: * This is more fully described as "Earnings Before Interest, Taxes, and Depreciation and Amortization." The amount includes an allocation for management fees paid by each of the applicants to Landstar.

1991 figures are for the period March 28, 1991 through the end of the fiscal year, December 28, 1991

First Quarter 1993 figures may not be indicative of entire year as this is an historically slow quarter

The Recapitalization has resulted in the elimination of high-cost debt, leaving additional operating revenues available for expenses other than debt service (See, Exhibit B-7, supra), including payment of claims if necessary.

Further, through the Landstar subsidiary RMCS, there is in place a professional, sophisticated claims handling system for self-insurance claims.

Finally, the essence of a self-insurance program is

Landstar's outstanding safety program, which is described throughout this application.

Regarding the existence of an adequate safety program, each of the applicants maintains a "satisfactory" safety rating from the U.S. Department of Transportation. Moreover, the comprehensive and extraordinary Landstar safety program followed by each of the applicants (*See*, Exhibit A-11, *supra*); the excellent safety results flowing from this program; and the Landstar organization's overall commitment to safety as reflected throughout this application, constitute both a commitment to and the realization of an adequate safety program for the protection of the public.

Legal Argument

This application for authority to self-insure by the five motor carriers of the Landstar organization should be approved. Applicants have met - and surpassed - all of the criteria for such authorization established by the Commission. These carriers' qualifications are even more impressive when viewed in the perspective of the Landstar organization's commitment to its comprehensive and pervasive safety program and the excellent safety results.

This application presents a picture of a motor carrier organization with the financial resources and management commitment necessary for the Commission to authorize self-insurance authorization, consistent with the obligation under 49 U.S.C. §10927 of every motor carrier to maintain adequate insurance for the protection of the public.

The award of self-insurance authorization is consistent with the Commission's earlier decisions and policy in this area. Since its first major decision bringing its self-insurance regulations into the "modern age" of a deregulated trucking industry and wildly fluctuating insurance rates, Investigation into Motor Carrier Insurance Rates, 3 I.C.C. 2d 377 (1987), the Commission has evidenced a policy of approving such applications by qualified carriers, under the theory that so long as the public is adequately protected, as contemplated by 49 U.S.C. §10927, then carriers should be free to respond flexibly within the market to meet their insurance obligations as regulated carriers.

In its consideration of applications by motor carriers for authority to self-insure, the Commission has authorized self-insurance not necessarily on the basis of any hard and fast rules concerning the analysis of a carrier's financial condition (the Commission has traditionally considered an applicant's financial wherewithal only after the applicant has established an adequate safety program and performance) but, instead, based on the Commission's overall evaluation of the carrier, its operation, management, and financial condition viewed in the entirety.

Such an evaluation in this case, consistent with the standards set forth in earlier ICC self-insurance cases, necessarily leads to the conclusion that the Commission should award the requested self-insurance authorization to applicants in this case.

The staring point for consideration of any self-insurance application is the Commission's obligation to make certain that carriers act in a responsible manner so that the public is adequately protected. Any reasonable review of this application show that Landstar and its motor carrier subsidiaries take seriously their obligation to provide adequate protection for the public in the conduct of their motor carrier activities. This responsible position is reflected first and foremost in the carriers' extraordinary commitment to safety and their outstanding safety performance. One cannot read the description of the Landstar safety program (See, Exhibit A-11, supra) without recognizing that "safety" is not a slogan but a way of life for the Landstar carriers.

Further, in terms of responsibility for the public, Landstar not only maintains a thorough safety system, it also maintains a highly sophisticated claims management system (See, Exhibit A-12, supra) which assures that claims which do arise are promptly and fairly handled and resolved.

Finally, Landstar's financial condition, already a sound one, has been improved significantly by the March, 1993 Initial Public Offering and Recapitalization. (See, Exhibit B-7, supra) These carriers' sound balance sheets, positive cash flow, and excellent operating results provide assurances that the public will be properly protected.

If there were any doubt, the carriers' maintenance of $30 million of excess insurance coverage, beyond the amount of the insurance required by law, reflects a commitment to responsible trucking activities.

Recent ICC decisions have used a variety of analysis techniques to evaluate self-insurance applicants. Landstar appears especially well qualified under any and all of these tests.

Comparing the Landstar application with those self-insurance applications approved by the Commission during 1993 shows the merits of the Landstar proposal. Indeed, the Commission has apparently approved each of the applications considered during 1993, showing a strong ICC policy of authorizing self-insurance upon a reasonable showing by the applicant. Landstar has made a very strong showing in this case.

Reference to a few of these 1993 cases is illustrative. Like the approved applications of ABF Freight System, Inc., Application to be a Self-Insurer, MC-29910 (served April 8, 1993) and USA Truck, Inc., Application to be a Self-Insurer, MC-161412 (served April 23, 1993), the Landstar organization had an already strong financial condition strengthened even more by the sale of stock, which served to increase equity and allowed the restructuring of high-cost debt to be replaced with a less expensive debt servicing.

By way of comparison with Landstar's strong showing, in some instances, the Commission approved applications by carriers far weaker than the Landstar carriers. For example, in ABF Freight System, supra, three of the four motor carrier applicants had a net worth of less than $1 million (two of these three had a net worth of less than $250,000). This is in contrast to the strong "net worth" showing by each of the Landstar carriers.

In Burlington Motor Carriers, Inc., Application to be a Self-Insurer, MC-154621 (served January 22, 1993) the applicant there had suffered continued operating losses (in contrast to the Landstar carriers' profitable operations) and its debt-to-debt plus equity ration was very near "1" (in contrast to the Landstar ".37"). Yet, the Burlington application was approved.

In Umthun Trucking Company, Application to be a Self-Insurer, MC-124813 (served January 22, 1993), the Commission approved self-insurance for a carrier with a consistently "negative" working capital and an uneven earnings history. Both contrast to the strong showing by the Landstar carriers in this application.

If nothing else, this brief review of Commission decisions shows (1) a willingness to approve applications by qualified carriers, and (2) an examination of each application in its entirety. Such an examination in this instance fully supports the award of self-insurance authorization for each of the applicants as consistent with Commission practices and consistent with the public interest.

CALDWELL & KEARNS
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
3631 NORTH FRONT STREET
HARRISBURG, PENNSYLVANIA 17110-1533
717-232-7661
FAX. 717-232-2766

August 3, 1994

Hand Delivered

John G. Alford, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Application of Independent Freightway, Inc. and Ranger Transportation, Inc. for Authority to Self-Insurer
A-00107087, A-00110387

A-00107087F3000 - INDEPENDENT FREIGHTWAY INC
A-00110387F3000 - RANGER TRANSPORTATION INC

Dear Secretary Alford:

Pursuant to the request of the new filing section, I enclose one additional copy of the subject application. Should you need anything further, please let me know.

Sincerely,

James D. Campbell, Jr.
CALDWELL & KEARNS

JDCJr/njd

Enclosure

cc: Jeremy Kahn, Esquire

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ORIGINAL

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

IN THE MATTER OF

THE APPLICATION OF

INDEPENDENT FREIGHTWAY, INC. – A 00107087 F3000
and
RANGER TRANSPORTATION, INC. – A 00110387 F3000

FOR AUTHORITY TO ACT AS A SELF-INSURER
FOR PENNSYLVANIA OPERATIONS

DOCUMENT FOLDER

RECEIVED AUG 3 1994 SECRETARY'S OFFICE Public Utility Commission

COME NOW, Independent Freightway, Inc., d/b/a Inway and Ranger Transportation, Inc. by their counsel, and respectfully submit this, their Application under 52 Pa. Code §32.15(a) for authority to self-insure, as more fully set forth within the Application.

The Applicants

This is the joint application of two affiliated motor carriers of property for self-insurance authorization.

One applicant is Independent Freightway, Inc. d/b/a Inway ("Inway"), 2330 23rd Avenue, Rockford, Illinois 61108, a Delaware corporation, a motor carrier of property which holds intrastate authority in Pennsylvania.

Inway is a nationwide motor carrier of property, holding intrastate authority from the Public Utility Commission ("PUC") in Docket A-107087, and nationwide

DOCKETED AUG 3 1994

authority from the Interstate Commerce Commission ("ICC") in that agency's Docket MC-161864. A copy of Inway's PUC authority is attached as Exhibit A.

The second applicant is Ranger Transportation, Inc. ("Ranger"), 4057 Carmichael Avenue, Jacksonville, Florida 32207, a Delaware corporation, a motor carrier of property which holds intrastate authority in Pennsylvania.

Ranger is a motor carrier of property, holding intrastate authority from the PUC in Docket A-110387, and nationwide authority from the ICC in that agency's Docket MC-166960. A copy of Ranger's PUC authority is attached as Exhibit B.

Inway and Ranger are both members of the Landstar System, Inc. ("Landstar") group of motor carriers. Inway, Ranger, and their three motor carrier affiliates are wholly owned subsidiaries of Landstar. [1] Landstar is a publicly traded company whose stock is listed in the NASDAQ National Market System.

Inway and Ranger on July 21, 1993 filed with the ICC an application under 49 U.S.C. §10927 [2] for authority to self-insure for purposes of bodily injury and property damage ("BI&PD") insurance coverage up to limits of $1.5

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1 The other three Landstar carriers hold ICC authority, but no PUC authority.

2 Under ICC rules, the application was a joint application on behalf of Landstar and its five motor carrier subsidiaries, including Inway and Ranger.

million and cargo liability insurance coverage of $10,000 (the maximum prescribed by the ICC). A copy of the application submitted to the ICC is attached as Exhibit C to this application.

By its decision served January 7, 1994, the ICC approved the application of Inway, Ranger, and their affiliates for authority to self-insure. A copy of that ICC decision is attached as Exhibit D.

By its decision served April 28, 1994, in response to a Petition for Modification filed by the Landstar carriers, the ICC modified slightly its earlier decision, authorizing Inway and its affiliates to self-insure for levels of $1 million for BI&PD coverage and $10,000 for cargo insurance coverage. A copy of that second ICC decision is attached as Exhibit E.

Pursuant to the ICC authorization, supra, Inway, Ranger, and their affiliates implemented operations as self-insured carriers for BI&PD coverage on or about May 1, 1994, and for cargo insurance coverage on or about May 17, 1994, after satisfying all ICC requirements, including submission of the required Letters of Credit and Guaranty Agreement among Landstar and its motor carrier subsidiaries (including Inway and Ranger).

Inway, Ranger, and their Landstar affiliates have qualified as self-insured carriers in numerous states in which those carriers hold intrastate authority and are making application for self-insurance authorization on an intrastate basis in other states which require such applications.

To update the 1993 financial information included as Exhibits B-1 and B-2 to the ICC application (Exhibit C to this application), there is attached hereto as Exhibit F a copy of the 1993 Audited Consolidated Financial Statements and Consolidating Information for Landstar System, Inc., which include consolidating statements relating to each of the motor carriers, including Inway and Ranger. There is also attached as Exhibit G similar Consolidating Financial Statements and Consolidating Information for the first quarter of 1994.

Attached as Exhibit H is a certification by a representative of applicant and its corporate parent, Landstar System, verifying the accuracy of the information submitted with this Application.

The Requirements of 52 Pa. Code §32.15(a)

Under Pennsylvania regulations, when a motor carrier seeks approval to self-insure in Pennsylvania, the carrier must file with the Commission:

> A true and accurate statement of its financial condition which establishes its capability to satisfy its insurance obligations as they become due, a self-insurance plan which includes adequate security to protect the public and a description of its safety program including its past accident record. An interstate carrier

> shall submit the approval of the Interstate Commerce Commission of its proposed self-insurance plan with its application.
> 52 Pa. Code §32.15(a)

Regarding financial condition, the financial information set forth in the initial ICC application (Exhibit C hereto), as supplemented by the more recent financial statements, Exhibits F and G, more than meets the PUC requirement that the carrier show its capability to satisfy insurance obligations as they become due. In fact, the Landstar financial statements show a continually improving and extremely strong financial condition, with a very strong cash situation and balance sheet.

As explained in the ICC application, the Landstar carriers have maintained a $1 million deductible BI&PD policy for many years and have operated successfully under that deductible provision (Exhibit A-7 to ICC application, Exhibit C hereto), which gives further support to Landstar's capability to satisfy its insurance obligations as they become due.

Regarding proposed self-insurance plan, the Landstar ICC application (Exhibit C) includes a compelling description of applicant's self-insurance program at pages 2-5 of the Exhibit entitled "Information Required by 49 CFR §1043.5." That exhibit explains that applicants have operated successfully for many years with a $1 million deductible provision for BI&PD claims. This deductible insurance policy is, for all practical purposes, similar to the self-insurance authorized by the ICC, proposed in this application, and already implemented by the Landstar carriers for interstate and many intrastate purposes.

This means that a sound self-insurance program is not only proposed, but is already in existence and proven by years of experience.

Applicant carriers have for many years satisfactorily paid claims which arise in the course of their motor carrier business out of operating funds, while, at the same time, maintaining letters of credit to guarantee the payment of those claims. Following ICC approval, Inway and Ranger (and the other three Landstar carriers) have obtained letters of credit in the amount of $1 million for BI&PD coverage and $10,000 (the maximum ICC amount) for cargo coverage. Further, Landstar, the carriers' parent, has guaranteed any self-insured payments.

In the ICC application, Landstar represented that it planned to continue to maintain excess insurance coverage in an amount of $30 million beyond the statutorily required coverage. In fact, the excess coverage has now been increased to $45 million in excess of the statutorily required $5 million coverage for ICC purposes. This significant excess coverage further assures adequate protection of the public.

Further, the financial results of the Landstar companies have shown continued improvement, thereby generating more than adequate funds to meet self-insurance payments as they arise.

Finally, the existence of another Landstar affiliate, Risk Management Claim Services, Inc. (described in detail in Exhibit A-12 to the ICC application, Exhibit C hereto) means that the self-insurance program has a coordinated risk management program to assure the prompt, effective, and fair treatment of all claims as they arise.

Regarding the Landstar safety program, the 21 page Exhibit A-11 to the ICC application describes in great detail the extraordinary Landstar safety program and the strong company wide emphasis on motor carrier safety, which is reflected in the carrier's excellent claims results. The Commission is asked to review Exhibit A-11 to the ICC application in its entirety.

Regarding claims, the claims history of the Landstar carriers is described in detail in Exhibit A-5 to the application. (Exhibit C hereto)

Finally, regarding ICC approval, the decisions of the ICC authorizing self-insurance are attached hereto as Exhibits D and E.

Thus, it is clear that Inway and Ranger satisfy the requirements of 52 Pa. Code §32.15(a) for the authorization of self-insurance.

Applicants' Self-Insurance Proposal

Regarding the Inway and Ranger self-insurance proposal, Inway and Ranger propose to act in Pennsylvania as self-insurers at the same limits as they act for interstate purposes, namely BI&PD coverage of $1 million and cargo insurance coverage of $10,000. [3] Although not required, Inway, Ranger, and their affiliates shall maintain substantial excess coverage in an amount of $45 million.

In the ICC decisions authorizing Inway, Ranger, and their affiliates to act as self-insured carriers (Exhibits D and E to this application), the ICC imposed conditions upon the award of self-insurance, "ordinary" for authorizations of this sort. Inway and Ranger are prepared to accept comparable conditions in connection with their application to the Pennsylvania Public Utility Commission for self-insurance authorization. Further, applicants agree to notify the PUC of any changes in their ICC self-insured status.

Inway and Ranger represent that if they should cease to act as a self-insurer with respect to ICC authorized self-insurance, they shall promptly notify the PUC.

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[3] These limits are in excess of those required by Pennsylvania, but they are consistent with the insurance requirements of this carrier as an ICC regulated carrier.

WHEREFORE, it is respectfully prayed that the Pennsylvania Public Utility Commission, upon consideration of the information submitted herewith, shall approve the application of Independent Freightway, Inc. and Ranger Transportation, Inc., for authority to act as self-insured carriers as described herein, and shall issue such further order or orders as may be deemed necessary in the premises.

Respectfully,

James D. Campbell, Jr., Esq.

Jeremy Kahn, Esq.
Counsel for Applicants
Independent Freightway, Inc.
Ranger Transportation, Inc.

Dated: July 19, 1994

James D. Campbell, Jr., Esq.
Caldwell & Kearns
3631 North Front Street
Harrisburg, PA 17110-1533
(717) 232-7661

Jeremy Kahn, Esq.
Kahn & Kahn
1726 M Street, N.W.
Suite 702
Washington, D.C. 20036
(202) 887-0037

Exhibit H

Verification

COUNTY OF FAIRFIELD :
:
STATE OF CONNECTICUT :

Michael L. Harvey, after being duly sworn, on his oath deposes and says he is Vice President, Independent Freightway, Inc., and Ranger Transportation, Inc., applicants before the Pennsylvania Public Utility Commission for authority to self-insure and that he is Vice President, Landstar System, Inc., the parent of the applicant, that he has read the foregoing application, knows the contents thereof, and the same are true as stated, to the best of his knowledge, information, and belief.

Michael L. Harvey

Subscribed and sworn to before me, a Notary Public, in and for the County of Fairfield, State of Connecticut, this 11th day of July, 1994.

Mary G. Twohill
Notary Public

My Commission expires:

MARY G. TWOHILL
NOTARY PUBLIC
MY COMM. EXPIRES MARCH 31, 1995

A

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE APPLICATION OF

INDEPENDENT FREIGHTWAY, INC., a corporation of the State of Delaware

CERTIFICATE
OF
PUBLIC CONVENIENCE

A. 00107087
Folder 1

The Pennsylvania Public Utility Commission hereby certifies that after an investigation and/or hearing had on the above entitled application, it has, by its report and order made and entered, a copy of which is attached hereto and made a part hereof, found and determined that the granting of said application is necessary or proper for the service, accommodation, convenience and safety of the public, and this certificate is issued evidencing its approval of the said application as set forth in said report and order.

In Testimony Whereof, The PENNSYLVANIA PUBLIC UTILITY COMMISSION has caused these presents to be signed and sealed, and duly attested by its Secretary at its office in the city of Harrisburg this 1st day of JULY, 1987.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION

Attest:

Secretary

EXHIBIT "A"

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held May 7, 1987

Commissioners Present:

Linda C. Taliaferro, Chairman
Frank Fischl
Bill Shane

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for approval of the transfer to it of part of the rights held by Noerr Motor Freight, Inc. at A-00075088, consisting of all the transferor's Class D authority, subject to the same limitations and conditions.

A-00107087

John E. Fullerton for the applicant.

ORDER

BY THE COMMISSION:

This matter comes before the Commission on an application filed August 13, 1986. Corresponding applications for emergency temporary authority and temporary authority were also filed. By order adopted September 18, 1986, we granted emergency temporary authority. Public notice of the application was given in the Pennsylvania Bulletin of September 20, 1986.

On December 4, 1986, we adopted a tentative decision that denied the transfer to Independent Freightway, Inc. (IFI or applicant) of part of the operating authority of Noerr Motor Freight, Inc. (Noerr or transferor). The Commission found that as Noerr was to retain six (6) Class A rights while transferring forty-four paragraphs of Class D rights, numerous conflicts and duplications of authority would occur. At least thirty (30) of the Class D rights would impinge on the retained Class A rights and require thirty (30) restrictive paragraphs to be lodged on the six (6) rights retained by Noerr. This result was deemed to be against the public interest and the application was denied. However, the Tentative Decision advised that should Noerr desire to transfer all of its rights to IFI or file an application for discontinuance of its Class A authority, the Commission's objection to the transfer could be overcome.

2. To transport, as a Class D carrier, property between points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough;

3. To transport, as a Class D carrier, household goods in use from points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough to other points in Pennsylvania and vice versa;

4. To transport, as a Class D carrier, rayon and rayon products from points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough, to points in Pennsylvania, east of a north and south line from the center of the City of Harrisburg, Dauphin County, and the return of accessories;

5. To transport, as a Class D carrier, milk from points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough, to the city of Lancaster, Lancaster County, and the city and county of Philadelphia;

6. To transport, as a Class D carrier, groceries and returned milk cans from the city and county of Philadelphia, to points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough;

7. To transport, as a Class D carrier, castings and machinery parts from the Standard Steel Works Division of Baldwin Locomotive Works in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough to other points in Pennsylvania in emergencies only, provided that emergency trips shall be reported to the Commission immediately after they are made;

8. To transport, as a Class D carrier, artificial silk and artificial silk products and accessories from the American Viscose Corporation, in the borough of Marcus Hook, Delaware County, and

and accessories from said cities and boroughs to points in the borough of Huntingdon;

14. To transport, as a Class D carrier, doors and other products of Overhead Door Company and Modern Doors, Inc., from the borough of Lewistown, Mifflin County, to points in Pennsylvania and merchandise, material, hardware, and supplies from points in Pennsylvania to Overhead Door Company and Modern Doors, Inc., in the borough of Lewistown;

15. To transport, as a Class D carrier, farm machinery and parts thereof for the Hertzler and Zook Company, the New Holland Machine Company and the New Holland Machine Division of the Sperry-Rand Corporation from their plant in the village of Belleville, Mifflin County; to points in Pennsylvania;

16. To transport, as a Class D carrier, supplies and materials for the Hertzler and Zook Company, the New Holland Machine Company and the New Holland Machine Division of the Sperry-Rand Corporation from points in Pennsylvania to the plant of the said companies in the village of Belleville, Mifflin County;

17. To transport, as a Class D carrier, ferrous scrap, non-ferrous scrap, non-metallic scrap and salvage materials for Joe Krentzman & Sons, Inc., from points in the county of Mifflin to points in Pennsylvania;

18. To transport, as a Class D carrier, ferrous scrap, non-ferrous scrap, non-metallic scrap and salvage materials for Joe Krentsman & Sons, Inc., from points in Pennsylvania to points in the county of Mifflin;

with right number 18 subject to the following condition:

> That no right, power or privilege is granted to transport scrap metal from points in the city of Williamsport, Lycoming County;

19. To transport, as a Class D carrier, property, from the facilities of C. H. Masland & Sons in the borough of Carlisle, Cumberland County, to its facilities in the township of Granville, Mifflin County, and vice versa;

27. To transport, as a Class D carrier, scrap metal for Thalheimer Bros. Inc. from its facilities in the city and county of Philadelphia to points in the counties of Allegheny, Armstrong, Beaver, Butler, Cambria, Clarion, Fayette, Greene, Indiana, Lawrence, Mercer, Somerset, Venango, Washington and Westmoreland and vice versa;

28. To transport, as a Class D carrier, property, for Jones and Hunt, Inc., from its facilities located in the township of West Brunswick, Schuylkill County, to points in Pennsylvania, and vice versa;

with right number 28 subject to the following condition:

> That no right, power or privilege is granted to transport petroleum products in bulk, in tank vehicles.

29. To transport, as a Class D carrier, fire brick and other clay products from brick plants in the boroughs of Mount Union and Alexandria, Huntingdon County, the villages of Claysburg and Sproul, Blair County, and the village of Vandyke, Juniata County, to the plant of the Bethlehem Steel Company in the city of Bethlehem, Lehigh and Northampton Counties, and the return of empty shipping facilities;

30. To transport, as a Class D carrier, fire brick and other clay products on flatbed trailers for Haws Refractories Company from its plant in the village of Hawstone, Mifflin County, to points in Pennsylvania;

31. To transport, as a Class D carrier, empty shipping facilities, materials and supplies used or useful in the manufacture of fire brick and other clay products on flat trailers from points in Pennsylvania to the Haws Refractories Company plant in the village of Hawstone, Mifflin County;

32. To transport, as a Class D carrier, fire brick and clay brick on flatbed trailers from the General Refractories Company plants in the borough of Mt. Union, Huntingdon County, and the villages of Sproul and Claysburg, Greenfield Township, Blair County, to points in Pennsylvania; and the return of shipping facilities and damaged or refused shipments;

33. To transport, as a Class D carrier, fire brick and clay brick on flatbed trailers from the

with rights numbers 38 and 39 subject to the following condition:

> That no right, power or privilege is granted to transport commodities in bulk.

40. To transport, as a Class D carrier, property, from the facilities of Owens-Corning Fiberglass Corporation, in the counties of Dauphin and Cumberland, to points in Pennsylvania, and vice versa;

41. To transport, as a Class D carrier, property, for Georgia Pacific Corporation, from its facilities in Richland Township, Bucks County, to points in Pennsylvania, and vice versa;

with right number 41 subject to the following condition:

> That no right, power or privilege is granted to transport property in bulk.

42. To transport, as a Class D carrier, property for Avtex Fibers, Inc., from its facilities located in Pennsylvania, to points in Pennsylvania, and vice versa;

with right number 42 subject to the following conditions:

> That no right, power or privilege is granted to transport commodities in bulk; and
>
> That no right, power or privilege is granted to transport property, to or from the facilities of New Enterprise Stone & Lime Co., Narehood Limestone, Inc., Detwiler Industries, Inc., Martin Limestone, Inc., Anthracite Industries, Inc., National Gypsum Company, Asbury Graphite Mills, Inc., McKesson Chemical Co., Mid-State Chemicals and Lumax Industries, Inc.

43. To transport, as a Class D carrier, fire brick and other refractory articles on flatbed trailers for E. J. Lavine & Company from its plant in the township of Plymouth, Montgomery County, to the city of Harrisburg, and the borough of Steelton, Dauphin County, and the city of Johnstown, Cambria County, and the return of empty shipping facilities and refused or rejected shipments.

44. To transport, as a Class D carrier, fire brick and other silica and clay products, on flatbed

IT IS FURTHER ORDERED: That the authority granted herein, to the extent that it duplicates authority now held by or subsequently granted to the carrier, shall not be construed as conferring more than one operating right.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it has complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of this Commission relative to the filing and acceptance of evidence of insurance and a tariff adoption supplement in accordance with 52 Pa. Code §23.13(c).

IT IS FURTHER ORDERED: That, with the adoption of the instant order, the temporary authority application is hereby dismissed.

IT IS FURTHER ORDERED: That issuance of the certificate be withheld pending receipt of the 1986 Annual Report of the transferor.

IT IS FURTHER ORDERED: That in the event said applicant has not, on or before sixty (60) days from the date of the service of this order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

IT IS FURTHER ORDERED: That upon compliance with this order, the rights granted the transferor, Noerr Motor Freight, Inc., at A-00075088, Folders 2, 3, 4, 6, 7 and 8 be cancelled and the record be marked closed.

BY THE COMMISSION,

Jerry Rich

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: May 7, 1987

ORDER ENTERED: May 12, 1987

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held February 11, 1988

Commissioners Present:

Bill Shane, Chairman
William H. Smith, Vice-Chairman
Linda C. Taliaferro
Frank Fischl

Application of Independent Freightway, Inc., for the right to begin to transport, property, from the facilities of Atlas Energy Products, Division of Atlas Roofing Corporation, in the borough of Camp Hill, Cumberland County, to points in Pennsylvania; subject to the following condition: That no right, power or privilege is granted to transport property in bulk.

A-00107087
F. 2

John E. Fullerton for the applicant.

ORDER

BY THE COMMISSION:

This matter comes before the Commission through an application filed March 13, 1987. Public notice of the application was given in the Pennsylvania Bulletin of April 4, 1987. There were no protests and the record is now certified to the Commission for its decision without oral hearing. The record consists of verified statements entered by the applicant and the supporting shipper.

Independent Freightway, Inc. currently operates the sought authority under emergency temporary authority granted April 2, 1987. The applicant also holds authority granted May 7, 1987, to operate the authority formerly held by Noerr Motor Freight, Inc.

Applicant conducts its Pennsylvania operations out of facilities located at Lewistown, PA. These facilities include a maintenance and repair garage. Applicant conducts a comprehensive safety program and a strict preventative maintenance and inspection program is in effect. The applicant has 15 tractors and 25 semi trailers in use in its Pennsylvania operation.

The unaudited balance sheet submitted by the applicant shows a net operating profit in 1986 of $2,688 and in the first six months of 1987 $2,053.

The authority sought here is necessary since the authorization in the above mentioned transfer grants the right to perform service from the facilities of Owens-Corning Fiberglass Corporation (O-C)(Emphasis added). O-C has sold the facilities to Atlas Energy Products, Division of Atlas Roofing Corporation (Atlas). The same operations will be conducted by Atlas as previously were performed by O-C. Emergency temporary authority was granted so that Atlas could continue the O-C operation without lack of carrier service.

A review of the record shows that the applicant has the equipment, experience, ability and fitness necessary to provide the service proposed. The previous use of the carrier by O-C has demonstrated that there is a need for the service requested.

We find:

1. That the applicant currently operates pursuant to a common carrier certificate granted May 7, 1987.

2. That the applicant has the equipment, experience and fitness necessary to provide the proposed service; THEREFORE,

IT IS ORDERED: That the application be, and is, hereby approved so that the right No. 45 entered by supplemental order August 20, 1987, shall be amended to read as follows:

> To transport, as a Class D carrier, by motor vehicle, property, from the facilities of Atlas Energy Products, Division of Atlas Roofing Corporation, in the borough of Camp Hill, Cumberland County, to points in Pennsylvania and vice versa;

subject to the following condition:

> No right, power or privilege is granted to transport property in bulk.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of this Commission relative to the filing and acceptance of a tariff establishing just and reasonable rates.

IT IS FURTHER ORDERED: That in the event said applicant has not, on or before sixty (60) days from the date of the service of this order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

IT IS FURTHER ORDERED: That the authority granted herein, to the extent that it duplicates authority now held by or subsequently granted to the carrier, shall not be construed as conferring more than one operating right.

BY THE COMMISSION,

Jerry Rich

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: February 11, 1988

ORDER ENTERED: February 19, 1988

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120

Public Meeting held September 29, 1988

Commissioners Present:

Bill Shane, Chairman
William H. Smith, Vice-Chairman
Linda C. Taliaferro
Joseph Rhodes, Jr.
Frank Fischl

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for amendment to its common carrier certificate, which grants the right, inter alia, to transport, by motor vehicle, property between points in the borough of Lewistown, Mifflin County, and within ten (10) miles by the usually traveled highways of the limits of the said borough: SO AS TO PERMIT the transportation of equipment, parts and supplies used in the manufacturing of stereo speakers, from points in Pennsylvania, to the facilities of Sanyo Audio Manufacturing (U.S.A.) Corp. located in the township of Armaugh, Mifflin County, and vice versa.	A-00107087 F. 1 Am-A

Shearer, Mette, Evans & Woodside, by Lloyd R. Persun, for the protestant.

ORDER

BY THE COMMISSION:

This matter comes before the Commission on an application filed July 28, 1988. Public notice of the application was given in the Pennsylvania Bulletin of August 20, 1988. No protests were filed and the application is now certified to the Commission for its decision without oral hearing. The record consists of verified statements submitted on behalf of the applicant and the supporting shipper.

Corresponding applications for emergency temporary and temporary authority were also filed. By Tentative Decision adopted August 18, 1988, we denied the applicant's request for emergency temporary authority. The application for temporary authority is still pending.

IT IS FURTHER ORDERED: That the exceptions filed to the tentative decision, adopted August 18, 1988, at A-00107087, F. 602, be and are hereby dismissed.

IT IS FURTHER ORDERED: That, upon compliance with the conditions set forth in this order, the application for temporary authority be and is hereby dismissed.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of the Commission relative to the filing and acceptance of a tariff establishing just and reasonable rates.

IT IS FURTHER ORDERED: That the authority granted herein to the extent that it duplicates authority now held by or subsequently granted to the applicant, shall not be construed as conferring more than one operating right.

IT IS FURTHER ORDERED: That in the event said applicant has not, on or before sixty (60) days from the date of the service of this order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

BY THE COMMISSION,

Jerry Rich

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: September 29, 1988

ORDER ENTERED: OCT 5 1988

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held August 1, 1991

Commissioners Present:

Joseph Rhodes, Jr., Vice-Chairman
Wendell F. Holland, Commissioner
David W. Rolka, Commissioner

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for amendment to its common carrier certificate, which grants the right, inter alia, to transport, by motor vehicle, property from the facilities of Carlisle Tire & Rubber Co. and Carlisle Syntec Systems in the county of Cumberland to points in Pennsylvania, and vice versa: SO AS TO PERMIT the transportation of roofing materials and roofing accessories from the facilities of Goodyear Tire & Rubber Co., in the borough of Carlisle, Cumberland County, to points in Pennsylvania; and metal building products from the facilities of Billy Penn Corporation in the city and county of Philadelphia, to points in Pennsylvania.	A-00107087 F. 1 Am-B

Lloyd R. Persun for the applicant.

ORDER

BY THE COMMISSION:

This application, filed December 13, 1990, is before the Commission for its decision without oral hearing. Public notice of the application was given in the Pennsylvania Bulletin of February 9, 1991. There were no protests and the record, which consists of statements entered by the applicant and the two supporting shippers is now certified to the Commission for its decision.

We find:

1. That the applicant currently operates pursuant to a common carrier certificate granted July 1, 1987.

2. That the applicant has the equipment, experience and fitness necessary to provide the proposed service; THEREFORE,

IT IS ORDERED: That the application be and is hereby approved, and that the certificate issued on July 1, 1987, as amended, be further amended to include the following rights:

1. To transport, as a Class D carrier, roofing materials and roofing accessories from the facilities of Goodyear Tire & Rubber Co., in the borough of Carlisle, Cumberland County, to points in Pennsylvania;

2. To transport, as a Class D carrier, metal building products from the facilities of Billy Penn Corporation, in the city and county of Philadelphia, to points in Pennsylvania.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of the Commission relative to the filing and acceptance of a tariff establishing just and reasonable rates.

IT IS FURTHER ORDERED: That the authority granted herein, to the extent that it duplicates authority now held by or subsequently granted to the carrier, shall not be construed as conferring more than one operating right.

IT IS FURTHER ORDERED: That in the event the applicant has not, on or before sixty (60) days from the date of the service of this order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

BY THE COMMISSION,

Jerry Rich

Jerry Rich
Secretary

(SEAL)

ORDER ADOPTED: August 1, 1991

ORDER ENTERED: August 2, 1991

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held November 5, 1992

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice-Chairman
Wendell F. Holland, Commissioner

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for amendment to its common carrier certificate, which grants the right, inter alia, to transport, by motor vehicle, property, from the facility of Owens-Corning Fiberglass Corporation, in the counties of Dauphin and Cumberland, to points in Pennsylvania, and vice versa: the transportation of (1) manufactured pre-cast concrete units from the facilities of Beavertown Cast Stone, Inc., located in the township of Franklin, Snyder County, to points in Pennsylvania; (2) industrial water treatment chemicals from the facilities of Betz Laboratories, Inc., located in the township of Middletown, Bucks County, to points in Pennsylvania; (3) feed grade pre-mixes for livestock in bags, not in bulk, from the facilities of Precise Agri-Products, Inc., located in the township of Middlecreek, Snyder County, to points in Pennsylvania; and (4) vitamins and minerals in bags, not in bulk, from points in the borough of Braddock, Allegheny County and the borough of Lititz, Lancaster County to the facilities of Precise Agri-Products, Inc., located in the township of Middlecreek, Snyder County.	A-00107087 F. 1 Am-C

Mette, Evans & Woodside by Lloyd R. Persun for the applicant.

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supporting shipper's plant in Franklin Township, Snyder County to construction sites located throughout Pennsylvania. Representative points of destination include: Norristown, Philadelphia, Chester, Levittown, West Chester, Reading, Allentown, Scranton, Wilkes-Barre, Lancaster, Williamsport, State College, Altoona, Johnstown, Milton and Hazleton.

Betz Laboratories, Inc. (supporting shipper or Betz) is engaged in the business of manufacturing and selling industrial water treatment chemicals. Betz maintains plant and warehouse facilities in Middletown Township, Bucks County. The industrial water treatment chemicals must be delivered to the customers in containers. The containers are polytanks (plastic) and stainless steel tanks; each container holds approximately 300 gallons of product. Betz's private fleet is inadequate to meet its demands to its customers. The supporting shipper will tender applicant three to four (3-4) full truckloads per week. Betz requires flatbed trailers because it is easy to load and unload without a loading dock. Forklifts simply remove the product from the flatbed. Traffic will originate from Betz's plant and warehouse in Middletown Township, Bucks County, destined to such customers in Pennsylvania as steel mills, paper mills, hospitals and electricity generating plants. Representative points of destination include: Saint Marys, DuBois, Erie, Pittsburgh, Altoona, York, Allentown, Scranton, Wilkes-Barre, Philadelphia, Steelton and Monongahela.

Renaissance Nutrition, Inc. (supporting shipper or RNI) is engaged in the business of manufacturing and selling feed grade pre-mixes for livestock. RNI's feed grade pre-mixes are manufactured at the plant of Precise Agri-Products, Inc. (PAP) which is located in the borough of Middle Creek (sic), Snyder County. The supporting shipper requires the transportation of its product from PAP's plant to customers located in Pennsylvania which include RNI's distributors, large farms and feed mills. RNI requires the transportation of grade pre-mixes delivered in bags each holding approximately 50 pounds of product. Each movement consists of a flatbed fully underload. During the summer, applicant will be tendered three to four (3-4) outbound movements per week; during the fall, four to six (4-6) movements per week. Representative points of destination include: Butler, Carlisle, Ephrata, Philipsburg, Slippery Rock, Thompsontown, Tyrone, Hanover and Loganton. RNI also requires inbound movement to PAP's plant consisting of vitamins and minerals in bags, not in bulk. Service is required from RNI's suppliers located in the borough of Braddock, Allegheny County and the borough of Lititz, Lancaster County. These vitamins and minerals are ingredients used in the manufacture of RNI's feed grade pre-mixes. On the inbound movement applicant will be tendered four (4) flatbed loads per month.

2. Two (2) of the supporting shippers have demonstrated a need for the service as proposed.

3. The support of the third shipper, RNI, indicates that service will be rendered "for" it but from the facilities of another business; therefore, the authority should be modified to read "for RNI".

4. Applicant has the equipment, experience and fitness necessary to render the service as modified.

5. The evidence of record establishes necessity for the service as modified.

6. The applicant has established that approval of the application, as modified, is necessary for the accommodation and convenience of the public; THEREFORE,

IT IS ORDERED: That the application be and is hereby approved, as modified, and that the certificate issued on July 1, 1987 as amended, be further amended to include the following rights:

> To transport, as a Class D carrier, manufactured pre-cast concrete units from the facilities of Beavertown Cast Stone, Inc., located in the township of Franklin, Snyder County, to points in Pennsylvania.
>
> To transport, as a Class D carrier, industrial water treatment chemicals from the facilities of Betz Laboratories, Inc., located in the township of Middletown, Bucks County, to points in Pennsylvania.
>
> To transport, as a Class D carrier, feed grade pre-mixes for livestock in bags, not in bulk, for Renaissance Nutrition, Inc., from the facilities of Precise Agri-Products, Inc., located in the township of Middlecreek, Synder County, to points in Pennsylvania.
>
> To transport, as a Class D carrier, vitamins and minerals in bags, not in bulk, for Renaissance Nutrition, Inc., from points in the borough of Braddock, Allegheny County and the borough of Lititz, Lancaster County to the facilities of Precise Agri-Products, Inc., located in the township of Middlecreek, Snyder County.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held June 10, 1993

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice-Chairman
John M. Quain
John Hanger

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for amendment to its common carrier certificate, which grants the right, inter alia, to transport, by motor vehicle, fire brick, and other refractory articles on flatbed trailers for E. J. Lavine & Company from its plant in the township of Plymouth, Montgomery County, to the city of Harrisburg, and the borough of Steelton, Dauphin County, and the city of Johnstown, Cambria County, and the return of empty shipping facilities and refused or rejected shipments: SO AS TO PERMIT the transportation of steel, for Ingersoll Rand Company, from the facilities of Lukens Steel Corporation, located in the city of Coatesville, Chester County, and in the borough of Conshohocken, Montgomery County, to the facilities of Ingersoll Rand Company, located in the borough of Shippensburg, Franklin County, and return.

A-00107087
F. 1
Am-D

Lloyd R. Persun for the applicant.

ORDER

BY THE COMMISSION:

This application was filed January 8, 1993. Public notice of the application was given in the Pennsylvania Bulletin of February 6, 1993. There were no protests and the record, which consists of statements entered by the applicant and the supporting shipper, is now certified to the Commission for its decision without oral hearing.

2. That the authority granted be modified to remove the term "and rrturn".

3. That the applicant has the equipment, experience and fitness necessary to provide the proposed service as modified.

4. That approval of the application as modified is necessary for the accommodation and convenience of the public; THEREFORE,

IT IS ORDERED: That the application as modified be and is hereby approved, and that the certificate issued on July 1, 1987 as amended, be further amended to include the following right:

> To transport as a Class D carrier steel, for Ingersoll Rand Company, from the facilities of Lukens Steel Corporation, located in the city of Coatesville, Chester County, and in the borough of Conshohocken, Montgomery County, to the facilities of Ingersoll Rand Company, located in the borough of Shippensburg, Franklin County.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of the Commission relative to the filing and acceptance of a tariff establishing just and reasonable rates.

IT IS FURTHER ORDERED: That the authority granted herein to the extent that it duplicates authority now held by or subsequently granted to the applicant, shall not be construed as conferring more than one operating right.

IT IS FURTHER ORDERED: That in the event said applicant has not, on or before sixty (60) days from the date of the service of this order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

BY THE COMMISSION,

John G. Alford

John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: June 10, 1993

ORDER ENTERED: JUN 21 1993

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held November 10, 1993

Commissioners Present:

David W. Rolka, Chairman
Joseph Rhodes, Jr., Vice-Chairman
John M. Quain
Lisa Crutchfield
John Hanger

Application of Independent Freightway, Inc., a corporation of the State of Delaware, for amendment to its common carrier certificate, which grants the right, inter alia, to transport, by motor vehicle, steel, for Ingersoll Rand Company, from the facilities of Lukens Steel Corporation, located in the city of Coatesville, Chester County, and in the borough of Conshohocken, Montgomery County, to the facilities of Ingersoll Rand Company, located in the borough of Shippensburg, Franklin County: SO AS TO PERMIT the transportation of steel bars and steel coil rods from the facilities of Republic Engineered Steel, Inc., located in the city of Beaver Falls, Beaver County, to points in Pennsylvania.

A-00107087
F. 1
Am-E

Lloyd R. Persun for the applicant.

O R D E R

BY THE COMMISSION:

This matter comes before the Commission on an application filed July 21, 1993. Public notice of the application was given in the Pennsylvania Bulletin of August 14, 1993. The unopposed application is certified to the Commission for its decision without oral hearing. The record consists of verified statements entered by the applicant and its supporting shipper.

George J. Renna, sets forth in his verified statement that he is vice president of the applicant's Eastern Region. He is familiar with the applicant's day-to-day operations in Pennsylvania including the terminal at Beaver Falls, Beaver County.

Independent Freightway, Inc., is a Delaware corporation authorized to do business in Pennsylvania. It has held a certificate since July of 1987. The applicant has a terminal at Beaver Falls which is located just minutes from the facilities of Republic Engineered Steel, Inc. Independent's available fleet in Pennsylvania consists of 120 van trailers, 180 flatbed trailers and 300 tractors. This fleet is available for use in providing service from the shipper's facilities at Beaver Falls, Beaver County.

The applicant has received requests for service weekly from the supporting shipper. It proposes to use flatbed trailers to transport steel bars and steel coil rods from the shipper's plants to points in Pennsylvania. It will make multiple deliveries at multiple destination points as requested. The applicant now provides transportation service to Republic between interstate points. It is expected that at times, interstate and intrastate traffic could be combined to economize operations.

As a currently certificated carrier, there is a presumption of fitness. The applicant has provided a most currently available balance sheet reporting total assets of $55,232,232 with total liabilities of $30,700,650.

James E. Winterfeldt set forth in his verified statement that he is general traffic manager for Republic Engineered Steel, Inc. He is authorized to enter a verified statement on the company's behalf. Republic maintains a manufacturing plant in the city of Beaver Falls, Beaver County. The plant manufactures steel bars and steel coil rods. Each steel bar is 20 feet, long when manufactured. These bars are delivered to other manufacturers for use in their processes. Each steel coil rod is 20 feet ranging in diameter from 1/4 of an inch to 3/4 of an inch. The steel coil rods likewise are delivered to other manufacturers which use them for other products. These manufacturers are located throughout Pennsylvania. Currently, Republic is making deliveries to such points as Beaver Falls, Bensalem, Blairsville, Clinton, Erie, Lancaster, Leetsdale, Monaca, Philadelphia, Pittsburgh, and York among others.

Republic's bars and coil rods must be transported by flatbed truck. All movements will originate at the manufacturing plant in Beaver Falls destined to Pennsylvania points as above enumerated. Other carriers now provide transportation in Pennsylvania, but additional service is needed to meet shipping requirements.

DISCUSSION AND FINDINGS

The applicant is an established Pennsylvania carrier having held its certificate since 1987. It now holds authority which permits the transportation of several commodities as subject in this application. It has a large fleet of equipment suitable to provide the service proposed.

The applicant has the unqualified support of the shipper, Republic Engineered Steel, Inc. Republic seeks to use the applicant's service from its Beaver Falls facility to points in Pennsylvania. It will tender the applicant steel bars and steel coil rods for transportation on flatbed trailers. The availability of the applicant's service will aid the this shipper in meeting its Pennsylvania distribution requirements.

We find:

1. The applicant stands ready, willing and able to provide service from the facilities of the shipper to points in Pennsylvania.

2. The applicant has the equipment, experience and financial capacity to provide the proposed service.

3. The applicant has the support of the shipper desiring transportation from its facilities to points in Pennsylvania transporting steel rods and steel coil rods on flatbed trailers.

4. Approval of the unopposed application will aid the shipper in meeting its transportation requirements in Pennsylvania and approval of the application is proper for the accommodation and convenience of the public; THEREFORE,

IT IS ORDERED: That the unopposed application be approved and that the certificate issued July 1, 1987, as amended, be further amended to include the following right:

> To transport, as a Class D carrier, steel bars and steel coil rods from the facilities of Republic Engineered Steel, Inc., in the city of Beaver Falls, Beaver County, to points in Pennsylvania.

IT IS FURTHER ORDERED: That the authority granted herein, to the extent that it duplicates authority now held by or subsequently granted to the carrier, shall not be construed as conferring more than one operating right.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Public Utility Code and the rules and regulations of the Commission relating to the filing and acceptance of a tariff establishing just and reasonable rates.

IT IS FURTHER ORDERED: That in the event the applicant has not, on or before sixty (60) days from the date of service of the order, complied with the requirements hereinbefore set forth, the application shall be dismissed without further proceedings.

BY THE COMMISSION,

John G. Alford

John G. Alford
Secretary

(SEAL)

ORDER ADOPTED: November 10, 1993
ORDER ENTERED: NOV 23 1993

PUC-77

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Uniform Cover and Calendar Sheet

1. **REPORT DATE:** May 16, 1994	2. **BUREAU AGENDA NO.** JUN-94-T-485*
3. **BUREAU:** Transportation	
4. **SECTION(S):** Technical Review	5. **PUBLIC MEETING DATE:** June 2, 1994
6. **APPROVED BY:** Director: Ernst 7-2154 Supervisor: Marzolf 3-5945	
7. **PERSONS IN CHARGE:** Pike 3-5947	
8. **DOCKET NO.:** A-00107087, F. 1, Am-F	

UDAA

9. **(a) CAPTION (abbreviate if more than 4 lines)**
(b) Short summary of history & facts, documents & briefs
(c) Recommendation

(a) Application of Independent Freightway, Inc., Rockford, IL, a corporation of the State of Delaware, for amendment to its common carrier certificate: SO AS TO PERMIT the transportation of (1) mining equipment from the facilities of Steel Systems Installation, Inc., located in the borough of Quarryville, Lancaster County, to points in Pennsylvania, and return; and (2) steel joists from the facilities of New Columbia Joist Co. located in the township of White Deer, Union County, to points in Pennsylvania, and return.

(b) The application filed January 14, 1994 is unprotested. No oral hearings were held. Approval of the application is in the public interest.

(c) The Bureau of Transportation recommends that the Commission adopt the proposed order approving the application as modified.

DAP:rs/em

DOCKETED
JUN 28 1994

DOCUMENT FOLDER

10. MOTION BY:	Commissioner Chm. Rolka	Commissioner	Quain - Yes
		Commissioner	Crutchfield - Yes
SECONDED:	Commissioner Rhodes	Commissioner	Hanger - Yes

CONTENT OF MOTION: Staff recommendation adopted.

B

application is certified to the Commission for its decision without oral hearing. The record consists of verified statements submitted by the applicant and the supporting shipper.

Ranger Transportation, Inc. (Ranger or applicant), is a Delaware corporation, with its principal place of business in Jacksonville, Florida. It was initially certificated in 1992 and presently operates under ten paragraphs of authority. The applicant conducts its Pennsylvania operations from agency stations located in Adamsburg, Bedford, Easton, Greensburg, Johnstown, Lewistown, Muncy, Oil City, Philadelphia, Reading and Ridgway. Nationwide, Ranger has a fleet of 3,001 tractors and 4,785 trailers is available to perform the proposed service. As a currently operating carrier, the applicant has a comprehensive safety program for drivers and vehicles. As evidence of its financial capacity to assume the burden of the additional operation, Ranger reports assets of $77,743,000, with liabilities of $47,081,000, leaving a shareholders' equity of $30,662,000.

Ross F. Wirth, manager of procurement for AEG Westinghouse Transportation Systems, Inc. (AEG or applicant), submitted a verified statement in support of this application. AEG manufactures "people movers", such as moving sidewalks that are used at airport terminals. It requires the movement of materials, supplies and equipment used in the installation of such systems. Potential origins for movements include Boyers, Burnham, Greensburg, Johnstown, Morgantown, West Mifflin and Youngwood. Destinations could be any construction sites in Pennsylvania. AEG anticipates using the applicant's service about four times a month.

After a complete review of the record before us, we find:

1. That the applicant has shown that there is a public need for the proposed service, as amended.

2. That the applicant possesses the necessary equipment, experience, and financial capacity to perform the proposed service, as amended.

3. That approval of the application, as amended, be and is necessary for the accommodation and convenience of the public; THEREFORE,

IT IS ORDERED: That the application, as amended, be and is hereby approved and that the certificate issued to the applicant on December 9, 1992, be amended to include the following right:

> To transport, as a Class D carrier, property (except in bulk), for AEG Westinghouse Transportation Systems, Inc., between points in Allegheny County, and from points in said county to points in Pennsylvania and vice versa.

IT IS FURTHER ORDERED: That the applicant shall not engage in any transportation granted herein until it shall have complied with the requirements of the Pennsylvania Public Utility Code and the rules and regulations of the Commission relative to the filing and acceptance of a tariff establishing just and reasonable rates.

A-110387

The total consideration for the rights is the nominal sum of $1.00. No tangible assets are involved. The sales agreement requires the consideration to be paid at closing after approval of this transfer application.

A review of the record before us indicates that the applicant possesses the requisite experience, equipment and financial capacity to provide the proposed service.

The authority to be transferred has been operated by the transferor, therefore, it is presumed that there is a continuing public need, which may be overcome only by evidence to the contrary. In re: Byerly, 440 Pa. 521 (1970); Hostetter v. Pa. P.U.C., 160 Super. Ct. 94 (1947). Since the record is void of any such evidence, this presumption of continuing public need applies in this transfer proceeding.

We find:

1. The applicant is fit, willing and able to provide the service proposed.

2. Transfer of the authority is in the public interest and is necessary for the continued accommodation and convenience of the public; THEREFORE,

IT IS ORDERED: That the transfer application be and is hereby approved and that a certificate be issued granting the following rights:

1. To transport, as a Class D carrier, such merchandise as is dealt in by retail, variety, department and drug stores, and equipment, materials and supplies used or useful in the conduct of such business, from the facilities utilized by Fisher's Big Wheel, Inc., in the township of North Huntingdon, Westmoreland County, to points in Pennsylvania, and vice versa.

subject to the following conditions:

(a) That no right, power or privilege is granted to transport commodities in bulk.

(b) That no right, power or privilege is granted to provide transportation to or from points in Allegheny County.

2. To transport, as a Class D carrier, property from the facilities of Haskell of Pittsburgh, Inc., in the borough of Plum, Allegheny County, and the city of New Kensington, Westmoreland County, to points in Pennsylvania, and vice versa.

subject to the following condition:

That no right, power or privilege is granted to transport commodities in bulk.

3. To transport, as a Class D carrier, property, from the facilities of American Hardware Supply Company, in the borough of East Butler, Butler County, and the borough of Parkesburg and the township of Sadsbury, Chester County, to points in Pennsylvania, and vice versa.

subject to the following condition:

That no right, power or privilege is granted to transport property in bulk.

4. To transport, as a Class D carrier, property, for Stylette Plastics, Inc., between points in Pennsylvania.

subject to the following condition:

That no right, power or privilege is granted to transport property in bulk.

5. To transport, as a Class D carrier, property, from the facilities of Ashland Oil, Inc., in Pennsylvania, to points in Pennsylvania, and vice versa.

subject to the following condition:

That no right, power or privilege is granted to transport property in bulk.

6. To transport, as a Class D carrier, malt beverages, and materials, equipment and supplies used in the manufacture and distribution of malt beverages, between points in the county of Lehigh, and from points in the said county to points in Pennsylvania, and vice versa.

subject to the following condition:

That no right, power or privilege is granted to provide service from the facilities of F & M Schaefer Brewing Co. and Stroh Brewery Co. in the county of Lehigh to points in the counties of Centre, Clinton and Lycoming.

7. To transport, as a Class D carrier, property from the facilities of Sinking Spring Foundry Co., Division of Hofman Industries, in the borough of Sinking Spring, Berks County, to points in Pennsylvania, and vice versa.

8. To transport, as a Class D carrier, property, for United Chem-Con, Inc., from its facilities located in the borough of Renovo, Clinton County, and the city of Lancaster, Lancaster County, to points in Pennsylvania, and vice versa.

subject to the following condition:

> That no right, power or privilege is granted to transport property in bulk.

9. To transport, as a Class D carrier, property for PPG Industries, Inc., between points in Pennsylvania;

subject to the following conditions:

(a) That no right, power or privilege is granted to transport household goods in use.

(b) That no right, power or privilege is granted to provide service to or from the borough of Springdale, Allegheny County.

subject to the following general conditions:

1. That the approval hereby given is not to be understood as committing the Commission, in any proceedings that may be brought before it for any purpose, to fix a valuation on the property and rights to be acquired by applicant from the present certificate holder equal to the consideration to be paid therefor, or equal to any value that may be placed thereon by applicant, or to approve or prescribe rates sufficient to yield a return thereon.

2. That applicant shall not record in its utility accounts any amount representing the rights herein granted in excess of the actual cost of such rights to the original holder thereof.

3. That the applicant charge to Account 1550, Other Intangible Property, $1.00, being the amount of the consideration payable by it for the rights and going concern value attributable thereto; less any amount

A-00107087, F.3000

EXHIBIT C

MISSING

D

EC

INTERSTATE COMMERCE COMMISSION

SERVICE DATE
JAN 7 1994

DECISION

DOCKET NO. MC-115162

POOLE TRUCK LINE, INC.,[1] ET AL.
(Evergreen, AL)

APPLICATION TO BE A SELF-INSURER

Subject to certain conditions, applicants are authorized to self-insure their bodily injury and property damage and cargo liability.

Decided: December 30, 1993

Poole Truck Line, Inc. (Poole), Independent Freightway, Inc. (Inway), Ranger Transportation, Inc. (Ranger), Ligon Nationwide, Inc. (Ligon) and Gemini Transportation (Gemini) (collectively applicants), seek authority to self-insure part of their bodily injury and property damage (BI&PD) and all of their cargo liability under 49 U.S.C. 10927 and 49 CFR 1043.5. Applicants are wholly owned subsidiaries of Landstar System, Inc. (Landstar), a non-carrier holding company.[2] Each carrier has authority to operate as a common and contract carrier by motor vehicle, in interstate or foreign commerce, over irregular routes, transporting general commodities throughout points in the continental United States. Each of the motor carrier subsidiaries is operated independently of the others, with the exception of certain limited administrative activities, including safety and claims handling.

Poole, headquartered in Evergreen, AL, is a specialized truckload carrier that transports generally such commodities as building materials, wood products, machinery, and paper. Its fleet consists of approximately 1,050 owned tractors and 50 leased from owner-operators, 1,250 dry van trailers and 600 flatbed trailers, including a number of specialty trailers. Poole is the only Landstar carrier that employs its own drivers in addition to a small number of owner-operators.

Inway, headquartered in Rockford, IL, is a truckload carrier that transports general freight throughout the United States, much of Canada and into Mexico. Its fleet consists of approximately 1,750 tractors, 1,300 flatbed trailers, and 850 dry

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[1] The application requests joint self-insurance authority for five motor carriers under common ownership by Landstar System, Inc.: Poole Truck Line, Inc. (Docket No. MC-115162), Independent Freightway, Inc. (Docket No. MC-161864), Ranger Transportation, Inc. (Docket No. MC-166960), Ligon Nationwide, Inc. (Docket No. MC-167225) and Gemini Transportation (Docket No. MC-177505).

[2] The common control of the five motor carriers by non-carrier Kelso & Companies, Inc., through intermediary non-carrier companies, namely Landstar Holding Corp. and Landstar System, Inc., was exempted from the requirement of prior ICC approval under 49 U.S.C. 11343(e), in Docket No. MC-F-19795, Kelso & Companies, Incorporated - Control Exemption - Gemini Transportation Services, Inc., Independent Freightway, Inc., Ligon Nationwide, Inc., Poole Truck Line, Inc., and Ranger Transportation, Inc. (not printed), served March 27, 1991, and published in the *ICC Register* on February 11, 1991. On February 10, 1993, the name of each intermediary corporation was changed. The former Landstar Holding Corporation was changed to Landstar System, Inc., and the name of the former Landstar System, Inc. was changed to Landstar System Holdings, Inc.

and specialty van trailers. All tractors and many trailers are leased from owner-operators.

Ranger, headquartered in Jacksonville, FL, transports a wide range of general commodities, including building materials, automotive parts, plastics, foodstuffs, beverages, chemicals, metals, and machinery. It operates approximately 3,000 tractors, 3,400 dry van trailers (of various configurations), and 900 flatbed trailers (of various configurations).

Ligon, headquartered in Madisonville, KY, specializes in services for large national accounts and heavy hauling. Its fleet includes approximately 1,040 tractors, 1,150 flatbed and specialty trailers, and 350 dry vans. All of Ligon's tractors and trailers are leased from owner-operators.

Gemini, headquartered in Jacksonville, FL, specializes in intermodal and international "through shipment" services, primarily for intermodal cargo containers. Gemini's services include the transportation of steamship containers to and from major Atlantic and Gulf ports, and drayage services involving rail transportation. Gemini operates approximately 245 tractors, all of which are leased from owner-operators.

Applicants are each required to maintain security for the protection of the public in the amount of $5 million per occurrence for BI&PD liability and $5,000 per occurrence per vehicle, $10,000 aggregate, for cargo liability. Currently, applicants have in effect and on file with the Commission the requisite BI&PD and cargo security coverages. Applicants request authority to self-insure BI&PD claims up to $1.5 million, and if allowed to self-insure, will file evidence of acceptable security for the remaining $3.5 million as required. Applicants state that their annual savings from self-insurance will be substantial, including monetary savings of approximately $357,000.

In support of their application, applicants have provided consolidated balance sheets, income statements and cash flow statements for Landstar and separate financial statements for each of the motor carrier applicants for the first 6 months of 1993, and the years 1992 and 1991. The data shown in the following table and analysis refer to the consolidated data of Landstar because all of the consolidated revenues and most of the consolidated equity are attributable to the applicants. Also, the consolidated data exclude intercompany transactions and substantial intercompany account balances among the parent company, the applicants and other small affiliates. The pertinent data from the financial statements are as follows:

Landstar System, Inc.[1]
Pertinent Financial Data
(000 omitted)

	26 weeks Ended 6/26/93	Year Ended 12/26/92	3/28/91 through 12/28/91
I. Profitability and Cash Flow			
1. Operating Revenues	$368,157	$672,450	$453,591
2. Operating Expenses	357,150	649,579	439,903
3. Operating Income (1-2)	11,007	22,871	13,688
4. Net Income	4,115[2]	6,350	2,201
1. Net Income	4,115[2]	6,350	2,201
2. Plus Depreciation and Amortization	6,533	12,968	9,165
3. Cash Flow from Operations (1+2)*	21,296[3]	19,318	11,366
4. Debt Due Within One Year	10,700	10,836	9,022
5. Cash Throw-Off-To Debt Ratio (3/4)	1.99	1.78	1.26

II. Liquidity	6/26/93	12/26/92	12/28/91
1. Cash & Cash Equivalents	$ 2,398	$12,335	$ 5,642
2. Other Current Assets	98,260	86,416	76,138
3. Total Current Assets (1+2)	100,658	98,751	81,780
4. Current Liabilities	78,812	79,389	66,722
5. Working Capital (3-4)	21,846	19,362	15,058
6. Current Ratio (3/4)	1.28	1.24	1.23

III. Debt Structure			
1. Long-Term Debt Due After One Year	$40,070	$57,469	$58,131
2. Stockholders' Equity (Tangible)[4]	30,089[5]	(4,427)	(16,409)
3. Total Debt Plus Equity (1+2)	70,159	53,042	41,752
4. Debt-to-Debt Plus Equity Ratio (1/3)	.57	1.08	1.39

Notes:

1. Data represents the consolidated accounts of Landstar System, Inc. and its subsidiary Landstar System Holdings, Inc. and include all applicants.

2. Excludes non-recurring $1.8 million extraordinary charge attributable to redemption and purchase of $38 million of 14% senior subordinated notes.

3. Amount for the first 26 weeks of 1993 has been annualized.

4. Excludes goodwill of $33,836,000, $34,284,000, and $40,104,000 as of 6/26/93, 12/26/92, and 12/28/91, respectively.

5. The substantial improvement in tangible equity between 12/26/92 and 6/26/93, is attributable to the public sale of common stock for $28.5 million. Cash proceeds from this sale of stock and from $18.8 million new financing were used to retire $15.2 million of certain debt and $38 million of 14% senior subordinated notes.

SOURCE OF DATA: Audited 1991 and 1992 financial statements and unaudited financial statements as of 6/26/93 for Landstar System, Inc. submitted with the carriers' application for self-insurance authority.

Landstar maintains a combined safety program for all applicants through its Safety Council, made up of senior management personnel for Landstar and each of its motor carrier subsidiaries. Each individual carrier has its own independent program, but conducts the program and reports on its results directly to Landstar. The Safety Council is responsible for implementing and monitoring the carriers' compliance with the U.S. Department of Transportation (DOT) requirements and other Federal and state safety laws and regulations. Each applicant has a "satisfactory" safety fitness rating from DOT.

Landstar also maintains full-time claims personnel who are responsible for loss and damage prevention, customer service, and claims settlements. The following table illustrates applicants' claims experience within the past 3 years:

Policy Year Ending	No. of Claims BI&PD	BI&PD Losses Paid	BI&PD Losses Reserved	No. of Cargo Claims	Cargo Claims Paid	Cargo Claims Reserved
			Ligon			
4/1/90-4/1/91	472	$4,838,604	$674,763	256	$1,574,822	$ 756
5/1/91-4/30/92	268	1,368,433	223,469	170	1,156,069	33,118
5/1/92-4/30/93	255	362,424	840,789	191	627,289	182,464
			Inway			
4/1/90-4/1/91	543	4,638,010	717,846	408	1,013,003	0
5/1/91-4/30/92	394	1,506,995	382,272	397	888,875	23,634
5/1/92-4/30/93	424	542,876	918,559	414	547,438	382,012
			Gemini			
4/1/90-4/1/91	201	1,295,829	73,062	83	159,018	7,826
5/1/91-4/30/92	9	20,387	0	9	74,464	12,267
5/1/92-4/30/93	48	97,446	61,857	7	0	109,941
			Ranger			
4/1/90-4/1/91	659	3,385,086	432,163	757	1,232,382	3,731
5/1/91-4/30/92	545	1,261,561	695,593	600	1,236,458	30,875
5/1/92-4/30/93	641	1,037,831	1,352,378	599	407,018	763,129
			Poole			
4/1/90-4/1/91	735	3,476,255	469,877	512	620,472	0
5/1/91-4/30/92	548	2,183,593	1,480,914	385	560,503	0
5/1/92-4/30/93	623	936,736	2,082,327	391	552,436	0

DISCUSSION

The evidence presented sufficiently warrants our authorization of self-insurance of BI&PD and cargo liability in this case. Operations for the first 6 months of 1993, and the years 1992 and 1991 were profitable as applicants reported combined net incomes of $4.1 million, $6.3 million and $2.2 million, respectively. Cash flow generated from earnings substantially exceeded maturing long-term debt during all reporting periods.

As of June 26, 1993, applicants reported combined working capital of $21.8 million, as current assets of $100.6 million exceeded current liabilities of $78.8 million. The financial structure of Landstar improved considerably in March 1993, as $47.3 million of cash proceeds from the sale of common stock ($28.5 million) and from new financing ($18.8 million) were used to retire $15.2 million of certain debt and $38 million of 14% senior subordinated notes. Consequently, tangible equity substantially improved to $30.1 million as of June 26, 1993, from a $4.4 million deficit as of December 26, 1992. Landstar's ratio of debt to debt-plus-equity also significantly improved during this period to 57% from an unfavorably high 108%.

Landstar should be able to pay the normal and recurring self-insurance claims of applicants from cash flow generated from operations, from working capital, and from additional financing, if necessary.

We believe, based on the above analysis, that applicants have adequate resources to self-insure their BI&PD and cargo liability for $1.5 million per occurrence for BI&PD and $5,000 per occurrence per vehicle, and $10,000 aggregate for cargo. Applicants each must continue to provide acceptable evidence of security for the remaining $3.5 million statutory amount required for BI&PD liability in order for each to continue operations. Accordingly, we will grant the application subject to conditions similar to those imposed in previous self-insurance proceedings. In addition, we will impose a condition requiring Landstar to guarantee payment of each applicant's self-insurance obligations.

We find:

Applicants' self-insurance of part of their BI&PD and all of their cargo liability, subject to our conditions, will afford the security for the protection of the public contemplated by 49 U.S.C. 10927. This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

The application is granted, subject to the following conditions:

(1) Applicants each must maintain an irrevocable $10,000 letter of credit or $10,000 trust fund agreement for cargo liability and a separate $1.5 million letter of credit or trust fund for BI&PD liability. Applicants must submit, within 60 days of the service date of this decision, a copy of the agreements with the financial institution establishing the letters of credit or trust funds. The Commission must approve the terms of the letters of credit or trust fund agreements prior to their effective date. Any changes in their terms must be given prior approval by the Commission. Furthermore, applicants must have unrestricted access to the letters of credit or trust funds, and drawdowns may be made only to satisfy claims for cargo or BI&PD liability, respectively. Any drawdown from the letters of credit or trust funds must be reported immediately to the Commission, along with an explanation as to how applicants propose to respond to additional liability claims. Any drawdown from the letters of credit or trust funds must be replenished within 30 days, and any failure to replenish the amount of a drawdown within 30 days also must be reported immediately to the Commission.

To ensure the protection of the public, we will further require that the trust fund agreements contain the following provisions:

a. The trustees must be identified by name and address, and a statement must be given of their relationship to the applicants.

b. The beneficiaries of the trust fund agreements must be designated clearly as cargo or BI&PD liability claimants, respectively, of applicants. No other parties may have rights of recovery against these respective funds.

c. The trust fund agreements must be established so that they may not be revoked until all cognizable claims arising during the time the applicants hold ICC authority to self-insure have been settled.

d. Payments under the trust agreements must be made directly to cargo or BI&PD claimants, respectively.

(2) Applicants must maintain a combined tangible net worth of at least $15 million and must notify the Commission at any time, during the effectiveness of the self-insurance authorization, if its net worth balance falls below the $15 million minimum. If this occurs, applicants will then have 30 days to correct the situation or face termination of the authority to self-insure.

(3) Applicants and Landstar must submit carrier quarterly and annual financial statements to the Commission, within 60 and 90 days, respectively, after the end of each quarterly or annual period during the time the self-insurance authorization is in effect. The financial statements must include a certification by an appropriate company official verifying the accuracy of the information provided.

(4) Each applicant must file with the Commission quarterly claims reports detailing the number, aggregate dollar amount, and the nature of its claims experience and quarterly reports detailing pending court cases or other actions which relate to or arise from its claims experience. Appropriate officials of applicants must certify the accuracy of these reports.

(5) Each applicant must notify the Commission immediately of any pending or contingent BI&PD liability claim(s) which individually exceeds $50,000 or collectively exceeds $250,000, or any cargo liability claim(s) which individually exceeds $2,500 or collectively exceeds $10,000.

(6) Each applicant must notify the Commission no later than 90 days prior to the effective date of any change in the terms or cancellation of the letters of credit or trust fund agreements and must notify the Commission of the renewal of the letters of credit or trust fund agreements no later than 6 months prior to their expiration date.

(7) Each applicant and Landstar must notify the Commission within 5 days upon default of any terms of any loan agreements that exist with financial institutions. Full disclosure should be provided about the consequences, actual or potential, of such default. Any default could be cause for termination of self-insurance authority.

(8) Landstar must file a formal written agreement stating that it will guarantee payment of the self-insurance obligations of each of the applicants. The agreement must be submitted to and approved by the Commission prior to activation of any self-insurance authority.

(9) The Commission retains the authority to terminate its self-insurance authorization at any time if it appears to the Commission that applicants' financial arrangements fail to provide satisfactory protection for the public, or applicants fail to file timely any of the information required by the Commission.

(10) The Commission has the right to require applicants to submit any additional information that the Commission deems necessary.

(11) This decision is effective on January 7, 1994. Applicants, however, may not activate their self-insurance authorization less than 30 days after submitting documents to the Commission demonstrating that the required letters of credit or trust funds have been established. Applicants must also notify the Commission of the date they will activate their self-insurance authority.

By the Commission, Chairman McDonald, Vice Chairman Simmons, Commissioners Phillips and Philbin.

SEAL

Sidney L. Strickland, Jr.
Secretary

E

EC

LATE RELEASE

INTERSTATE COMMERCE COMMISSION

DECISION

SERVICE DATE

APR 28 1994

DOCKET NO. MC-115162

POOLE TRUCK LINE, INC.,[1] ET AL.
(Evergreen, AL)

AUTHORIZATION TO BE A SELF-INSURER

Request for modification of certain conditions granted.

Decided: April 28, 1994

The Commission, by decision served January 7, 1994, granted Poole Truck Line, Inc. (Poole), Independent Freightway, Inc. (Inway), Ranger Transportation, Inc. (Ranger), Ligon Nationwide, Inc. (Ligon) and Gemini Transportation (Gemini) (collectively applicants), authority to self-insure the first $1.5 million of each carrier's bodily injury and property damage (BI&PD) and cargo liability under 49 U.S.C. 10927 and 49 CFR 1043.5, subject to certain conditions. By petition filed February 4, 1994, applicants request that the Commission modify the January 7, 1994 decision as follows:

(1) Modify condition (11) to permit implementation of self-insurance on 3 working days' notice, subject to the condition that language for the letters of credit and guaranty agreement [required by conditions (1) and (8)] have been submitted to the ICC for approval 45 days prior to the requested implementation date and further to cause this 3-day notice condition to expire if the self-insurance is not implemented by June 15, 1994.

(2) Modify condition (1) to permit each of the applicants, at their option, to either (a) self-insure for $1.5 million, to maintain excess coverage in the amount of $3.5 million, with an ICC endorsement, and to post a letter of credit in the amount of $1.5 million, or (b) to self-insure for $1 million, to maintain excess coverage in the amount of $4 million, with an ICC endorsement, and to post a letter of credit in the amount of $1 million; and

(3) Modify condition (5) with respect to cargo claims, to provide that applicants must notify the Commission immediately of any cargo claim which individually exceeds $25,000.

Applicants' first request involves a modification of the Commission's 30-day notice requirement appearing in condition 11. Applicants state that they will not know the specific details of their insurance coverage until shortly before their May 1, 1994, insurance renewal date. According to applicants, insurance companies often offer their renewal rates at the last minute.

Applicants submitted to the Commission their proposed letters of credit and a guaranty agreement. Our staff has recommended that certain changes be made to the documents. We will waive our 30-day notice requirement subject to applicants

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[1] The application requested joint self-insurance authority for five motor carriers under common ownership by Landstar System, Inc.: Poole Truck Line, Inc. (Docket No. MC-115162), Independent Freightway, Inc. (Docket No. MC-161864), Ranger Transportation, Inc. (Docket No. MC-166960), Ligon Nationwide, Inc. (Docket No. MC-167225) and Gemini Transportation (Docket No. MC-177505).

including the recommended changes in their letters of credit and guaranty agreement and submitting the revised documents to the Commission for approval to activate their self-insurance authority. Because of the short time period available before May 1, 1994, we will allow applicants to implement their self-insurance authority on 1-working day's notice.

Applicants maintain that their second request to modify condition (1) would provide them with maximum flexibility within the self-insurance limits already approved.

Applicants' third request to modify the cargo liability reporting requirement is similar to requests that the Commission has approved previously in USA Truck, Inc. - Authorization to be a Self-Insurer (not printed), served August 3, 1993 (individual cargo liability reporting requirement increased to $25,000) and Umthun Trucking Company - Authorization to be a Self-Insurer (not printed), served January 3, 1994. Applicants base their request to modify the cargo claims reporting requirement on the nature of their primary freight and the fact that they are truckload carriers.

Granting the proposed modifications, as amended in the ordering paragraphs below, will not lessen the public's security nor the Commission's ability to ensure operations in the public interest. The modifications will provide the applicants with the maximum flexibility to proceed with their self-insurance programs while making sure the public is adequately protected. Therefore, we will grant their petition.

The Commission will continue to monitor and review applicants' self-insurance programs and will make appropriate adjustments to these provisional modifications as necessary.

It is ordered:

1. Condition (11) of the Commission's January 7, 1994, decision granting Poole Truck Line, Inc., et al.'s application for authority to self-insure is provisionally modified to read as follows:

> (11) This decision is effective on April 28, 1994. Applicants may implement their self-insurance on one (1) working days' notice, subject to the condition that language for the letters of credit and guaranty agreement [required by conditions (1) and (8)] have been submitted to the ICC for approval prior to the requested implementation date for activation of the self-insurance authority. This 1-day notice condition expires on June 15, 1994.

2. Condition (1) is provisionally modified by adding the following paragraph at the end of the condition:

Each applicant may choose to activate its BI&PD liability at the $1 million level or any level less than the entire $1.5 million authorized. In each instance the letter of credit or trust fund agreement must be at the same level as the self-insurance.

3. Condition (5) is provisionally modified to read as follows:

> (5) Each applicant must notify the Commission immediately of any pending or contingent BI&PD liability claim(s) which individually exceeds $50,000 or collectively exceed $250,000, or any cargo liability claim which individually exceeds $25,000.

4. Service of this decision will be made on all applicants and their representative, Jeremy Kahn, Esq., Kahn & Kahn, 1726 M Street, Suite 702, Washington, DC 20036, (202) 887-0037.

5. This decision is effective on April 28, 1994.

By the Commission, Chairman McDonald, Vice Chairman Phillips, Commissioners Simmons and Philbin. Commissioner Philbin did not participate in the disposition of this proceeding.

Sidney L. Strickland, Jr.
Secretary

(SEAL)

F

LANDSTAR SYSTEM, INC. AND SUBSIDIARY

Consolidated Financial Statements and Consolidating Information

December 25, 1993

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick

Certified Public Accountants

Stamford Square
3001 Summer Street
Stamford, CT 06905

Independent Auditors' Report

The Board of Directors
Landstar System, Inc.:

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 25, 1993 and December 26, 1992, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for the fiscal years ended December 25, 1993 and December 26, 1992 and the period March 28, 1991 (inception) through December 28, 1991. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 25, 1993 and December 26, 1992, and the results of their operations and their cash flows for the fiscal years ended December 25, 1993 and December 26, 1992 and the period March 28, 1991 through December 28, 1991, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in Schedules I through III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG Peat Marwick

Stamford, Connecticut
February 10, 1994

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

Assets	December 25, 1993	December 26, 1992
Current assets:		
Cash	$ 15,120	$ 12,335
Trade accounts receivable, less allowance of $3,150 and $2,428	93,084	73,519
Other receivables, including advances to independent contractors, less allowance of $2,169 and $3,294	9,675	7,101
Inventories	1,316	1,092
Prepaid expenses and other current assets	5,243	4,704
Total current assets	124,438	98,751
Operating property, less accumulated depreciation and amortization of $27,589 and $17,709	57,258	44,002
Goodwill, less accumulated amortization of $2,798 and $1,904	33,390	34,284
Deferred income taxes and other assets	4,326	4,041
Total assets	$ 219,412	$ 181,078
Liabilities and Common Shareholders' Equity		
Current liabilities:		
Cash overdraft	$ 5,599	$ 5,463
Accounts payable	22,007	17,785
Current maturities of long-term debt	11,628	10,838
Estimated insurance claims	16,468	13,548
Accrued compensation	6,829	9,747
Other current liabilities	24,832	22,008
Total current liabilities	87,363	79,389
Long-term debt, excluding current maturities	36,446	57,469
Estimated insurance claims	14,259	10,341
Other liabilities	590	1,123
Warrants		2,899
Common shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 12,871,674 and 8,747,241 shares	129	88
Additional paid-in capital	61,504	21,894
Retained earnings	19,361	8,115
Cost of 24,041 shares of common stock in treasury	(240)	(240)
Total common shareholders' equity	80,754	29,857
Total liabilities and common shareholders' equity	$ 219,412	$ 181,078

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended December 25, 1993	Fiscal Year Ended December 26, 1992	March 28, 1991 through Dec. 28, 1991
Revenue	$ 780,520	$ 672,450	$ 453,591
Costs and expenses:			
Purchased transportation	500,368	426,137	289,542
Drivers' wages and benefits	37,124	35,354	25,315
Fuel and other operating costs	55,376	55,209	36,598
Insurance and claims	30,314	21,238	16,165
Commissions to agents and brokers	45,965	37,783	24,580
Selling, general and administrative	67,115	61,643	39,260
Management fee	1,275	376	225
Depreciation and amortization	12,759	11,839	8,218
Total costs and expenses	750,296	649,579	439,903
Operating income	30,224	22,871	13,688
Interest and debt expense	5,711	9,701	7,723
Income before income taxes	24,513	13,170	5,965
Income taxes	10,955	6,820	3,764
Income before extraordinary loss	13,558	6,350	2,201
Extraordinary loss	(1,830)		
Net income	$ 11,728	$ 6,350	$ 2,201
Earnings per share:			
Income before extraordinary loss	$ 1.14	$ 0.67	$ 0.22
Extraordinary loss	(0.15)		
Net income	$ 0.99	$ 0.67	$ 0.22
Average number of common shares and common stock equivalents outstanding	11,869,000	9,799,000	9,842,000

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended December 25, 1993	Fiscal Year Ended December 26, 1992	March 28, 1991 through Dec. 28, 1991
OPERATING ACTIVITIES			
Net income	$ 11,728	$ 6,350	$ 2,201
Adjustments to reconcile net income to net cash provided by operating activities:			
Extraordinary loss	1,830		
Depreciation and amortization of operating property	11,865	10,827	7,326
Amortization of goodwill	894	1,012	892
Other amortization	556	1,129	947
Provisions for losses on trade and other accounts receivable	4,159	3,877	930
Gains on sales of operating property	(374)	(216)	
Deferred income taxes, net	(287)	(2,178)	(2,751)
Non-cash charge in lieu of income taxes		4,808	5,001
Changes in operating assets and liabilities excluding effects of acquisition:			
Decrease (increase) in trade and other accounts receivable	(26,298)	(17,498)	2,205
Decrease (increase) in inventories, prepaid expenses and other assets	(135)	3,562	(3,494)
Increase in accounts payable	4,222	6,303	67
Increase (decrease) in other liabilities	1,337	8,596	(1,114)
Increase (decrease) in estimated insurance claims	6,572	(6,405)	(4,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,069	20,167	8,038
INVESTING ACTIVITIES			
Acquisition of Landstar System Holdings, Inc., net of $2,154 of cash acquired			(14,168)
Purchases of operating property	(6,725)	(3,553)	(2,101)
Proceeds from sales of operating property	1,614	1,314	2,711
NET CASH USED BY INVESTING ACTIVITIES	(5,111)	(2,239)	(13,558)
FINANCING ACTIVITIES			
Proceeds from sales of common stock and exercise of warrants, net of issuance costs	35,866	402	20,080
Borrowings under new term loan, net of debt issuance costs	18,800		
Borrowings under revolving credit facility	6,500	1,900	
Increase (decrease) in cash overdraft	136	(1,098)	(1,244)
Retirement of debt and principal payments on borrowings under revolving credit facility, long-term debt and capital lease obligations	(69,475)	(12,285)	(7,588)
Purchases of common stock		(154)	(86)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(8,173)	(11,235)	11,162
Increase in cash	2,785	6,693	5,642
Cash at beginning of period	12,335	5,642	0
Cash at end of period	$ 15,120	$ 12,335	$ 5,642

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN COMMON SHAREHOLDERS' EQUITY
For the Fiscal Years Ended December 25, 1993 and December 26, 1992 and the Period March 28, 1991 through December 28, 1991
(Dollars in thousands)

	Common Stock		Additional Paid-In	Retained	Treasury Stock at Cost		
	Shares	Amount	Capital	Earnings	Shares	Amount	Total
Sales of common stock	8,032,000	$ 80	$ 20,000				$ 20,080
Common stock issued in acquisition of Landstar System Holdings, Inc.	654,400	7	1,493				1,500
Net income				$ 2,201			2,201
Purchases of common stock					8,611	$ (86)	(86)
Adjustment for non-split treasury stock	(25,833)						
Balance December 28, 1991	8,660,567	87	21,493	2,201	8,611	(86)	23,695
Net income				6,350			6,350
Sales of common stock	132,964	1	401				402
Purchases of common stock					15,430	(154)	(154)
Increase in carrying value of warrants				(436)			(436)
Adjustment for non-split treasury stock	(46,290)						
Balance December 26, 1992	8,747,241	88	21,894	8,115	24,041	(240)	29,857
Sales of common stock	3,054,793	31	35,805				35,836
Exercise of warrants	1,069,640	10	3,805				3,815
Net income				11,728			11,728
Increase in carrying value of warrants				(482)			(482)
Balance December 25, 1993	12,871,674	$ 129	$ 61,504	$ 19,361	24,041	$ (240)	$ 80,754

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary Landstar System Holdings, Inc. Landstar System, Inc. and its subsidiary are herein referred to as "Landstar" or the "Company". Significant inter-company accounts have been eliminated in consolidation.

Fiscal Year

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

Revenue Recognition

Revenue is recognized upon completion of freight delivery.

Insurance Claim Costs

Landstar provides, generally on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $100,000 for each cargo claim.

Inventories

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

Tires

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

Operating Property

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

Goodwill

Goodwill represents the excess of purchase cost over the estimated fair value of net assets acquired on March 28, 1991, as adjusted for certain income tax benefits (Note 7). It is being amortized on a straight-line basis over 40 years.

Income Taxes

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

Earnings Per Share

Earnings per share amounts are based on the weighted average number of common shares outstanding plus the dilutive effect of the warrants and pursuant to certain requirements of the Securities and Exchange Commission assumes that 132,964 common shares issued in fiscal year 1992 and 84,444 warrants issued March 1, 1993 were outstanding during the entire 1993, 1992 and 1991 periods.

(2) Capitalization and Acquisition of Landstar System Holdings, Inc.

Landstar was capitalized by the sale of 8,024,000 shares of common stock for $2.50 per share, $.01 par value, or $20,060,000 in a private placement to Kelso Investment Associates IV L.P. (KIA IV), an affiliate of Kelso & Company, Inc. ("Kelso"), ABS MB Limited Partnership (ABS), an affiliate of Alex. Brown & Sons Incorporated ("Alex. Brown"), management, T. Rowe Price Associates and New England Mutual Life Insurance Company.

On March 28, 1991, Landstar acquired 100% of the outstanding common stock of Landstar System Holdings, Inc. ("LSHI"), for cash and securities. Landstar has accounted for the acquisition of LSHI as a purchase.

(3) Initial Public Offering, Recapitalization and Secondary Public Offering

On March 12, 1993, Landstar completed its Initial Public Offering (IPO) by selling 2,500,000 common shares at an initial price to the public of $13 per share and received proceeds, net of underwriting discounts and commissions and issuance costs, in the amount of $28,450,000. In addition, all of the 1,069,640 outstanding Landstar warrants, with a carrying value of $3,785,000, were exercised at $.028075 per share, or $30,000.

On March 12, 1993, Landstar also entered into a new credit facility with a syndicate of banks and Chemical Bank, as agent (the "New Credit Agreement") (Note 10). The New Credit Agreement provides $80,000,000 of financing consisting of a $20,000,000 term loan (the "New Term Loan") and $60,000,000 of revolving credit (the "Revolving Credit Facility").

The net proceeds of $28,450,000 received from the IPO, $30,000 received from the exercise of the warrants, $18,800,000 in net proceeds from the New Term Loan and short term borrowings under the Revolving Credit Facility were used to repay $15,229,000 of outstanding borrowings under a prior credit agreement and redeem or purchase all of Landstar's outstanding $38,000,000 principal amount 14% senior subordinated notes ("14% Notes").

On October 5, 1993, a secondary public offering by existing stockholders of 5,547,930 shares of common stock at an initial price to the public of $15 per share was completed. KIA IV sold 4,492,640 shares and ABS sold 1,055,290 shares. Immediately subsequent to the offering, Kelso no longer owned any Landstar shares and affiliates of Alex. Brown retained approximately 1% of the common shares outstanding.

In connection with the secondary offering, Landstar granted the underwriters an over-allotment option of up to 554,793 shares of common stock. The option was exercised and on October 27, 1993, Landstar sold the 554,793 shares of common stock at an initial price to the public of $15 per share and received proceeds, net of underwriting discounts and commissions and issuance costs, in the amount of $7,386,000.

(4) Extraordinary Loss

The call for redemption and purchase of Landstar's $38,000,000 principal amount of outstanding 14% Notes at par value resulted in a pre-tax charge of $3,106,000 in 1993. The charge for the early extinguishment of the 14% Notes, net of related income tax benefits, of $1,830,000, or $.15 per share, has been classified as an extraordinary loss.

(5) Supplementary Earnings Per Share

If the IPO and the redemption and purchase of the 14% Notes had taken place at the beginning of 1993, net income for the year would have been $14,425,000, or $1.16 per share, and the weighted average number of common shares and common stock equivalents outstanding would have been 12,384,000.

(6) Related Party Transactions

The management fee for 1993 included one-time charges in the amounts of $1,000,000 and $200,000 for the termination of the consulting and management services agreements with Kelso and Alex. Brown, respectively. After deducting related income tax benefits of $504,000, these charges reduced earnings per share by $.06 per share.

Kelso and Alex. Brown charged Landstar a management fee in the amounts of $63,000 and $12,000 in 1993, respectively, $326,000 and $50,000 in 1992, respectively, and $188,000 and $37,000 in the period March 28, 1991 through December 28, 1991, respectively, for management services provided to Landstar. In addition, Kelso and Alex. Brown were paid investment banking fees in connection with the acquisition of LSHI in the amounts of $1,937,500 and $500,000, respectively.

(7) Income Taxes

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

	Fiscal Year Ended		Mar. 28, 1991 through
	Dec. 25, 1993	Dec. 26, 1992	Dec. 28, 1991
Current:			
Federal	$ 7,903	$ 2,919	$ 635
State	1,679	1,271	879
	9,582	4,190	1,514
Deferred:			
Federal benefit	(284)	(2,357)	(3,154)
State	381	179	403
	97	(2,178)	(2,751)
Non-cash charge in lieu of income taxes	-	4,808	5,001
Tax benefit attributable to extraordinary loss, net of $384 deferred income tax expense	1,276	-	-
Provision for income taxes on income before extraordinary loss	$ 10,955	$ 6,820	$ 3,764

As part of the acquisition accounting, Landstar recorded deferred income tax assets of $21,227,000, deferred income tax liabilities of $12,245,000 and a $9,466,000 valuation allowance. The valuation allowance was established because realization of deferred income tax benefits in excess of available deferred income tax liabilities and $1,586,000 of available net operating loss carrybacks, was not assured at the date of acquisition. Both goodwill and the valuation allowance were reduced by $4,808,000 in fiscal year 1992 and $3,415,000 in the period March 28, 1991 through December 28, 1991 as realization of the deferred income tax benefits became likely. The change in the valuation allowance in both periods and the $1,586,000 of deferred income tax benefits recorded in 1991, as part of the acquisition accounting, resulted in the non-cash charge in lieu of income taxes. At December 25, 1993, the valuation allowance of $1,271,000 was attributable to deferred state income tax benefits. The valuation allowance and goodwill will be reduced by $1,243,000 when realization of deferred state income tax benefits becomes likely.

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

	Dec. 25, 1993	Dec. 26, 1992
Deferred tax assets:		
Allowance for doubtful accounts	$ 1,883	$ 2,023
Deferred state income tax benefits	1,089	962
State net operating loss carryforwards	1,798	1,568
Self insured claims	13,129	10,576
Compensated absences	684	824
Long-term debt	-	638
All other	590	1,032
	19,173	17,623
Valuation allowance	(1,271)	(1,271)
	$ 17,902	$ 16,352
Deferred tax liabilities:		
Operating property	$ 11,534	$ 10,402
All other	3,606	3,091
	$ 15,140	$ 13,493

The following table summarizes the differences between income taxes calculated at the federal income tax rate of 35% in 1993 and 34% in 1992 and 1991 on income before income taxes and the extraordinary loss and the provision for income taxes (in thousands):

	Fiscal Year Ended		Mar. 28, 1991 through
	Dec. 25, 1993	Dec. 26, 1992	Dec. 28, 1991
Income taxes at statutory federal income tax rate	$ 8,580	$ 4,478	$ 2,028
State income taxes, net of federal income tax benefit	1,602	1,361	1,073
Amortization of goodwill	313	344	303
Meals and entertainment exclusion	550	461	314
Adjustments to deferred tax assets and liabilities for enacted changes in tax laws and rates	(74)	-	-
Increase in valuation allowance	-	28	-
Other, net	(16)	148	46
	$ 10,955	$ 6,820	$ 3,764

Landstar paid income taxes of $7,050,000 in 1993, $3,451,000 in 1992 and $2,318,000 in the period March 28, 1991 through December 28, 1991.

(8) **Operating Property**

Operating property is summarized as follows (in thousands):

	Dec. 25, 1993	Dec. 26, 1992
Land	$ 2,434	$ 2,434
Leasehold improvements	334	322
Buildings and improvements	5,349	5,345
Revenue equipment	70,352	49,095
Other equipment	6,378	4,515
	84,847	61,711
Less accumulated depreciation and amortization	27,589	17,709
	$ 57,258	$ 44,002

Included above is $40,994,000 in 1993 and $21,652,000 in 1992 of operating property under capital lease, $33,741,000 and $18,399,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering into capital leases in the amount of $19,636,000 in 1993, $11,166,000 in 1992 and $8,792,000 in the period March 28, 1991 through December 28, 1991.

(9) Pension Plan

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full time employees who have completed one year of service. Eligible employees make voluntary contributions up to 6% of their base salary subject to certain limitations. Landstar contributes an amount equal to 50% of such contributions, subject to certain limitations. In addition, one subsidiary makes contributions, in accordance with negotiated labor contracts (generally based on the number of weeks worked), to union sponsored multi-employer defined benefit pension plans for the benefit of approximately 300 union drivers.

The expense for the company sponsored defined contribution plan and for union sponsored plans was $850,000 and $1,140,000 in 1993, respectively, $754,000 and $1,143,000 in 1992, respectively, and $554,000 and $879,000, respectively, in the period March 28, 1991 through December 28, 1991.

(10) Debt

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

	Dec. 25, 1993	Dec. 26, 1992
Term loan	$18,000	$16,979
14% senior subordinated notes due October 1, 1998, less discount of $3,106	-	34,894
Capital leases	30,074	16,365
Other	-	69
	48,074	68,307
Less current maturities	11,628	10,838
Total long-term debt	$36,446	$57,469

The New Credit Agreement provides $80,000,000 of financing consisting of a $20,000,000 term loan and $60,000,000 of revolving credit. $40,000,000 of the total borrowing capacity under the Revolving Credit Facility may be utilized in the form of letter of credit guarantees. At December 25, 1993, Landstar had commitments for letters of credit outstanding in the amount of $31,085,000, primarily as collateral for estimated insurance claims. The remaining New Term Loan is repayable in nine equal semi-annual installments, through March 31, 1998. The Revolving Credit Facility expires March 12, 1998.

The New Term Loan and borrowings under the Revolving Credit Facility bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by Chemical Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, plus in each case a margin of 1/4% (or, if certain financial tests are met, a margin of 0%), or (ii) the rate at the time offered to Chemical Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin of 1 1/4% (or, if certain financial tests are met, a margin of 1%). The unused portion of the Revolving Credit Facility carries a commitment fee of 3/8% per annum. At December 25, 1993, the weighted average interest rate on borrowings outstanding under the New Credit Agreement was 4.63%. Based on the borrowing rates in the New Credit Agreement and the repayment terms, the fair value of the New Term Loan is estimated to approximate carrying value.

The New Credit Agreement contains a number of covenants that limit, among other things, the payment of dividends, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The New Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the New Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Fixed Charge Coverage, Landstar exceeded the required minimum level by approximately $13,161,000 in 1993. The New Credit Agreement provides that 50% of Excess Cash Flow, as therein defined, in any fiscal year be applied to the prepayment of the principal of the New Term Loan and that the remaining 50% may be used, with certain restrictions for the payment of dividends and for capital expenditures in addition to those otherwise permitted by the New Credit Agreement. Management believes that these restrictions will not adversely affect Landstar's future growth. Dividends (other than those paid from Excess Cash Flow) are prohibited by the New Credit Agreement. Dividends paid from Excess Cash Flow are limited to a maximum of $500,000 for each of 1994 and 1995, and $1,000,000 per year, thereafter. During fiscal year 1993, Landstar did not have any Excess Cash Flow as therein defined.

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

The Company and each of LSHI's subsidiaries have guaranteed LSHI's obligations under the New Credit Agreement. LSHI and its subsidiaries have granted security interests in its accounts receivable to Chemical Bank for the benefit of the bank syndicate, and LSHI has pledged the stock of each of its subsidiaries to Chemical Bank for the benefit of the bank syndicate.

Installments of long-term debt, excluding capital lease obligations, maturing in the years 1994, 1995, 1996, 1997 and 1998 amount to $4,000,000, $4,000,000, $4,000,000, $4,000,000 and $2,000,000, respectively.

Landstar paid interest of $6,505,000 in 1993, $8,646,000 in 1992 and $8,076,000 in the period March 28, 1991 through December 28, 1991.

(11) Leases

The future minimum lease payments under all noncancellable leases at December 25, 1993, principally for revenue equipment, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
1994	$ 9,963	$ 8,017
1995	9,751	4,826
1996	8,012	2,264
1997	5,906	634
1998	1,693	270
Thereafter	-	1,003
	35,325	$ 17,014
Less amount representing interest (6.25% to 14.0%)	5,251	
Present value of minimum lease payments	$ 30,074	

Total rent expense, net of sublease income, was $13,746,000 in 1993, $15,328,000 in 1992, and $10,959,000 in the period March 28, 1991 through December 28, 1991.

(12) Stock Option Plan

On February 9, 1993, shareholders approved the Landstar System, Inc. 1993 Stock Option Plan (the "Plan"). Under the Plan, the Compensation Committee of the Board of Directors may grant stock options to employees of Landstar to purchase up to an aggregate of 615,000 shares of common stock at an exercise price which is not less than fair market value on the date of grant.

During 1993, options to purchase 180,000, 1,000 and 5,000 shares of common stock were granted under the Plan at exercise prices of $18.50, $14.625 and $13.125, respectively. At December 25, 1993, 186,000 options to purchase shares of common stock remain outstanding.

There are 615,000 shares of common stock reserved for issuance upon exercise of options to purchase common stock granted under the Plan.

(13) Common Shareholders' Equity

By an amendment to the Company's Certificate of Incorporation on February 10, 1993, the Company's authorized common stock was increased to 20,000,000 shares and 2,000,000 shares of preferred stock were authorized. On February 9, 1993, the Company's Board of Directors declared a four-for-one stock split in the form of a 300% stock dividend (other than shares of common stock held in treasury) payable on February 10, 1993 to shareholders of record on that date, approved a stockholder rights agreement (the "Agreement") and declared a dividend of one preferred stock purchase right (the "Right") on each outstanding share of common stock, payable on February 11, 1993 to shareholders of record on that date.

All share and per share information in the accompanying consolidated financial statements have been retroactively restated to give effect to the stock split.

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

(14) Commitments and Contingencies

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes the resolution of claims and pending litigation will not have a material adverse effect on the financial condition of Landstar.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF BALANCE SHEET INFORMATION
DECEMBER 25, 1993
(Dollars in thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
Assets											
Current assets:											
Cash		$ 14,736	$ 323		$ 59						$ 15,120
Trade accounts receivable, less allowance					35,622	$ 5,149	$ 26,040	$ 13,209	$ 13,064		93,084
Other receivables, including advances to independent contractors, net		608	360		2,197	576	3,853	1,326	755		9,675
Inter-company receivables	$ 3,824				35,853	6,904	24,643	23,510	30,208	$ (124,942)	
Inventories								105	1,211		1,316
Prepaid expenses and other current assets		531	529		671	144	861	485	2,022		5,243
Total current assets	3,824	15,877	1,212		74,402	12,773	55,397	38,635	47,260	(124,942)	124,438
Investment in subsidiaries	77,146	107,437								(184,583)	
Operating property, net		216	15		10,305	48	5,823	4,892	35,959		57,258
Goodwill			145		4,784		3,218	5,934	19,309		33,390
Deferred income taxes and other assets		3,713			80		220	10	303		4,326
Total assets	$ 80,970	$ 127,243	$ 1,372	$ 0	$ 89,571	$ 12,821	$ 64,658	$ 49,471	$ 102,831	$ (309,525)	$ 219,412
Liabilities and Common Shareholders' Equity											
Current liabilities:											
Cash overdraft		$ 446	$ 292		$ 2,359	$ 60	$ 1,098	$ 632	$ 712		$ 5,599
Accounts payable		50			11,623	66	4,600	3,671	1,977		22,007
Current maturities of long-term debt		4,000			1,215		799	523	5,091		11,628
Estimated insurance claims			549		5,328	699	2,207	2,087	5,598		16,468
Accrued compensation		954			1,535	151	1,242	1,113	1,834		6,829
Inter-company payables		119,538	3,001	$ 105	610	42	916	717	13	$ (124,942)	
Other current liabilities	$ 216	5,319	1,113		5,980	929	7,673	1,281	2,321		24,832
Total current liabilities	216	130,307	4,955	105	28,650	1,967	18,535	10,024	17,546	(124,942)	87,363
Long-term debt, excluding current maturities		14,000			3,158		2,737	1,885	14,666		36,446
Inter-company long-term debt		(84,000)			18,213	6,120	12,023	15,564	32,080		
Estimated insurance claims			494		3,935	426	1,897	1,976	5,531		14,259
Other liabilities							220	62	308		590
Common shareholders' equity:											
Common stock	129	3	1		1	1	1	1	1	(9)	129
Additional paid-in capital	61,504	61,290	109		20,519	6,757	13,387	17,327	51,228	(170,617)	61,504
Retained earnings	19,361	5,730	(4,187)	(105)	15,095	(2,450)	15,858	2,632	(18,529)	(14,044)	19,361
Treasury stock	(240)	(87)								87	(240)
Total common shareholders' equity	80,754	66,936	(4,077)	(105)	35,615	4,308	29,246	19,960	32,700	(184,583)	80,754
Total liabilities and common shareholders' equity	$ 80,970	$ 127,243	$ 1,372	$ 0	$ 89,571	$ 12,821	$ 64,658	$ 49,471	$ 102,831	$ (309,525)	$ 219,412

Schedule II

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF INCOME INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 25, 1993
(Dollars in thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustment Eliminations	Total
Revenue:											
Transportation revenue				$ 3,976	$ 290,566	$ 28,723	$ 209,500	$ 121,282	$ 126,473		$ 780,520
Revenue from affiliates					13,561	173	9,382	7,889	1,201	$ (32,206)	
				3,976	304,127	28,896	218,882	129,171	127,674	(32,206)	780,520
Costs and expenses:											
Purchased transportation				3,854	237,545	20,887	166,690	98,739	4,859	(32,206)	500,368
Drivers' wages and benefits									37,124		37,124
Fuel and other operating costs					1,866	160	4,278	(818)	49,890		55,37[illegible]
Insurance and claims		$ 577	$ 306		9,127	1,004	4,338	3,430	11,532		30,314
Commissions to agents and brokers				42	20,284	3,222	13,837	8,392	188		45,965
Selling, general and administrative	$ 134	7,643	776	278	18,222	2,901	15,605	11,149	10,407		67,115
Management fee	(134)	(6,887)	(1,807)		3,693	304	2,590	1,651	1,865		1,275
Depreciation and amortization		67	7		2,194	7	1,286	1,090	8,108		12,759
Total costs and expenses	0	1,400	(718)	4,174	292,931	28,485	208,624	123,633	123,973	(32,206)	750,296
Operating income (loss)		(1,400)	718	(198)	11,196	411	10,258	5,538	3,701		30,224
Interest and debt expense		(8,203)	112		2,914	829	1,985	2,268	5,806		5,711
Income (loss) before income taxes		6,803	606	(198)	8,282	(418)	8,273	3,270	(2,105)		24,513
Income taxes (benefit)	78	2,795	234	(67)	3,329	(181)	3,333	1,400	34		10,955
Equity in earnings of subsidiaries	11,806	9,628								(21,434)	
Income (loss) before extraordinary loss	11,728	13,636	372	(131)	4,953	(237)	4,940	1,870	(2,139)	(21,434)	13,558
Extraordinary loss		(1,830)									(1,830)
Net income (loss)	$ 11,728	$ 11,806	$ 372	$ (131)	$ 4,953	$ (237)	$ 4,940	$ 1,870	$ (2,139)	$ (21,434)	$ 11,728

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF STATEMENT OF CASH FLOWS INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 25, 1993
(Dollars in thousands)

	Landstar	LSHI	RMCS	LTSI	Ranger	Gemini	Inway	Ligon	Poole	Adjustments Eliminations	Total
OPERATING ACTIVITIES											
Net income(loss)	$ 11,728	$ 11,806	$ 372	$ (131)	$ 4,953	$ (237)	$ 4,940	$ 1,870	$ (2,139)	$ (21,434)	$ 11,728
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:											
Extraordinary loss		1,830									1,830
Equity in undistributed earnings of subsidiaries	(11,806)	(9,628)								21,434	
Depreciation and amortization of operating property		67	4		2,066	7	1,200	931	7,590		11,865
Amortization of goodwill			3		128		86	159	518		894
Other amortization		290	112		47	16	22	24	45		556
Provision for losses on trade and other accounts receivable					1,771	242	1,127	640	379		4,159
Loss (gain) on sales of operating property					210		(81)	1	(524)		(374)
Deferred income taxes (benefit), net		(43)	1,116	(5)	(1,191)	50	273	(320)	(167)		(287)
Changes in operating assets and liabilities:											
Decrease (increase) in trade and other accounts receivable		(491)	27		(6,484)	(2,576)	(8,953)	(3,748)	(4,073)		(26,298)
Decrease (increase) in inventories, prepaid expenses and other assets		(171)	(880)	5	1,658	(170)	(710)	393	(260)		(135)
Increase (decrease) in accounts payable		(158)	(190)		1,914	77	1,314	1,238	27		4,222
Increase (decrease) in other liabilities	32	2,202	(3,494)		(563)	551	1,897	104	608		1,337
Increase (decrease) in estimated insurance claims			(2,083)		3,965	19	(11)	795	3,887		8,572
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(46)	5,704	(5,013)	(131)	8,474	(2,021)	1,124	2,087	5,891	0	16,069
INVESTING ACTIVITIES											
Investment in LSHI	(28,480)									28,480	
Purchases of operating property		(87)	(8)		(3,559)	(45)	(1,049)	(658)	(1,319)		(6,725)
Proceeds from sales of operating property					95		87	228	1,204		1,614
NET CASH USED BY INVESTING ACTIVITIES	(28,480)	(87)	(8)		(3,464)	(45)	(962)	(430)	(115)	28,480	(5,111)
FINANCING ACTIVITIES											
Proceeds from sales of common stock and exercise of warrants , net	35,866	25,285								(25,285)	35,866
Borrowings under new term loan, net		18,800									18,800
Borrowings under revolving credit facility		6,500									6,500
Increase (decrease) in cash overdraft		262	(899)		(234)	20	564	(160)	583		136
Retirement of debt and principal payments on borrowings under revolving credit facility, long-term debt and capital lease obligations		(63,478)			(1,035)		(704)	(446)	(3,812)		(69,475)
Increase (decrease) of inter-company account	(7,340)	9,471	6,219	131	(3,712)	2,046	(22)	(1,051)	(2,547)	(3,195)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	28,526	(3,160)	5,320	131	(4,981)	2,066	(162)	(1,657)	(5,776)	(28,480)	(8,173)
Increase (decrease) in cash	0	2,457	299	0	29	0	0	0	0	0	2,785
Cash at beginning of period	0	12,281	24	0	30	0	0	0	0	0	12,335
Cash at end of period	$ 0	$ 14,738	$ 323	$ 0	$ 59	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,120