PROSPECT CAPITAL CORP
Form 497
August 26, 2013

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus are not offers to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion
Preliminary Pricing Supplement dated

August 26, 2013

Prospect Capital Corporation
Prospect Capital InterNotes®

5.000% Senior Notes due 2018 (the "2018 Notes")
5.500% Senior Notes due 2020 (the "2020 Notes")
6.000% Senior Notes due 2033 (the "2033 Notes")
6.500% Senior Notes due 2043 (the "2043 Notes" and together with the 2018 Notes, the 2020 Notes and the 2033 Notes, the "Notes")

Filed under Rule 497, Registration Statement No. 333-183530

Preliminary Pricing Supplement Nos. 149,150,151 and 152 Dated Monday, August 26, 2013
(To: Prospectus Dated October 29, 2012, and Prospectus Supplement Dated August 23, 2013)

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1st Coupon Date	1st Coupon Amount	Survivor's Option	Product Ranking
74348YGC9	US74348YGC93	$	100.000%	1.500%	$	Fixed	5.000%	Semi-Annual	9/15/2018	3/15/2014	$ 26.25	Yes	Senior Unsecured Notes

Redemption Information: Callable at 100.000% on 9/15/2014 and every coupon date thereafter.

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1st Coupon Date	1st Coupon Amount	Survivor's Option	Product Ranking
74348YGD7	US74348YGD76	$	100.000%	1.750%	$	Fixed	5.500%	Semi-Annual	9/15/2020	3/15/2014	$ 28.88	Yes	Senior Unsecured Notes

Redemption Information: Callable at 100.000% on 9/15/2014 and every coupon date thereafter.

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1st Coupon Date	1st Coupon Amount	Survivor's Option	Product Ranking
74348YGE5	US74348YGE59	$	100.000%	3.650%	$	Fixed	6.000%	Semi-Annual	9/15/2033	3/15/2014	$ 31.50	Yes	Senior Unsecured Notes

Redemption Information: Callable at 100.000% on 9/15/2015 and every coupon date thereafter.

CUSIP Number	ISIN Number	Principal Amount	Selling Price	Gross Concession	Net Proceeds	Coupon Type	Coupon Rate	Coupon Frequency	Maturity Date	1st Coupon Date	1st Coupon Amount	Survivor's Option	Product Ranking

74348YGF2	US74348YGF25	$	100.000%	3.800%	$	Fixed	6.500%	Semi-Annual	9/15/2043	3/15/2014	$ 34.13	Yes	Senior Unsecured Notes
Redemption Information: Callable at 100.000% on 9/15/2016 and every coupon date thereafter.													

Trade Date: Tuesday, September 3, 2013 @ 12:00 PM ET
Settle Date: Friday, September 6, 2013
Minimum Denomination/Increments: $1,000.00/$1,000.00
Initial trades settle flat and clear SDFS: DTC Book Entry only

The Notes will be issued pursuant to the Indenture, dated as of February 16, 2012, as amended and supplemented by that certain One Hundred Forty-Ninth Supplemental Indenture, One Hundred Fiftieth Supplemental Indenture, One Hundred Fifty-First Supplemental Indenture and One Hundred Fifth-Second, respectively, each dated as of September 6, 2013.

The date from which interest shall accrue on the Notes is Friday, September 6, 2013. The "Interest Payment Dates" for the Notes shall be September 15 and March 15 of each year, commencing March 15, 2014; the interest payable on any Interest Payment Date, will be paid to the Person in whose name the Note (or one or more predecessor Notes) is registered at the close of business on the Regular Record Date (as defined in the Indenture) for such interest, which shall be September 1 or March 1, as the case may be, next preceding such Interest Payment Date.

The 2018 Notes, the 2020 Notes, the 2033 Notes, and the 2043 Notes will be redeemable in whole or in part at any time or from time to time, at the option of Prospect Capital Corporation, on or after September 15, 2014, September 15, 2014, September 15, 2015 and September 15, 2016, respectively, at a redemption price of $1,000 per Note plus accrued and unpaid interest payments otherwise payable for the then-current semi-annual interest period accrued to, but excluding, the date fixed for redemption and upon not less than 30 days nor more that 60 days prior notice to the noteholder and the trustee, as described in the prospectus.

Prospect Capital Corporation is a financial services company that lends to and invests in middle market, privately-held companies. We are organized as an externally-managed, non-diversified closed-end management investment company that has elected to be treated as a business development company under the Investment Company Act of 1940. Prospect Capital Management LLC manages our investments and Prospect Administration LLC provides the administrative services necessary for us to operate.

This preliminary pricing supplement relates only to the securities described in the accompanying prospectus supplement and prospectus, is only a summary of changes and should be read together with the accompanying prospectus supplement and prospectus, including among other things the section entitled "Risk Factors" beginning on page S-9 of such prospectus supplement and page 11 of such prospectus. This preliminary pricing supplement and the accompanying prospectus supplement and prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC." This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this preliminary pricing supplement. Any representation to the contrary is a criminal offense. Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

InterNotes® is a registered trademark of Incapital Holdings LLC.

Recent Developments: We and Priority Senior Secured Income Fund, Inc., Pathway Energy Infrastructure Fund, Inc., Prospect Capital Funding LLC, Prospect Capital Management LLC, Priority Senior Secured Income Management, LLC and Pathway Energy Infrastructure Management, LLC have submitted an exemptive application to the SEC to permit us to participate in negotiated co-investments with other funds managed by Prospect Capital Management LLC, Priority Senior Secured Income Management, LLC and Pathway Energy Infrastructure Management, LLC or affiliated advisers in a manner consistent with our investment objective, strategies and restrictions as well as regulatory requirements and other pertinent factors, subject to the conditions therein. However, there is no assurance that we will obtain such exemptive relief.

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Filed pursuant to Rule 497
File No. 333-183530

PROSPECTUS SUPPLEMENT
(To Prospectus dated October 29, 2012)

Prospect Capital Corporation

Prospect Capital InterNotes®

We may offer to sell our Prospect Capital InterNotes® from time to time. The specific terms of the notes will be set prior to the time of sale and described in a pricing supplement. You should read this prospectus supplement, the accompanying prospectus and the applicable pricing supplement carefully before you invest. We may offer other debt securities from time to time other than the notes under our Registration Statement or in private placements.

We may offer the notes to or through agents for resale. The applicable pricing supplement will specify the purchase price, agent discounts and net proceeds of any particular offering of notes. The agents are not required to sell any specific amount of notes but will use their reasonable best efforts to sell the notes. We also may offer the notes directly. We have not set a date for termination of our offering.

The agents have advised us that from time to time they may purchase and sell notes in the secondary market, but they are not obligated to make a market in the notes and may suspend or completely stop that activity at any time. Unless otherwise specified in the applicable pricing supplement, we do not intend to list the notes on any stock exchange.

Investing in the notes involves certain risks, including those described in the "Risk Factors" section beginning on page S-9 of this prospectus supplement and page 11 of the accompanying prospectus.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the "SEC." This information is available free of charge by contacting us at 10 East 40th Street, 44th Floor, New York, NY 10016 or by telephone at (212) 448-0702. The SEC maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our internet website address is www.prospectstreet.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Obligations of Prospect Capital Corporation and any subsidiary of Prospect Capital Corporation are not guaranteed by the full faith and credit of the United States of America. Neither Prospect Capital Corporation nor any subsidiary of Prospect Capital Corporation is a government-sponsored enterprise or an instrumentality of the United States of America.

We may sell the notes to or through one or more agents or dealers, including the agents listed below.

Incapital LLC **BofA Merrill Lynch** **Citigroup**

Prospectus Supplement dated August 23, 2013.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," which involve substantial risks and uncertainties. Forward-looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs, and our assumptions. Words such as "intends," "intend," "intended," "goal," "estimate," "estimates," "expects," "expect," "expected," "project," "projected," "projections," "plans," "seeks," "anticipates," "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "believes" and "scheduled" and variations of these words and similar expressions are intended to identify forward-looking statements. Our actual results or outcomes may differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the date the statement was made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

- our future operating results,
- our business prospects and the prospects of our portfolio companies,
- the impact of investments that we expect to make,
- our contractual arrangements and relationships with third parties,
- the dependence of our future success on the general economy and its impact on the industries in which we invest,
- the ability of our portfolio companies to achieve their objectives,
- difficulty in obtaining financing or raising capital, especially in the current credit and equity environment,
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets,
- adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise,
- a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us,
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company,
- the adequacy of our cash resources and working capital,

the timing of cash flows, if any, from the operations of our portfolio companies,

the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments,

authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the SEC, Internal Revenue Service,

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the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business, and

the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus and in our filings with the SEC.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, ability to obtain certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this prospectus supplement and the accompanying prospectus, respectively, should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in "Risk Factors" and elsewhere in this prospectus supplement and the accompanying prospectus, respectively. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus supplement or the accompanying prospectus, as applicable. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended, or the "Securities Act."

You should rely only on the information contained in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus. We have not, and the agent(s) or dealer(s) has not, authorized any other person to provide you with information that is different from that contained in this prospectus supplement, including any pricing supplement included hereto, or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the agents are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information appearing in this prospectus supplement, including any pricing supplement included hereto, and the accompanying prospectus is accurate only as of their respective dates and we assume no obligation to update any such information. Our business, financial condition and results of operations may have changed since those dates. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we any make directly to you or through reports that we have filed with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

This prospectus supplement, including any pricing supplement included hereto, supersedes the accompanying prospectus to the extent it contains information that is different from or in addition to the information in that prospectus.

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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PROSPECTUS SUMMARY

This section summarizes the legal and financial terms of the notes that are described in more detail in "Description of Notes" beginning on page S-19. Final terms of any particular notes will be determined at the time of sale and will be contained in the pricing supplement, which will be included with this prospectus supplement, relating to those notes. The terms in that pricing supplement may vary from and supersede the terms contained in this summary and in "Description of Notes." In addition, you should read the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and in that pricing supplement.

The terms "we," "us," "our" and "Company" refer to Prospect Capital Corporation; "Prospect Capital Management," "Investment Adviser" and "PCM" refer to Prospect Capital Management LLC; and "Prospect Administration" and the "Administrator" refer to Prospect Administration LLC.

The Company

Prospect Capital Corporation is a financial services company that primarily lends to and invests in middle market privately-held companies. In this prospectus supplement and the accompanying prospectus, we use the term "middle-market" to refer to companies with annual revenues between $50 million and $2 billion. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have seven origination strategies in which we make investments: (1) lending in private equity sponsored transactions, (2) lending directly to companies not owned by private equity firms, (3) control investments in corporate operating companies, (4) control investments in financial companies, (5) investments in structured credit, (6) real estate investments, and (7) investments in syndicated debt. We continue to evaluate other origination strategies in the ordinary course of business with no specific tops-down allocation to any single origination strategy.

Lending in Private Equity Sponsored Transactions We make loans to companies which are controlled by leading private equity firms. This debt can take the form of first lien, second lien, unitranche or mezzanine loans. In making these investments, we look for a diversified customer base, recurring demand for the product or service, barriers to entry, strong historical cash flow and experienced management teams. These loans typically have significant equity subordinate to our loan position. This strategy has represented approximately 50%-60% of our business.

Lending Directly to Companies We provide debt financing to companies owned by non-private equity firms, the company founder, a management team or a family. Here, in addition to the strengths we look for in a sponsored transaction, we also look for alignment with the management team with significant invested capital. This strategy often has less competition than the private equity sponsor strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. Direct lending can result in higher returns and lower leverage than sponsor transactions and may include warrants or equity to us. This strategy generally has comprised approximately 10%-15% of our business.

Control Investments in Corporate Operating Companies This strategy involves acquiring controlling stakes in non-financial operating companies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. We provide certainty of closure to our counterparties, give the seller personal liquidity and generally look for management to continue on in their current roles. This strategy has comprised approximately 10%-15% of our business.

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Control Investments in Financial Companies This strategy involves acquiring controlling stakes in financial companies, including consumer direct lending, subprime auto lending and other strategies. Our investments in these companies are generally structured as a combination of yield-producing debt and equity. These investments are often structured in a tax-efficient RIC-compliant partnership, enhancing returns. This strategy has comprised approximately 10%-15% of our business.

Investments in Structured Credit We make investments in Collateralized Loan Obligations ("CLOs"), generally taking a significant position in the subordinated interests (equity) of the CLOs. The CLOs include a diversified portfolio of broadly syndicated loans and do not have direct exposure to real estate, mortgages, sub-prime debt, or consumer based debt. The CLOs in which we invest are managed by top-tier collateral managers that have been thoroughly diligenced prior to investment. This strategy has represented 10%-20% of the portfolio.

Real Estate Investments We make investments in real estate through our wholly-owned tax-efficient real estate investment trust ("REIT"), American Properties Holdings Corp. ("APHC"). Our real estate investments are in various classes of fully developed and occupied real estate properties that generate current yields. We seek to identify properties that have historically high occupancy and steady cash flow generation. We partner with established property managers with experience in managing the property type to manage such properties after acquisition. This is a more recent investment strategy that has represented less than 5% of our business.

Investments in Syndicated Debt On an opportunistic basis, we make investments in loans and high yield bonds that have been sold to a syndicate of buyers. Here we look for investments with attractive risk-adjusted returns after we have completed a fundamental credit analysis. These investments are purchased with a long term, buy-and-hold outlook and we look to provide significant structuring input by providing anchoring orders. This strategy has represented approximately 5%-10% of the portfolio.

We invest primarily in first and second lien senior loans and mezzanine debt. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt and our investments in CLOs are subordinated to senior loans and are generally unsecured. Our investments have generally ranged between $5 million and $250 million each, although the investment size may be more or less than this range. Our investment sizes are expected to grow as our capital base expands.

We also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. These may be in several industries, including industrial, service, real estate and financial businesses.

We are currently pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. Motivated sellers, including commercial finance companies, hedge funds, other business development companies, total return swap counterparties, banks, collateralized loan obligation funds, and other entities, are suffering from excess leverage, and we believe we are well positioned to capitalize as potential buyers of such assets at attractive prices. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

As of June 30, 2013, we held investments in 124 portfolio companies. The aggregate fair value as of June 30, 2013 of investments in these portfolio companies held on that date is approximately

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$4.2 billion. Our portfolio across all our performing interest-bearing investments had an annualized current yield of 13.6% as of June 30, 2013.

Recent Developments

Dividends

On August 21, 2013, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.110325 per share for January 2014 to holders of record on January 31, 2014 with a payment date of February 20, 2014;

- $0.110350 per share for February 2014 to holders of record on February 28, 2014 with a payment date of March 20, 2014; and

- $0.110375 per share for March 2014 to holders of record on March 31, 2014 with a payment date of April 17, 2014.

Recent Investment Activity

On July 1, 2013, Pre-Paid Legal Services, Inc. repaid the $5.0 million loan receivable to us.

On July 9, 2013, Southern Management Corporation repaid the $17.6 million loan receivable to us.

On July 12, 2013, we provided $11.0 million of secured second lien financing to Water PIK, Inc., a leader in developing innovative personal and oral healthcare products.

On July 12, 2013, we provided $11.0 million of secured second lien financing to Blue Coat Systems, Inc., a leading provider of web security and wide area network (WAN) optimization solutions.

On July 23, 2013, we made a $2.0 million investment in Carolina Beverage Group, LLC ("Carolina Beverage"), a contract beverage manufacturer.

On July 24, 2013, we sold our $2.0 million investment in Carolina Beverage and realized a gain of $45.0 thousand on this investment.

On July 26, 2013, we made a $2.0 million follow-on senior secured debt investment in Spartan Energy Services, Inc. ("Spartan"), a leading provider of thru tubing and flow control services to oil and gas companies.

On July 26, 2013, we made a $20.0 million follow-on secured second lien investment in Royal Adhesives & Sealants, LLC ("Royal"), a leading producer of proprietary, high-performance adhesives and sealants.

On July 31, 2013, we made a $5.1 million follow-on investment in Coverall North America, Inc. ("Coverall"), a leading franchiser of commercial cleaning businesses.

On July 31, 2013, Royal repaid the $28.4 million subordinated unsecured loan receivable to us.

On July 31, 2013, Cargo Airport Services USA, LLC ("Cargo") repaid the $43.4 million loan receivable to us.

On August 1, 2013, Medical Security Card Company, LLC repaid the $13.2 million loan receivable to us.

On August 2, 2013, we made an investment of $44.1 million to purchase 90% of the subordinated notes in CIFC Funding 2013-III, Ltd.

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On August 2, 2013, we funded a recapitalization of CP Energy Services, Inc. ("CP Energy") with $81.3 million of debt and $12.7 million of equity financing. Through the recapitalization, we acquired a controlling interest in CP Energy for $73.0 million in cash and 1,918,342 unregistered shares of our common stock. After the financing, we received repayment of the $19.0 million loan previously outstanding.

On August 12, 2013, we provided $80.0 million in senior secured loans and a senior secured revolving loan facility, of which $70.0 million was funded at closing, for the recapitalization of Matrixx Initiatives, Inc., owner of Zicam, a leading developer and marketer of OTC cold remedy products under the Zicam brand.

On August 15, 2013, we made a $14.0 million follow-on investment in Totes Isotoner Corporation ("Totes"), a leading designer, distributer and retailer of high quality, branded functional accessories.

Debt Issuance

During the period from July 1, 2013 to August 21, 2013, we issued $58.6 million in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $57.3 million. In addition, we sold $7.7 million in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $7.5 million with expected closing on August 22, 2013.

On August 23, 2013, we amended the selling agent agreement for the Prospect Capital InterNotes® to increase the aggregate principal amount of notes that may be issued from time to time under such agreement from $500.0 million to $1.0 billion.

Common Stock Issuance

During the period from July 1, 2013 to August 21, 2013, we sold 9,818,907 shares of our common stock at an average price of $10.97 per share, and raised $107.7 million of gross proceeds, under our at-the-market offering program, or the "ATM Program." Net proceeds were $106.8 million after commissions to the broker-dealer on shares sold and offering costs.

Other Matters

On August 14, 2013, we announced the revised conversion rate on the 2018 Notes of 82.8631 shares of common stock per $1,000 principal amount of 2018 Notes, which is equivalent to a conversion price of approximately $12.07.

On August 15, 2013, we announced an increase of $15.0 million to our commitments to our credit facility. The commitments to the credit facility now stand at $567.5 million.

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The Offering

Issuer	Prospect Capital Corporation
Purchasing Agent	Incapital LLC
Agents	Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated. From time to time, we may sell the notes to or through additional agents.
Title of Notes	Prospect Capital InterNotes®
Amount	We may issue notes from time to time in various offerings up to $1.0 billion, the aggregate principal amount authorized by our board of directors for notes. As of August 22, 2013, $430.1 million aggregate principal amount of notes has been issued. There are no limitations on our ability to issue additional indebtedness in the form of Prospect Capital InterNotes® or otherwise other than under the 1940 Act and the marginally more restrictive 175% asset coverage requirement under our credit facility.
Denominations	The notes will be issued and sold in denominations of $1,000 and multiples of $1,000 (unless otherwise stated in the pricing supplement).
Status	The notes will be our direct unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness from time to time outstanding.
Maturities	Each note will mature 12 months or more from its date of original issuance.
Interest	Notes may be issued with a fixed or floating interest rate; a floating interest rate note will be based on the London Interbank Offered Rate ("LIBOR"). Interest on each fixed or floating interest rate note will be payable either monthly, quarterly, semi-annually or annually on each interest payment date and on the stated maturity date. Interest also will be paid on the date of redemption or repayment if a note is redeemed or repaid prior to its stated maturity in accordance with its terms. Interest on the notes will be computed on the basis of a 360-day year of twelve 30-day months, often referred to as the 30/360 (ISDA) day count convention.
Principal	The principal amount of each note will be payable on its stated maturity date at the corporate trust office of the paying agent or at any other place we may designate.
Redemption and Repayment	Unless otherwise stated in the applicable pricing supplement, a note will not be redeemable at our option or be repayable at the option of the holder prior to its stated maturity date. The notes will not be subject to any sinking fund.

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Survivor's Option	Specific notes may contain a provision permitting the optional repayment of those notes prior to stated maturity, if requested by the authorized representative of the beneficial owner of those notes, following the death of the beneficial owner of the notes, so long as the notes were owned by the beneficial owner or his or her estate at least six months prior to the request. This feature is referred to as a "Survivor's Option." Your notes will not be repaid in this manner unless the pricing supplement for your notes provides for the Survivor's Option. If the pricing supplement for your notes provides for the Survivor's Option, your right to exercise the Survivor's Option will be subject to limits set by us on (1) the permitted dollar amount of total exercises by all holders of notes in any calendar year, and (2) the permitted dollar amount of an individual exercise by a holder of a note in any calendar year. Additional details on the Survivor's Option are described in the section entitled "Description of Notes Survivor's Option."
Sale and Clearance	We will sell notes in the United States only. Notes will be issued in book-entry only form and will clear through The Depository Trust Company. We do not intend to issue notes in certificated form.
Trustee	The trustee for the notes is U.S. Bank National Association, under an indenture dated as of February 16, 2012, as amended and as supplemented from time to time.
Selling Group	The agents and dealers comprising the selling group are broker-dealers and securities firms. Each of the Purchasing Agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated entered into a Second Amended and Restated Selling Agent Agreement with us dated March 4, 2013 (as amended, the "Selling Agent Agreement"). Additional agents appointed by us from time to time in connection with the offering of the notes contemplated by this prospectus supplement will become parties to the Selling Agent Agreement. On April 15, 2013, Citigroup Global Markets Inc. entered into a joinder agreement to become a party to the Selling Agent Agreement. Dealers who are members of the selling group have executed a Master Selected Dealer Agreement with the Purchasing Agent. The agents and the dealers have agreed to market and sell the notes in accordance with the terms of those respective agreements and all other applicable laws and regulations. You may contact the Purchasing Agent at info@incapital.com for a list of selling group members.

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SELECTED CONDENSED FINANCIAL DATA

You should read the condensed consolidated financial information below with the Consolidated Financial Statements and notes thereto included in this prospectus supplement and the accompanying prospectus. Financial information below for the years ended June 30, 2013, 2012, 2011, 2010 and 2009 has been derived from the financial statements that were audited by our independent registered public accounting firm. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" starting on page S-31 for more information.

	For the Year Ended June 30,					
	2013	2012	2011	2010	2009	
	(in thousands except data relating to shares, per share and number of portfolio companies)					
Performance Data:			136,027			
Goodwill	20,496	10,638				31,134

	Thirty-Nine-Week Period Ended September 30, 2006				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	$ 1,356,780	$ 520,080	$ 25,617		$ 1,902,477
Investment income			2,589		2,589
Internal revenue	39,343	1,604	22,351		63,298
Operating income	137,398	25,353	24,056	$ (44,240)	142,567
Goodwill	20,496	10,638			31,134

	Thirteen-Week Period Ended September 29, 2007				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	$ 460,894	$ 164,687	$ 9,230		$ 634,811
Investment income			1,106		1,106
Internal revenue	10,357	1,048	6,196		17,601
Operating income	45,664	4,858	11,577	$ (12,451)	49,648

	Thirteen-Week Period Ended September 30, 2006				
	Carrier	Global Logistics	Insurance	Other	Total
External revenue	$ 460,847	$ 179,613	$ 8,737		$ 649,197
Investment income			1,337		1,337
Internal revenue	15,435	605	5,940		21,980
Operating income	49,334	8,331	8,967	$ (14,931)	51,701

(6) Comprehensive Income

The following table includes the components of comprehensive income for the thirty-nine and thirteen-week periods ended September 29, 2007 and September 30, 2006 (in thousands):

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006

Net income	$ 80,622	$ 84,395	$ 29,348	$ 30,580
Unrealized holding gains/(losses) on available-for-sale investments, net of income taxes		194	(15)	41
Comprehensive income	$ 80,622	$ 84,589	$ 29,333	$ 30,621

Accumulated other comprehensive loss at September 29, 2007 of $7,000 represents the unrealized holding losses on available-for-sale investments of $10,000, net of related income taxes of $3,000.

(7) Commitments and Contingencies

As of September 29, 2007, Landstar had $26,868,000 of letters of credit outstanding under the Company s revolving credit facility and $47,277,000 of letters of credit secured by investments held by the Company s insurance segment. Short-term investments include $19,436,000 in current maturities of investment grade bonds and $1,512,000 of cash equivalents held by the Company s insurance segment at September 29, 2007. These short-term investments together with $2,000,000 of the non-current portion of investment grade bonds and $26,473,000 of cash equivalents included in other assets at September 29, 2007, provide collateral for the $47,277,000 of letters of credit issued to guarantee payment of insurance claims.

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. (OOIDA) and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the Plaintiffs) filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements (BCO Independent Contractors) in the United States District Court for the Middle District of Florida (the District Court) in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the Amended Complaint). The Amended Complaint alleged that certain aspects of the Company s motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney s fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the Defendants). On March 29, 2007, the District Court denied Plaintiffs request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the Appellate Court) with respect to certain of the District Court s rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

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

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

The following discussion should be read in conjunction with the attached interim consolidated financial statements and notes thereto, and with the Company s audited financial statements and notes thereto for the fiscal year ended December 30, 2006 and Management s Discussion and Analysis of Financial Condition and Results of Operations included in the 2006 Annual Report on Form 10-K.

Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. (together, referred to herein as Landstar or the Company), provide transportation services to a variety of market niches throughout the United States and to a lesser extent in Canada, and between the United States and Canada, Mexico and other countries through its operating subsidiaries. Landstar s business strategy is to be a non-asset based provider of transportation capacity and logistics services delivering safe, specialized transportation services globally, utilizing a network of independent commission sales agents, third party capacity providers and employees. Landstar focuses on providing transportation services which emphasize safety, customer service and information coordination among its independent commission sales agents, customers and capacity providers. The Company markets its services primarily through independent commission sales agents and exclusively utilizes third party capacity providers to transport customers freight. The nature of the Company s business is such that a significant portion of its operating costs varies directly with revenue. The Company has three reportable business segments. These are the carrier, global logistics and insurance segments.

The carrier segment consists of Landstar Ranger, Inc., Landstar Inway, Inc., Landstar Ligon, Inc., Landstar Gemini, Inc. and Landstar Carrier Services, Inc. The carrier segment primarily provides transportation services to the truckload market for a wide range of general commodities over irregular or non-repetitive routes utilizing dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck, dedicated power-only truck capacity and truck brokerage. The carrier segment markets its services primarily through independent commission sales agents and utilizes independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the Business Capacity Owner Independent Contractors or BCO Independent Contractors) and other third party truck capacity providers under non-exclusive contractual arrangements (Truck Brokerage Carriers).

The global logistics segment is comprised of Landstar Global Logistics, Inc. and its subsidiary, Landstar Express America, Inc. Transportation and logistics services provided by the global logistics segment include the arrangement of multimodal (ground, air, ocean and rail) moves, contract logistics, truck brokerage, emergency and expedited ground, air and ocean freight, bus brokerage and warehousing. The global logistics segment markets its services primarily through independent commission sales agents and utilizes capacity provided by BCO Independent Contractors and other third party capacity providers, including Truck Brokerage Carriers, railroads, air and ocean cargo carriers, bus providers and warehouse owners. Beginning in August 2006, the global logistics segment began the rollout of warehousing services with independent contractors who provide warehouse capacity to the Company under non-exclusive contractual arrangements (Warehouse Capacity Owners or WCO Independent Contractors). As of September 29, 2007, Landstar Global Logistics, Inc. has executed contracts with 128 Warehouse Capacity Owners.

The insurance segment is comprised of Signature Insurance Company (Signature), a wholly-owned offshore insurance subsidiary, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to Landstar s operating subsidiaries. In addition, it reinsures certain risks of the Company s BCO Independent Contractors and provides certain property and casualty insurance directly to Landstar s operating subsidiaries.

Changes in Financial Condition and Results of Operations

Management believes the Company s success principally depends on its ability to generate freight through its network of independent commission sales agents and to efficiently deliver that freight utilizing third party capacity providers. Management believes the most significant factors to the Company s success include increasing revenue, sourcing capacity and controlling costs.

While customer demand, which is subject to overall economic conditions, ultimately drives increases or decreases in revenue, the Company primarily relies on its independent commission sales agents to establish customer relationships and generate revenue opportunities. Management s primary focus with respect to revenue growth is on revenue generated by independent commission sales agents who on an annual basis generate $1 million or more of Landstar revenue (Million Dollar Agents). Management believes future revenue growth is primarily dependent on its ability to increase both the revenue generated by Million Dollar Agents and the number of Million Dollar Agents through a combination of recruiting new agents and increasing the revenue opportunities generated by existing independent commission sales agents. During the 2006 fiscal year, 490 independent commission sales agents generated $1 million or more of Landstar s revenue and thus qualified as Million Dollar Agents. During the 2006 fiscal year, the average revenue generated by a Million Dollar Agent was $4,700,000 and revenue generated by Million Dollar Agents in the aggregate represented 92% of consolidated Landstar revenue. As of September 29, 2007 and September 30, 2006, the Company had a network of 1,414 and 1,291 independent commission sales agent locations, respectively.

Management monitors business activity by tracking the number of loads (volume) and revenue per load generated by the carrier and global logistics segments. In addition, management tracks revenue per revenue mile, average length of haul and total revenue miles at the carrier segment. Revenue per revenue mile and revenue per load (collectively, price) can be influenced by many factors which do not necessarily indicate a change in price. Those factors include the average length of haul, freight type, special handling and equipment requirements and delivery time requirements. The following table summarizes this data by reportable segment:

	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	Sept 30, 2006	Sept 29, 2007	Sept 30, 2006
Carrier Segment:				
External revenue generated through (in thousands):				
BCO Independent Contractors	$ 970,432	$ 964,260	$ 330,776	$ 323,664
Truck Brokerage Carriers	384,423	392,520	130,118	137,183
	$ 1,354,855	$ 1,356,780	$ 460,894	$ 460,847
Revenue per revenue mile	$ 2.02	$ 2.02	$ 2.06	$ 2.05
Revenue per load	$ 1,608	$ 1,613	$ 1,645	$ 1,651
Average length of haul (miles)	795	800	798	806
Number of loads	842,500	841,200	280,200	279,200

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	Thirty Nine Weeks Ended		Thirteen Weeks Ended	
	Sept 29, 2007	**Sept 30, 2006**	**Sept 29, 2007**	**Sept 30, 2006**
Global Logistics Segment:				
External revenue generated through (in thousands):				
BCO Independent Contractors (1)	$ 76,175	$ 78,308	$ 23,990	$ 31,145
Truck Brokerage Carriers	261,344	302,746	95,449	104,445
Rail, air, ocean and bus carriers (2)	124,377	139,026	45,248	44,023
	$ 461,896	$ 520,080	$ 164,687	$ 179,613
Revenue per load (3)	$ 1,514	$ 1,510	$ 1,530	$ 1,520
Number of loads (3) (4)	301,000	287,400	105,800	98,600

(1) Includes revenue from freight hauled by carrier segment BCO Independent Contractors for global logistics customers.

(2) Included in the 2007 and 2006 thirty-nine-week periods was $481,000 and $23,032,000, respectively, of revenue attributable to buses provided under a contract between Landstar Express America, Inc. and the United States Department of Transportation/Federal Aviation Administration (the FAA). Included in the 2006 thirteen-week period was $3,594,000 of revenue attributable to buses provided under the FAA contract.

(3) Revenue per load and number of loads in the

thirty-nine and thirteen-week periods ended September 29, 2007 exclude the effect of $6,209,000 and $2,764,000, respectively, of revenue derived under the FAA contract. Revenue per load and number of loads in the thirty-nine and thirteen-week periods ended September 30, 2006 exclude the effect of $85,998,000 and $29,701,000, respectively, of revenue derived from transportation services provided under the FAA contract. See Use of Non-GAAP Financial Measures.

(4) The number of loads in the thirty-nine and thirteen-week periods ended 2006 were restated. This change had no impact on reported revenue in any period.

Also critical to the Company s success is its ability to secure capacity, particularly truck capacity, at rates that allow the Company to profitably transport customers freight. The following table summarizes available truck capacity providers:

	Sept 29, 2007	**Sept 30, 2006**
BCO Independent Contractors	8,452	8,463
Truck Brokerage Carriers:		
Approved and active [1]	15,765	14,604
Other approved	9,224	8,009
	24,989	22,613
Total available truck capacity providers	33,441	31,076
Number of trucks provided by BCO Independent Contractors	9,056	9,164

(1) Active refers to Truck Brokerage Carriers who moved at least one load in the 180 days immediately preceding the fiscal quarter end.

The Company incurs costs that are directly related to the transportation of freight that include purchased transportation and commissions to agents. The Company incurs indirect costs associated with the transportation of freight that include other operating costs and insurance and claims. In addition, the Company incurs selling, general and administrative costs essential to administering its business operations. Management continually monitors all components of the costs incurred by the Company and establishes annual cost budgets which, in general, are used to benchmark costs incurred on a monthly basis.

Purchased transportation represents the amount a BCO Independent Contractor or other third party capacity provider is paid to haul freight. The amount of purchased transportation paid to a BCO Independent Contractor is primarily based on a contractually agreed-upon percentage of revenue generated by the haul. Purchased transportation for the brokerage services operations of the carrier segment is based on a negotiated rate for each load hauled. Purchased transportation for the brokerage services operations of the global logistics segment is based on either a negotiated rate for each load hauled or a contractually agreed-upon rate. Purchased transportation for the rail intermodal, air and ocean freight operations of the global logistics segment is based on a contractually agreed-upon fixed rate. Purchased transportation for bus services is based upon a negotiated rate per mile or per day. Purchased transportation as a percentage of revenue for truck brokerage services, rail intermodal and bus operations is normally higher than that of Landstar s other transportation operations. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through BCO Independent Contractors and other third party capacity providers and revenue from the insurance segment.

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Commissions to agents are based on contractually agreed-upon percentages of revenue or gross profit, defined as revenue less the cost of purchased transportation, at the carrier segment and of gross profit at the global logistics segment. Commissions to agents as a percentage of consolidated revenue will vary directly with fluctuations in the percentage of consolidated revenue generated by the carrier segment, the global logistics segment and the insurance segment and with changes in gross profit at the global logistics segment and the truck brokerage operations of the carrier segment.

Rent and maintenance costs for Company-provided trailing equipment, BCO Independent Contractor recruiting costs and bad debts from BCO Independent Contractors and independent commission sales agents are the largest components of other operating costs.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. Landstar s retained liability for individual commercial trucking claims varies depending on when such claims were incurred. For commercial trucking claims incurred prior to June 19, 2003 and subsequent to March 30, 2004, Landstar retains liability up to $5,000,000 per occurrence. For commercial trucking claims incurred from June 19, 2003 through March 30, 2004, Landstar retains liability up to $10,000,000 per occurrence. The Company also retains liability for each general liability claim up to $1,000,000, $250,000 for each workers compensation claim and $250,000 for each cargo claim. The Company s exposure to liability associated with accidents incurred by other third party capacity providers who haul freight on behalf of the Company is reduced by various factors including the extent to which they maintain their own insurance coverage. A material increase in the frequency or severity of accidents, cargo or workers compensation claims or the unfavorable development of existing claims could be expected to materially adversely affect Landstar s results of operations.

Employee compensation and benefits account for over half of the Company s selling, general and administrative costs.

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

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

	Thirty Nine Weeks Ended		**Thirteen Weeks Ended**	
	Sept 29, 2007	**Sept 30, 2006**	**Sept 29, 2007**	**Sept 30, 2006**
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.2	0.1	0.2	0.2
Costs and expenses:				
Purchased transportation	75.6	75.2	75.9	74.9
Commissions to agents	8.1	7.9	8.1	8.0
Other operating costs	1.1	1.9	1.3	2.3
Insurance and claims	2.1	1.6	1.5	1.5
Selling, general and administrative	5.1	5.4	4.9	4.9
Depreciation and amortization	0.8	0.6	0.7	0.6
Total costs and expenses	92.8	92.6	92.4	92.2
Operating income	7.4	7.5	7.8	8.0
Interest and debt expense	0.2	0.3	0.3	0.3

Income before income taxes	7.2	7.2	7.5	7.7
Income taxes	2.8	2.8	2.9	3.0
Net income	4.4%	4.4%	4.6%	4.7%

THIRTY NINE WEEKS ENDED SEPTEMBER 29, 2007 COMPARED TO THIRTY NINE WEEKS ENDED SEPTEMBER 30, 2006

Revenue for the 2007 thirty-nine-week period was $1,844,412,000, a decrease of $58,065,000, or 3.1%, compared to the 2006 thirty-nine-week period. The decrease in revenue was primarily attributable to lower disaster relief revenue provided under the FAA contract in the thirty-nine-week period ended September 29, 2007 compared to the thirty-nine-week period ended September 30, 2006. Revenue for disaster relief services provided under the FAA contract in the thirty-nine-week periods ended September 29, 2007 and September 30, 2006 was $6,209,000 and $85,998,000, respectively, including trailer rental revenue of $1,221,000 and

$15,993,000, respectively. Revenue decreased $1,925,000 and $58,184,000 at the carrier and global logistics segments, respectively, while revenue increased $2,044,000 at the insurance segment. With respect to the carrier segment, revenue per load, the number of loads delivered, the average length of haul and revenue per revenue mile in the 2007 thirty-nine-week period all were approximately the same as compared to the 2006 thirty-nine-week period. The decrease in revenue at the global logistics segment was primarily due to the decreased revenue for disaster relief services provided under the FAA contract. Excluding the number of loads and revenue related to disaster relief services provided by the global logistics segment in the 2007 and 2006 thirty-nine-week periods, the number of loads delivered by the global logistics segment in the 2007 thirty-nine-week period increased approximately 5% and revenue per load was approximately the same as compared to the 2006 thirty-nine-week period.

Investment income at the insurance segment was $4,103,000 and $2,589,000 in the 2007 and 2006 thirty-nine-week periods, respectively. The increase in investment income was primarily due to an increased average investment balance and an increased rate of return, attributable to a general increase in interest rates, on investments held by the insurance segment in the 2007 period.

Purchased transportation was 75.6% and 75.2% of revenue in the 2007 and 2006 thirty-nine-week periods, respectively. The increase in purchased transportation as a percentage of revenue was primarily attributable to the effect of decreased revenue under the FAA contract, which tends to have a lower cost of purchased transportation, and increased rates for purchased transportation paid to rail intermodal carriers, partially offset by decreased rates for purchased transportation paid to Truck Brokerage Carriers. Commissions to agents were 8.1% of revenue in 2007 and 7.9% in 2006. The increase in commissions to agents as a percentage of revenue was primarily attributable to decreased revenue for disaster relief services provided under the FAA contract, which tends to have a lower agent commission rate, and increased commissions to agents primarily attributable to increased gross profit, revenue less the cost of purchased transportation, on truck brokerage revenue. Other operating costs were 1.1% and 1.9% of revenue in 2007 and 2006, respectively. The decrease in other operating costs as a percentage of revenue was primarily attributable to reduced trailer rental costs incurred in support of disaster relief services under the FAA contract and reduced other trailer rent expense, partially offset by increased trailer maintenance costs. Insurance and claims were 2.1% of revenue in 2007 compared with 1.6% of revenue in 2006. The increase in insurance and claims as a percentage of revenue was primarily attributable to a $5,000,000 charge for the estimated cost of one severe accident that occurred during the first quarter of 2007 and increased cargo claims expense in the 2007 thirty-nine-week period. Selling, general and administrative costs were 5.1% of revenue in 2007 compared with 5.4% of revenue in 2006. The decrease in selling, general and administrative costs as a percentage of revenue was primarily attributable to a decreased provision for bonuses under the Company s incentive compensation programs, partially offset by the effect of decreased revenue. Depreciation and amortization was 0.8% of revenue in 2007 and 0.6% in 2006. The increase in depreciation and amortization as a percentage of revenue was primarily due to an increase in Company-owned trailing equipment and the effect of decreased revenue.

Interest and debt expense was 0.2% of revenue in the 2007 thirty-nine-week period and 0.3% in 2006 thirty-nine-week period. The decrease in interest and debt expense was primarily attributable to lower average outstanding borrowings on the Company s senior credit facility.

The provisions for income taxes for both the 2007 and 2006 thirty-nine-week periods were based on an estimated full year combined effective income tax rate of approximately 38.7%, which was higher than the statutory federal income tax rate primarily as a result of state income taxes, the meals and entertainment exclusion and non-deductible stock compensation expense.

Net income was $80,622,000, or $1.46 per common share ($1.45 per diluted share), in the 2007 thirty-nine-week period, which included approximately $1,638,000 of operating income related to the $6,209,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The $1,638,000 of operating income, net of related income taxes, increased net income by $1,009,000, or $0.02 per common share ($0.02 per diluted share). Also included in the 2007 thirty-nine-week period net income was a $5,000,000 charge for the estimated cost of one severe accident that occurred during the first quarter of 2007. This charge, net of related income tax benefits, reduced the 2007 thirty-nine-week period net income by $3,065,000, or $0.06 per common share ($0.05 per diluted share). Net income was $84,395,000, or $1.45 per common share ($1.43 per diluted share), in the 2006 thirty-nine-week period, which included $12,162,000 of operating income related to the $85,998,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The $12,162,000 of operating income, net of related income taxes, increased net income by $7,492,000, or $0.13 per common share ($0.13 per diluted share).

THIRTEEN WEEKS ENDED SEPTEMBER 29, 2007 COMPARED TO THIRTEEN WEEKS ENDED SEPTEMBER 30, 2006

Revenue for the 2007 thirteen-week period was $634,811,000, a decrease of $14,386,000, or 2.2%, compared to the 2006 thirteen-week period. The decrease in revenue was primarily attributable to lower disaster relief revenue provided under the FAA contract in the thirteen-week period ended September 29, 2007 compared to the thirteen-week period ended September 30, 2006. Revenue for disaster relief services provided under the FAA contract in the thirteen-week periods ended September 29, 2007 and September 30, 2006 was $2,764,000 and $29,701,000, respectively, including trailer rental revenue of $1,193,000 and $7,610,000, respectively. Revenue increased $47,000 and $493,000 at the carrier and insurance segments, respectively, while revenue decreased $14,926,000 at the global logistics segment. With respect to the carrier segment, revenue per load, the number of loads delivered, the average length

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of haul and revenue per revenue mile in the 2007 thirteen-week period all were approximately the same as compared to the 2006 thirteen-week period. The decrease in revenue at the global logistics segment was primarily due to the decreased revenue for disaster relief services provided under the FAA contract. Excluding the number of loads and revenue related to disaster relief services provided by the global logistics segment in the 2007 and 2006 thirteen-week periods, the number of loads delivered by the global logistics segment in the 2007 thirteen-week period increased approximately 7% and revenue per load increased approximately 1% compared to the 2006 thirteen-week period.

Investment income at the insurance segment was $1,106,000 and $1,337,000 in the 2007 and 2006 thirteen-week periods, respectively. The decrease in investment income was primarily due to a decreased average investment balance on investments held by the insurance segment in the 2007 period.

Purchased transportation was 75.9% and 74.9% of revenue in the 2007 and 2006 thirteen-week periods, respectively. The increase in purchased transportation as a percentage of revenue was primarily attributable to the effect of decreased revenue under the FAA contract, which tends to have a lower cost of purchased transportation, and increased rates for purchased transportation paid to rail intermodal carriers, partially offset by decreased rates for purchased transportation paid to Truck Brokerage Carriers. Commissions to agents were 8.1% of revenue in 2007 and 8.0% in 2006. The increase in commissions to agents as a percentage of revenue was primarily attributable to decreased revenue for disaster relief services provided under the FAA contract, which tends to have a lower agent commission rate. Other operating costs were 1.3% and 2.3% of revenue in 2007 and 2006, respectively. The decrease in other operating costs as a percentage of revenue was primarily attributable to trailer rental costs incurred in support of disaster relief services under the FAA contract in 2006 and reduced other trailer rent expense. Insurance and claims were 1.5% of revenue in both 2007 and 2006. Selling, general and administrative costs were 4.9% of revenue in both 2007 and 2006. Depreciation and amortization was 0.7% of revenue in 2007 and 0.6% in 2006. The increase in depreciation and amortization as a percentage of revenue was primarily due to an increase in Company-owned trailing equipment and the effect of decreased revenue.

Interest and debt expense was 0.3% of revenue in both the 2007 and 2006 thirteen-week periods.

The provisions for income taxes for both the 2007 and 2006 thirteen-week periods were based on an estimated full year combined effective income tax rate of approximately 38.7%, which was higher than the statutory federal income tax rate primarily as a result of state income taxes, the meals and entertainment exclusion and non-deductible stock compensation expense.

Net income was $29,348,000, or $0.54 per common share ($0.54 per diluted share), in the 2007 thirteen-week period, which included approximately $642,000 of operating income related to the $2,764,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The $642,000 of operating income, net of related income taxes, increased net income by $394,000, or $0.01 per common share ($0.01 per diluted share). Net income was $30,580,000, or $0.53 per common share ($0.53 per diluted share), in the 2006 thirteen-week period, which included approximately $4,547,000 of operating income related to the $29,701,000 of revenue attributable to disaster relief services provided primarily under the FAA contract. The $4,547,000 of operating income, net of related income taxes, increased net income by $2,802,000, or $0.05 per common share ($0.05 per diluted share).

USE OF NON-GAAP FINANCIAL MEASURES

In this quarterly report on Form 10-Q, Landstar provided the following information that may be deemed non-GAAP financial measures: (1) revenue per load for the global logistics segment excluding revenue and loads related to disaster relief transportation services provided under a contract with the FAA and (2) the percentage change in revenue per load for the global logistics segment excluding revenue and loads related to disaster relief transportation services provided under a contract with the FAA as compared to revenue per load for the global logistics segment for the corresponding prior year period. This financial information should be considered in addition to, and not as a substitute for, the corresponding GAAP financial information also presented in this Form 10-Q.

Management believes that it is appropriate to present this financial information for the following reasons: (1) a significant portion of the disaster relief transportation services were provided under the FAA contract on the basis of a daily rate for the use of transportation equipment in question, and therefore load and per load information is not necessarily available or appropriate for a significant portion of the related revenue, (2) disclosure of the effect of the transportation services provided by Landstar relating to disaster relief efforts will allow investors to better understand the underlying trends in Landstar s financial condition and results of operations, (3) this information will facilitate comparisons by investors of Landstar s results as compared to the results of peer companies and (4) management considers this financial information in its decision making.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders equity was $201,460,000 at September 29, 2007, compared to $230,274,000 at December 30, 2006. The decrease in shareholders equity was primarily a result of the purchase of 2,827,501 shares of the Company s common stock at a total cost of $126,148,000 and dividends paid of $5,390,000 in the thirty-nine-week period ended September 29, 2007, partially offset by net income and the effect of the exercises of stock options during the period. As of September 29, 2007, the Company may purchase up to an additional 2,000,000 shares of its common stock under its recently authorized stock purchase program. Shareholders equity was 61% of total capitalization (defined as total debt plus equity) at September 29, 2007 compared to 64% at December 30, 2006.

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Long-term debt, including current maturities, was $128,035,000 at September 29, 2007, $1,286,000 lower than at December 30, 2006.

Working capital and the ratio of current assets to current liabilities were $174,175,000 and 1.7 to 1, respectively, at September 29, 2007, compared with $221,168,000 and 1.9 to 1, respectively, at December 30, 2006. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was $111,988,000 in the 2007 thirty-nine-week period compared with $229,895,000 in the 2006 thirty-nine-week period. The decrease in cash flow provided by operating activities was primarily attributable to the collection of a significant portion of the 2005 fiscal year end receivable from the FAA for disaster relief transportation services during the first half of 2006.

On July 8, 2004, Landstar renegotiated its existing credit agreement with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the Fourth Amended and Restated Credit Agreement). The Fourth Amended and Restated Credit Agreement, which expires on July 8, 2009, provides $225,000,000 of borrowing capacity in the form of a revolving credit facility, $75,000,000 of which may be utilized in the form of letter of credit guarantees.

The Fourth Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. Landstar is required to, among other things, maintain minimum levels of Consolidated Net Worth and Fixed Charge Coverage, as each is defined in the Fourth Amended and Restated Credit Agreement. None of these covenants are presently considered by management to be materially restrictive to the Company s operations, capital resources or liquidity. The Company is currently in compliance with all of the debt covenants under the Fourth Amended and Restated Credit Agreement.

At September 29, 2007, the Company had $46,000,000 in borrowings outstanding and $26,868,000 of letters of credit outstanding under the Fourth Amended and Restated Credit Agreement. At September 29, 2007, there was $152,132,000 available for future borrowings under the Company s Fourth Amended and Restated Credit Agreement. In addition, the Company has $47,277,000 in letters of credit outstanding, as collateral for insurance claims, that are secured by investments and cash equivalents totaling $49,421,000.

The Company paid its first cash dividend in the third quarter of 2005 and has paid a cash dividend each quarter thereafter. The Company paid cash dividends of $0.03, $0.03 and $0.0375 per share in the 2007 first, second and third quarters, respectively. The Company paid $5,390,000 in cash dividends during the thirty-nine-week period ended September 29, 2007. It is the intention of the Board of Directors to continue to pay a quarterly dividend.

Historically, the Company has generated sufficient operating cash flow to meet its debt service requirements, fund continued growth, both internal and through acquisitions, complete or execute share purchases of its common stock under authorized share purchase programs, pay dividends and meet working capital needs. As a non-asset based provider of transportation capacity and logistics services, the Company s annual capital requirements for operating property are generally for trailing equipment and management information services equipment. In addition, a portion of the trailing equipment used by the Company is provided by third party capacity providers, thereby reducing the Company s capital requirements. During the 2007 thirty-nine-week period, the Company purchased $5,829,000 of operating property and acquired $27,461,000 of trailing equipment by entering into capital leases. Landstar anticipates acquiring approximately $15,000,000 of operating property, primarily trailing equipment, during the remainder of the 2007 fiscal year either by purchase or by lease financing. It is expected that capital leases will fund any significant acquisitions of Company-provided trailing equipment made during the remainder of 2007.

Management believes that cash flow from operations combined with the Company s borrowing capacity under the Fourth Amended and Restated Credit Agreement will be adequate to meet Landstar s debt service requirements, fund continued growth, both internal and through acquisitions, pay dividends, complete the authorized share purchase program and meet working capital needs.

LEGAL MATTERS

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. (OOIDA) and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the Plaintiffs) filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements (BCO Independent Contractors) in the United States District Court for the Middle

District of Florida (the District Court) in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the

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Amended Complaint). The Amended Complaint alleged that certain aspects of the Company s motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney s fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the Defendants). On March 29, 2007, the District Court denied Plaintiffs request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the Appellate Court) with respect to certain of the District Court s rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The allowance for doubtful accounts for both trade and other receivables represents management s estimate of the amount of outstanding receivables that will not be collected. Historically, management s estimates for uncollectible receivables have been materially correct. Although management believes the amount of the allowance for both trade and other receivables at September 29, 2007 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. Conversely, a more robust economic environment may result in the realization of some portion of the estimated uncollectible receivables.

Landstar provides for the estimated costs of self-insured claims primarily on an actuarial basis. The amount recorded for the estimated liability for claims incurred is based upon the facts and circumstances known on the applicable balance sheet date. The ultimate resolution of these claims may be for an amount greater or less than the amount estimated by management. The Company continually revises its existing claim estimates as new or revised information becomes available on the status of each claim. Historically, the Company has experienced both favorable and unfavorable development of prior year claims estimates. During the 2007 and 2006 thirty-nine-week periods, insurance and claims costs included $7,437,000 and $6,923,000, respectively, of favorable adjustments to prior years claims estimates. It is reasonably likely that the ultimate outcome of settling all outstanding claims will be more or less than the estimated claims reserve at September 29, 2007.

The Company utilizes certain income tax planning strategies to reduce its overall cost of income taxes. Upon audit, it is possible that certain strategies might be disallowed resulting in an increased liability for income taxes. Certain of these tax planning strategies result in a level of uncertainty as to whether the related tax positions taken by the Company will result in a recognizable benefit. The Company has provided for its estimated exposure attributable to such tax positions due to the corresponding level of uncertainty with respect to the amount of income tax benefit that may ultimately be realized. Management believes that the provision for liabilities resulting from the uncertainty in such income tax positions is appropriate. To date, the Company has not experienced an examination by governmental revenue authorities that would lead management to believe that the Company s past provisions for exposures related to the uncertainty of such income tax positions are not appropriate.

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

EFFECTS OF INFLATION

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

SEASONALITY

Landstar s operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than the quarters ending June, September and December.

RECENTLY ISSUED ACCOUNTING STANDARDS NOT CURRENTLY EFFECTIVE

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a formal framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective the first fiscal year beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a significant effect on the Company s financial condition or results of operations.

FORWARD-LOOKING STATEMENTS

The following is a safe harbor statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are forward-looking statements. This Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q contain forward-looking statements, such as statements which relate to Landstar s business objectives, plans, strategies and expectations. Terms such as anticipates, believes, estimates, expects, plans, predicts, may, should, negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to: an increase in the frequency or severity of accidents or other claims; unfavorable development of existing accident claims; dependence on third party insurance companies; dependence on independent commission sales agents; dependence on third party capacity providers; substantial industry competition; dependence on key personnel; disruptions or failures in our computer systems; changes in fuel taxes; status of independent contractors; a downturn in economic growth or growth in the transportation sector; and other operational, financial or legal risks or uncertainties detailed in Landstar s Form 10-K for the 2006 fiscal year, described in Item 1A Risk Factors , this report or in Landstar s other Securities and Exchange Commission filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to changes in interest rates as a result of its financing activities, primarily its borrowings on the revolving credit facility, and investing activities with respect to investments held by the insurance segment.

On July 8, 2004, Landstar entered into a new senior credit facility with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the Fourth Amended and Restated Credit Agreement). The Fourth Amended and Restated Credit Agreement, which expires on July 8, 2009, provides $225,000,000 of borrowing capacity in the form of a revolving credit facility, $75,000,000 of which may be utilized in the form of letter of credit guarantees.

Borrowings under the Fourth Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company s Leverage Ratio, as defined in the Fourth Amended and Restated Credit Agreement. The margin is subject to an increase of 0.125% if the aggregate amount outstanding under the Fourth Amended and Restated Credit Agreement exceeds 50% of the borrowing capacity. As of September 29, 2007, the weighted average interest rate on borrowings outstanding was 6.22%. During the third quarter of fiscal 2007, the average outstanding balance under the Fourth Amended and Restated Credit Agreement was approximately $55,901,000. Based on the borrowing rates in the Fourth Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of September 29, 2007 was estimated to approximate carrying value. Assuming that debt levels on the Fourth Amended and Restated Credit Agreement remain at $46,000,000, the balance at September 29, 2007, a hypothetical increase of 100 basis points in current rates provided for under the Fourth Amended and Restated Credit Agreement is estimated to result in an increase in interest expense of $460,000 on an annualized basis.

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All amounts outstanding on the Fourth Amended and Restated Credit Agreement are payable on July 8, 2009, the expiration of the Fourth Amended and Restated Credit Agreement.

The Company s obligations under the Fourth Amended and Restated Credit Agreement are guaranteed by all but one of Landstar System Holdings, Inc. s subsidiaries.

Long-term investments, all of which are available-for-sale, consist of investment grade bonds having maturities of up to two years. Assuming that the long-term portion of investments in bonds remains at $2,000,000, the balance at September 29, 2007, a hypothetical increase or decrease in interest rates of 100 basis points would not have a material impact on future earnings on an annualized basis. Short-term investments consist of short-term investment grade instruments and the current maturities of investment grade bonds. Accordingly, any future interest rate risk on these short-term investments would not be material.

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out, under the supervision and with the participation of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended). Based on that evaluation, the CEO and CFO concluded that the Company s disclosure controls and procedures were effective as of September 29, 2007, to provide reasonable assurance that information required to be disclosed by the Company in reports that it filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no significant changes in the Company s internal controls over financial reporting during the Company s fiscal quarter ended September 29, 2007 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

In designing and evaluating controls and procedures, Company management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitation in any control system, no evaluation or implementation of a control system can provide complete assurance that all control issues and all possible instances of fraud have been or will be detected.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On November 1, 2002, the Owner-Operator Independent Drivers Association, Inc. (OOIDA) and certain BCO Independent Contractors (as defined below) (collectively with OOIDA, the Plaintiffs) filed a putative class action complaint on behalf of independent contractors who provide truck capacity to the Company and its subsidiaries under exclusive lease arrangements (BCO Independent Contractors) in the United States District Court for the Middle District of Florida (the District Court) in Jacksonville, Florida, against the Company and certain of its subsidiaries. The complaint was amended on April 7, 2005 (as amended, the Amended Complaint). The Amended Complaint alleged that certain aspects of the Company s motor carrier leases and related practices with its BCO Independent Contractors violate certain federal leasing regulations and sought injunctive relief, an unspecified amount of damages and attorney s fees. On August 30, 2005, the District Court granted a motion by the Plaintiffs to certify the case as a class action.

On January 16, 2007, the District Court ordered the decertification of the class of BCO Independent Contractors for purposes of determining remedies. Immediately thereafter, the trial commenced for purposes of determining what remedies, if any, would be awarded to the remaining named BCO Independent Contractor Plaintiffs against the following subsidiaries of the Company: Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Ranger, Inc. (the Defendants). On March 29, 2007, the District Court denied Plaintiffs request for injunctive relief, entered a Judgment in favor of the Defendants and issued written orders setting forth its rulings related to the decertification of the class and the denial of Plaintiffs requests for damages and injunctive relief. The Plaintiffs and the Defendants have each filed motions with the District Court concerning an award of attorney fees from the other party.

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The Plaintiffs have filed an appeal with the United States Court of Appeals for the Eleventh Circuit (the Appellate Court) with respect to certain of the District Court s rulings, including the judgments entered by the District Court in favor of the Defendants on the issues of damages and injunctive relief. The Defendants have asked the Appellate Court to affirm the rulings of the District Court that have been appealed by the Plaintiffs. The Defendants have also filed a cross-appeal with the Appellate Court with respect to certain other rulings of the District Court. Although no assurances can be given with respect to the outcome of the appeal or any proceedings that may be conducted thereafter, the Company believes it has meritorious defenses and it intends to continue asserting these defenses vigorously.

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

Item 1A. Risk Factors

For a discussion identifying risk factors and other important factors that could cause actual results to differ materially from those anticipated, see the discussions under Part I, Item 1A, Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 30, 2006, under Part II, Item 1A, Risk Factors in the Company s Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2007, and in Management s Discussion and Analysis of Financial Condition and Results of Operations and Notes to Consolidated Financial Statements in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Company

The following table provides information regarding the Company s purchases of its common stock during the period from July 1, 2007 to September 29, 2007, the Company s third fiscal quarter:

Fiscal period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Maximum number of shares that may yet be purchased under the programs
June 30, 2007				1,320,786
July 1, 2007 July 28, 2007	282,800	$ 46.34	282,800	1,037,986
July 29, 2007 Aug. 25, 2007	1,037,986	$ 43.63	1,037,986	0
Aug. 26, 2007 Sept. 29, 2007				2,000,000
Total	1,320,786	$ 44.21	1,320,786	

On April 19, 2007, Landstar System, Inc. announced that it had been authorized by its Board of Directors to purchase up to 2,000,000 shares of its common stock from time to time in the open market and in privately negotiated transactions. During its third fiscal quarter, the Company completed the purchase of shares authorized for purchase under this program. On August 27, 2007, Landstar System, Inc. announced that it had been authorized by its Board of Directors to purchase up to an additional 2,000,000 shares of its common stock from time to time in the open market and in privately negotiated transactions. No specific expiration date has been assigned to the August 27, 2007 authorization.

During the thirty-nine-week period ended September 29, 2007, Landstar paid dividends as follows:

Dividend Amount per share	Declaration Date	Record Date	Payment Date
$0.0300	February 1, 2007	February 13, 2007	February 28, 2007
$0.0300	April 19, 2007	May 10, 2007	May 31, 2007
$0.0375	July 19, 2007	August 10, 2007	August 31, 2007

The Fourth Amended and Restated Credit Agreement provides for a restriction in cash dividends on the Company s capital stock only to the extent there is an event of default under the Fourth Amended and Restated Credit Agreement.

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Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

Effective November 1, 2007, the board of directors (the Board) of Landstar System, Inc. (the Company) adopted Amended and Restated Bylaws (the Amended and Restated Bylaws) of the Company, superseding and replacing the Company s existing bylaws (the Previous Bylaws). The changes to the Previous Bylaws effected by the Amended and Restated Bylaws are briefly summarized below:

Section 5.01 provides for the use of uncertificated shares, which will permit book entry ownership of the Company s capital stock, as required in order to comply with NASDAQ s new listing requirement that all listed companies become DRS Eligible by January 1, 2008. The Previous Bylaws did not permit the use of uncertificated shares.

Section 1.12(b) requires that stockholders wishing to make nominations to the Board or proposals to be considered by the Company s stockholders must deliver written notice thereof to the Company not less than 90 days nor more than 120 days prior to the first anniversary of the date of the Company s proxy statement for the preceding year s annual meeting, other than in certain circumstances. The Previous Bylaws required that such notice be given at least 35 days prior to the meeting at which any such nomination or proposal was to be considered.

Section 2.09 expressly permits the Board to take action without a meeting if all of the members of the Board consent to such action in writing or by electronic transmission.

Certain other changes were made in the Amended and Restated Bylaws to conform to changes in the General Corporation Law of the State of Delaware since the date that the Previous Bylaws were adopted.

The foregoing brief summary of the changes to the Previous Bylaws effected by the Amended and Restated Bylaws is not intended to be complete and is qualified in its entirety by reference to the Amended and Restated Bylaws, attached as Exhibit 3.1 to this Form 10-Q.

Item 6. Exhibits

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

EXHIBIT INDEX

Registrant s Commission File No.: 0-21238

Exhibit No.	Description
(3)	Articles of Incorporation and By-laws
3.1*	The Company s Bylaws, as amended and restated on November 1, 2007.
(31)	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002:
31.1*	Chief Executive Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Chief Financial Officer certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002:
32.1**	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

** Furnished herewith

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SIGNATURES

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

	LANDSTAR SYSTEM, INC.
Date: November 2, 2007	/s/ Henry H. Gerkens Henry H. Gerkens President and Chief Executive Officer
Date: November 2, 2007	/s/ James B. Gattoni James B. Gattoni Vice President and Chief Financial Officer

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