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

FORM 10-K

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

For the fiscal year ended December 28, 2002

or

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

For the transition period from ______ to ______

Commission File Number: 0-21238

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

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

13410 Sutton Park Drive South, Jacksonville, Florida	32224
(Address of principal executive offices)	(Zip Code)

(904) 398-9400
(Registrant's telephone number, including area code)

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No[ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant was $861,771,215 (based on the $53.425 per share closing

price on June 28, 2002, the last business day of the Company's second fiscal quarter, as reported by NASDAQ National Market System). In making this calculation, the registrant has assumed, without admitting for any purpose, that all directors and executive officers of the registrant, and no other person, are affiliates.

The number of shares of the registrant's common stock, par value $.01 per share, (the "Common Stock") outstanding as of the close of business on March 3, 2003 was 15,725,977.

Documents Incorporated by Reference

Portions of the following documents are incorporated by reference in this Form 10-K as indicated herein:

Document	Part of 10-K into which incorporated
2002 Annual Report to Shareholders	Part II
Proxy Statement relating to Landstar System, Inc.'s Annual Meeting of Shareholders	Part III

LANDSTAR SYSTEM, INC.
2002 Annual Report on Form 10-K

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Part I

Item 1. - Business

General

Landstar System, Inc. was incorporated in January 1991 under the laws of the State of Delaware and acquired all of the capital stock of its predecessor, Landstar System Holdings, Inc. ("LSHI") on March 28, 1991. LSHI owns directly or indirectly all of the common stock of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway"), Landstar Ligon, Inc. ("Landstar Ligon"), Landstar Gemini, Inc. ("Landstar Gemini"), Landstar Carrier Services, Inc., Landstar Logistics, Inc. ("Landstar Logistics"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Contractor Financing, Inc. ("LCFI"), Landstar Capacity Services, Inc., Risk Management Claim Services, Inc. ("RMCS"), Signature Technology Services, Inc. ("STSI") and Signature Insurance Company ("Signature"). Landstar Ranger, Landstar Inway, Landstar Ligon, Landstar Gemini, Landstar Logistics and Landstar Express America are collectively herein referred to as Landstar's "Operating Subsidiaries." Landstar System, Inc., LSHI, LCFI, RMCS, STSI, Signature and the Operating Subsidiaries are collectively referred to herein as "Landstar" or the "Company," unless the context otherwise requires. The Company's principal executive offices are located at 13410 Sutton Park Drive South, Jacksonville, Florida 32224 and its telephone number is (904) 398-9400. The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission. The Company's website is www.landstar.com.

Historical Background

In March 1991, Landstar acquired LSHI in a buy-out organized by Kelso & Company, Inc. ("Kelso"). Investors in the acquisition included Kelso Investment Associates IV L.P. ("KIA IV"), an affiliate of Kelso, ABS MB Limited Partnership, an affiliate of DB Alex. Brown LLC (formerly known as Alex. Brown & Sons Incorporated), and certain management employees of Landstar and its subsidiaries. In March 1993, Landstar completed a recapitalization which consisted of three principal components: (i) an initial public offering of Common Stock, (ii) the retirement of all its outstanding 14% Senior Subordinated Notes, and (iii) the refinancing of the Company's then existing senior debt facility with a senior bank credit agreement. In October 1993, the Company completed a secondary public offering. Immediately subsequent to the offering, KIA IV no longer owned any shares of Landstar Common Stock, and affiliates of DB Alex. Brown LLC retained approximately 1% of the Common Stock outstanding.

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

On August 22, 1998, Landstar Poole, Inc., formerly a wholly-owned operating subsidiary of LSHI that comprised the entire company-owned tractor segment of the Company, completed the sale of all of its tractors and trailers, certain operating assets and the Landstar Poole business to Schneider National, Inc. for $40,435,000 in cash. Accordingly, the financial results of this segment have been reported as discontinued operations.

On July 17, 2002, the Company declared a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 12, 2002 to stockholders of record on August 2, 2002.

Description of Business

Landstar, a non-asset based provider of transportation capacity, provides transportation services to shippers throughout the United States and, to a lesser extent, between the United States, Canada and Mexico. These business services, which emphasize safe transportation, information coordination and customer service, are delivered through a network of independent commission sales agents and third party capacity providers linked together by a series of technological applications. These third party capacity providers consist of independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the "Independent Contractors"), unrelated trucking companies, airlines and railroads. Through this network of agents and capacity providers, Landstar operates a $1.5 billion transportation services business throughout North America.

Landstar provides transportation services to a variety of industries, including iron and steel, automotive products, paper, lumber and building products, aluminum, chemicals, foodstuffs, heavy machinery, ammunition and explosives, and military hardware. Landstar's transportation services include a full array of truckload transportation utilizing a wide range of specialized equipment including dry vans of various sizes, flatbeds, including drop decks and light specialty trailers, and temperature-controlled vans and containers, dedicated contract and logistics solutions, including freight optimization and less than truckload freight consolidations, truck brokerage and expedited land and air delivery of time-critical freight.

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. The following table provides financial information relating to the Company's reportable business segments as of and for the fiscal years ending 2002, 2001 and 2000 (dollars in thousands):

	Fiscal Year		
	2002	2001	2000
Revenue from unaffiliated customers:			
Carrier segment	$1,178,263	$1,098,268	$1,117,042
Multimodal segment	300,716	270,849	277,087
Insurance segment	27,576	23,654	24,363
Internal revenue:			
Carrier segment	$ 23,703	$ 28,587	$ 34,669

Multimodal segment	2,483	2,367	1,241
Insurance segment	29,860	27,313	21,919
Operating income:			
Carrier segment	$ 87,777	$ 76,105	$ 88,507
Multimodal segment	7,793	5,343	9,346
Insurance segment	22,754	30,644	24,464
Other	(34,643)	(35,706)	(39,704)
Identifiable assets:			
Carrier segment	$ 241,068	$ 234,164	$ 256,690
Multimodal segment	59,571	47,795	54,294
Insurance segment	70,198	46,440	33,267
Other	29,911	36,252	26,111

The carrier segment consists of Landstar Ranger, Landstar Inway, Landstar Ligon and Landstar Gemini. The carrier segment provides truckload transportation for a wide range of general commodities primarily over irregular routes utilizing a fleet of 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 tractors provided by Independent Contractors and other third party truck capacity providers.

The nature of the carrier segment business is such that a significant portion of its operating costs varies directly with revenue. At December 28, 2002, the carrier segment operated a fleet of 8,072 tractors, provided by 7,074 Independent Contractors, and 14,719 trailers. Approximately 5,514 of the trailers available to the carrier segment are provided by Independent Contractors, 4,724 are leased by the Company at rental rates that vary with the revenue generated by the trailer, 4,152 are owned by the Company and 329 are rented on a short-term basis from trailer rental companies. In addition, the Company utilizes over 10,000 qualified other third party truck capacity providers who provide additional tractor and trailer capacity. The carrier segment's network of more than 800 independent commission sales agents provide almost 1,000 sales locations. Independent commission sales agents in the carrier segment receive a commission generally between 5% and 8% of the revenue they generate if the load is hauled by an Independent Contractor and a variable percent of the revenue they generate if hauled by a third party trucking company. The use of Independent Contractors and other third party capacity providers enables the carrier segment to utilize a large fleet of revenue equipment while minimizing capital investment and fixed costs, thereby enhancing return on investment. Independent Contractors who provide a tractor receive a percentage of the revenue generated for the freight hauled and a larger percentage of such revenue for providing both a tractor and a trailer. Other third party truck capacity providers are paid a negotiated rate for each load they haul.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by Independent Contractors, other third party truck capacity providers, railroads and air cargo carriers. Multimodal independent commission sales agents generally receive a percentage of the gross profit, defined as revenue less the cost of purchased transportation, from each load they

generate. Independent Contractors who provide truck capacity to the multimodal segment are compensated based on a percentage of the revenue generated by the haul depending on the type and timing of the shipment. Other third party truck capacity providers are paid a negotiated rate for each load they haul. Railroads and air cargo carriers receive a fixed amount per load. The nature of the multimodal segment business is such that a significant portion of its operating costs also varies directly with revenue. At December 28, 2002, the multimodal segment operated a fleet of 330 trucks, provided by approximately 291 Independent Contractors. Multimodal segment Independent Contractors primarily provide cargo vans and straight trucks that are utilized for emergency and expedited freight services. The multimodal segment's network of approximately 100 independent commission sales agents provide over 140 sales locations.

The insurance segment is comprised of Signature, a wholly-owned offshore insurance subsidiary and RMCS. The insurance segment provides risk and claims management services to Landstar's Operating Subsidiaries. In addition, it reinsures certain property, casualty and occupational accident risks of certain Independent Contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's Operating Subsidiaries.

Landstar's business strategy is to be a non asset based provider of transportation capacity offering high quality, specialized transportation services to service-sensitive customers. Landstar focuses on providing transportation services which emphasize customer service and information coordination among its independent commission sales agents, customers and capacity providers, rather than the volume-driven approach of generic dry van carriers. Landstar intends to continue developing appropriate systems and technologies that offer integrated transportation solutions to meet the total transportation needs of its customers.

Management believes that the Company's overall size, geographic coverage, equipment and service capability offer the Company significant competitive marketing and operating advantages. These advantages allow the Company to meet the needs of even the largest shippers and thereby qualify it as a "core carrier." Increasingly, the larger shippers are substantially reducing the number of authorized carriers in favor of a small number of core carriers whose size and diverse service capability enable these core carriers to satisfy most of the shippers' transportation needs. Examples of national account customers include the U.S. Department of Defense and many of the companies included in the Fortune 500.

Management believes the following factors are particularly significant to the Company's operations:

TECHNOLOGY. Management believes leadership in the development and application of technology is an ongoing part of providing high quality service at competitive prices. Landstar manages its technology programs centrally through its information services department.

The Company's information technology systems used in connection with its operations are centralized in Jacksonville, FL and, to a lesser extent, in Rockford, IL. Landstar relies in the regular course of its business on the proper operation of its information technology systems. Any significant disruption or failure of its technology systems could significantly disrupt the Company's operations and impose significant costs on the Company.

DIVERSITY OF SERVICES OFFERED. The Company offers its customers a wide range of transportation services through the Operating Subsidiaries, including a fleet of diverse trailing equipment and extensive geographic coverage. Examples of the specialized services offered include a large fleet of flatbed trailers, multi-axle trailers capable of hauling extremely heavy or oversized loads, drivers certified to handle ammunition and explosive shipments for the U.S. Department of Defense, emergency and expedited surface and air cargo services and intermodal capability with railroads and, to a lesser extent, steamship lines.

The following table illustrates the diversity of this equipment as of December 28, 2002:

Trailers:	
Vans	10,445
Temperature-Controlled	200
Flatbeds, Including Drop Decks and Low Boys	2,198
Other Specialized	1,876
Total	14,719

MARKETING NETWORK. Management believes the Company has more independent commissioned sales agents than any other domestic truckload carrier. Landstar's network of over 1,100 independent commission sales agent locations provides the Company with regular contact with shippers at the local level and the capability to be highly responsive to shippers' changing needs. The agent network also enables Landstar to be responsive both in providing specialized equipment to both large and small shippers and in providing capacity on short notice from the Company's large fleet to high-volume shippers. Through its agent network, the Company believes it offers smaller shippers a level of service comparable to that typically enjoyed only by larger customers. Examples of services that Landstar is able to make available through the agent network to smaller shippers include the ability to provide transportation services on short notice (often within hours from notification to time of pick-up), multiple pick-up and delivery points, electronic data interchange capability and access to specialized equipment. In addition, a number of the Company's agents specialize in certain types of freight and transportation services (such as oversized or heavy loads). An agent in the carrier segment is typically paid a percentage of the revenue generated through that agent, with volume-based incentives. An agent in the multimodal segment is typically paid a contractually agreed-upon percentage of the gross profit, defined as revenue less the cost of purchased transportation, generated through that agent. During 2002, 384 agents generated revenue for Landstar of at least $1 million each, or approximately $1.3 billion of Landstar's total revenue and one agent generated over $84 million of Landstar's total revenue. Management believes that the majority of the agents who generate revenue of $1 million or more have chosen to represent Landstar exclusively. The typical Landstar agent maintains a relationship with a number of shippers and services these shippers by providing a base of operations for the Company's Independent Contractors and other third party capacity providers. Historically, Landstar has experienced very limited agent turnover among its larger-volume agents. The Operating Subsidiaries emphasize programs to support

the agents' operations and to establish pricing parameters. Although the primary relationship with the shipper is with the agent and not the Company, each Operating Subsidiary contracts directly with customers and generally assumes the credit risk and liability for freight losses or damages.

The independent commission sales agents are responsible for locating freight, making that freight available to the Company's capacity providers and coordinating the transportation of the freight with customers and capacity providers. The carrier segment's independent commission sales agents use the Company's Landstar Electronic Administrative Dispatch System (LEADS) software program which enables its independent commission sales agents to enter available freight, dispatch capacity and process most administrative procedures and then communicate that information to Landstar and its capacity providers via the worldwide web. The multimodal segment's independent commission sales agents use other Landstar proprietary software to process customer shipments and communicate the necessary information to third party capacity providers and Landstar. The Company's web-based available freight and truck information system provides a listing of available trucks to the Company's independent commission sales agents.

The carrier segment and multimodal segment hold regular regional agent meetings for their independent commission sales agents and Landstar holds an annual company-wide agent convention.

Although the Company competes with motor carriers and other parties for the services of independent commission sales agents, Landstar, as noted above, has historically experienced very limited turnover among its larger-volume agents. However, Landstar's contracts with its agents are generally terminable upon 10 to 30 days notice by either party and do not restrict the ability of a former agent to compete with Landstar following any such termination. The loss of some of the Company's larger-volume agents or significant decrease in volume from Landstar's larger agents could have a material adverse effect on Landstar including its results of operations and revenue.

CAPACITY. The Company relies exclusively on independent third parties for its hauling capacity. These third party capacity providers consist of Independent Contractors, unrelated trucking companies, airlines and railroads.

INDEPENDENT CONTRACTORS. Management believes the Company has the largest fleet of truckload Independent Contractors in the United States. This provides marketing, operating, safety, recruiting, retention and financial advantages to the Company. The Company's Independent Contractors are compensated based on a fixed percentage of the revenue generated from the freight they haul. This percentage generally ranges from 60% to 70% where the Independent Contractor provides only a tractor and from 75% to 79% where the Independent Contractor provides both a tractor and a trailer. The Independent Contractor must pay substantially all of the expenses of operating his/her equipment, including driver wages and benefits, fuel, physical damage insurance, maintenance, highway use taxes and debt service.

The Company maintains an internet site through which Independent Contractors can view a complete listing of all the Company's available freight, allowing them to consider size, origin and destination when planning trips.

The number of trucks provided by Independent Contractors fluctuates daily as a result of truck recruiting and truck terminations. Although the Company experienced slightly improved truck turnover results during 2002, total truck count decreased compared to the prior year due to a reduction in the number of trucks recruited in 2002 compared to 2001. Landstar's truck turnover ratio was approximately 56% in 2002 compared to 60% in 2001. A significant portion of this turnover was attributable to Independent Contractors who had been Independent Contractors with the Company for less than one year. Management believes that factors that have historically favorably impacted turnover include the Company's extensive agent network, the Company's programs to reduce the operating costs of its Independent Contractors and Landstar's reputation for quality, service and reliability. Management believes that a reduction in the amount of available freight may cause an increase in truck turnover.

The Landstar Contractors' Advantage Purchasing Program leverages Landstar's purchasing power to provide discounts to eligible Independent Contractors when they purchase equipment, fuel, tires and other items. In addition, LCFI provides a source of funds at competitive interest rates to the Independent Contractors to purchase trailing equipment and mobile communication equipment.

OTHER THIRD PARTY TRUCK CAPACITY. The Company maintains a database of over 10,000 qualified third party truck capacity providers who provide additional truck hauling capacity to the Company. The Company recruits, qualifies, establishes contracts, tracks safety ratings and service records and generally maintains the relationships with these third party trucking companies. In addition to augmenting the Company's capability during periods of extraordinary demand and traffic lane imbalance, the use of third party carriers enables the Company to pursue different types and quality of freight such as temperature-controlled and short-haul traffic that would generally not be handled by the Company's Independent Contractors.

THIRD PARTY RAIL AND AIR CAPACITY. The Company maintains contractual relationships with various railroads and air cargo capacity providers. These relationships allow the Company to pursue the freight best serviced by these forms of transportation capacity.

Landstar benefits from its use of capacity provided by its Independent Contractors and other third party capacity providers, which allows the Company to maintain a lower level of capital investment, resulting in lower fixed costs. Historically, the margin generated from freight hauled by Independent Contractors has been greater than from freight hauled by other third party capacity providers.

The Company competes with motor carriers and other third parties for the services of third party capacity providers. A significant decrease in available capacity provided by either the Company's Independent Contractors or other third party capacity providers could have a material adverse effect on Landstar including its results of operations and its revenue.

A significant change in the mix of freight hauled by Independent Contractors, on the one hand, and other third party capacity providers, on the other hand, could have a material effect on Landstar's results of operations.

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

safety	purchasing
strategic planning	human resource management
technology and management information systems	finance
legal	accounting, budgeting and taxes
operator and equipment compliance	quality programs
risk management insurance services	

Competition

Landstar competes primarily in the transportation services industry. The transportation services industry is extremely competitive and fragmented. Landstar competes primarily with truckload carriers, intermodal transportation service providers, railroads, less-than-truckload carriers, third party broker carriers and other non-asset based transportation service providers.

Management believes that competition for the freight transported by the Company is based primarily on service and efficiency and, to a lesser degree, on freight rates alone. Management believes that Landstar's overall size and availability of a wide range of equipment, together with its geographically-dispersed local independent agent network, present the Company with significant competitive advantages over many transportation service providers.
The Company also competes with motor carriers for the services of independent contractors and with motor carriers and other third parties for the services of independent commission sales agents, contracts with whom are typically terminable upon 10 to 30 day notice.

INSURANCE AND CLAIMS

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. Landstar retains liability for each individual commercial trucking claim up to $5,000,000 per occurrence. For commercial trucking claims incurred prior to May 1, 2001, Landstar retains liability up to $1,000,000 per occurrence. To reduce its exposure to unladen truckers liability claims (claims incurred while a vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), Landstar requires its Independent Contractors to maintain unladen truckers liability coverage of $1,000,000 per occurrence. Under the Company's unladen truckers liability program, Independent Contractors purchase unladen truckers liability coverage from a third party insurance company. Signature then reinsures this unladen truckers liability coverage for Independent Contractors who participate in the Company's unladen program up to $1,000,000 per occurrence. For unladen claims incurred prior to January 1, 2002, Landstar retains liability up to $25,000 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.

POTENTIAL CHANGES IN FUEL TAXES

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

INDEPENDENT CONTRACTOR STATUS

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

The Company classifies all of its Independent Contractors and independent

commissioned sales agents as independent contractors for all purposes, including employment taxes and employee benefit purposes. Although management is unaware of any proposals currently pending that would change the employee/independent contractor classification of Independent Contractors or independent commission sales agents currently doing business with the Company, the costs associated with potential changes, if any, in the employee/independent contractor classification could adversely affect Landstar's results of operations and revenue if Landstar were unable to reflect them in its fee arrangements with the Independent Contractors and independent commission sales agents or in the prices charged to its customers.

REGULATION

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

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

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

At December 28, 2002, approximately 43 Landstar Ranger drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). As a result of its withdrawal from the various Teamster-sponsored pension plans, payment of withdrawal liability to one of the Teamster pension funds and the terms of the current collective bargaining agreement with the Teamsters, Landstar Ranger no longer participates in any multi-employer pension plans.

SEASONALITY

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

Employees

As of December 28, 2002, the Company and its subsidiaries employed 1,224 individuals. Approximately 43 Landstar Ranger drivers (out of a total of approximately 4,500) are members of the International Brotherhood of Teamsters. The Company considers relations with its employees to be good.

Item 2. - Properties

The Company owns or leases various properties in the U.S. for the Company's operations and administrative staff that support its independent commission sales agents, Independent Contractors and other third party capacity providers. The carrier segment's primary facilities are located in Jacksonville, Florida and Rockford, Illinois. The multimodal segment's primary facilities are located in Jacksonville, Florida. In addition, the Company's corporate headquarters are located in Jacksonville, Florida. The Rockford, Illinois facility of the carrier segment is owned by the Company. All other primary facilities are leased.

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

Item 3. - Legal Proceedings

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc., Landstar Logistics, Inc. and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The suit alleges breach of contract and misrepresentation against Landstar and Landstar Logistics and certain other causes of action arising out of a contract between Landstar Logistics and the plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the plaintiff. The complaint and discovery developed after the filing of the suit indicate that plaintiff's principal claim is that Landstar and Landstar Logistics breached a duty under the contract to use "best efforts" to aid in the arrangement of freight for plaintiff's vessel and that Landstar and Landstar Logistics misrepresented material facts which induced Plaintiff to enter into the contract with Landstar Logistics. The suit makes claim for $25,000,000 for damages for breach of contract and $50,000,000 punitive and other damages related to the misrepresentation counts. The Company has filed motions for summary judgment with the court seeking, in addition to a judgment in its favor, to dismiss Landstar from the litigation, to limit the amount of damages obtainable by the plaintiff, to preclude fraud and other theories upon which plaintiff seeks to obtain damages, and to exclude certain evidence concerning damages sought to be introduced at trial by plaintiff, among other things. Subject to the outcome of these motions, which is anticipated in March 2003, discovery has been substantially completed in this matter, and the Company anticipates that the matter will be tried in April of 2003.

The Company believes it has meritorious defenses to this litigation and intends to defend it vigorously. The Company also believes that if this litigation were determined adversely to it, the liability of the Company, exclusive of any available insurance recoveries, would not be reasonably likely to have a material adverse effect on the financial condition of the Company but that it could have a material adverse effect on the results of operations in a given quarter or year. The Company has notified its third-party insurance carrier that it believes that a portion of the claims made in this lawsuit are covered under insurance provided by that carrier, and the carrier has agreed to pay the fees and expenses and to participate in the defense of this litigation, subject to a reservation of rights. The Company also intends to pursue its rights with respect to this coverage vigorously. No assurances can be given as to the outcome of this litigation or any related matter, however.

On November 1, 2002, the Owner Operator Independent Drivers Association, Inc. ("OOIDA") and six individual Independent Contractors filed a putative class action suit in the U.S. Court in Jacksonville, Florida, against the Company. The suit alleges that certain aspects of Landstar's motor carrier's leases with owner operators violate the federal leasing regulations. OOIDA seeks injunctive relief, damages and attorneys' fees. On December 17, 2002, the Company filed a Motion to Dismiss and a Motion to Stay and Compel Arbitration with respect to all of the leases that contain arbitration clauses. Landstar believes it has meritorious defenses to this litigation and intends to defend it vigorously. Landstar also believes that it treats its Independent Contractors fairly and in a manner which reflects the important role they play in the Company's operations.

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

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2002.

Part II

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

The Common Stock of the Company is quoted through the National Association of Securities Dealers, Inc. National Market System (the "NASDAQ National Market System") under the symbol "LSTR." The following table sets forth the high and low reported sale prices for the Common Stock as quoted through the NASDAQ National Market System for the periods indicated. All historical share-related financial information presented herein has been restated to reflect a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 12, 2002 to stockholders of record on August, 2, 2002.

Calendar Period	2002 Market Price		2001 Market Price	
	High	Low	High	Low
First Quarter	$ 47.565	$ 35.926	$ 36.438	$ 27.625
Second Quarter	55.150	44.500	36.000	31.250
Third Quarter	57.150	42.860	40.570	30.000
Fourth Quarter	59.950	41.270	37.920	30.250

The reported last sale price per share of the Common Stock as quoted through

the NASDAQ National Market System on March 3, 2003 was $54.17 per share. As of such date, Landstar had 15,725,977 shares of Common Stock outstanding. As of March 10, 2003, the Company had 68 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares are held by brokers or dealers for their customers in street name.

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

Item 6. - Selected Financial Data

The information required by this Item is set forth under the caption "Selected Consolidated Financial Data" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on page 50 of the Company's 2002 Annual Report to Shareholders.

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

The information required by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 24 to 33 of the Company's 2002 Annual Report to Shareholders.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company has a credit agreement with a syndicate of banks and JPMorgan Chase Bank, as the administrative agent, (the "Third Amended and Restated Credit Agreement") that provides $175,000,000 of borrowing capacity. Borrowings under the Third 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 Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing capacity. As of December 28, 2002, the weighted average interest rate on borrowings outstanding was 2.27%. During fiscal 2002, the average outstanding balance under the Third Amended and Restated Credit Agreement was $81,712,000. Based on the borrowing rates in the Third Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of December 28, 2002 was estimated to approximate carrying value.

The Third Amended and Restated Credit Agreement expires on January 5, 2005. The amount outstanding on the Third Amended and Restated Credit Agreement is payable upon the expiration of the Third Amended

and Restated Credit Agreement.

The Company's obligations under the Third Amended and Restated Credit Agreement are guaranteed by all but one of LSHI's subsidiaries.

Item 8. - Financial Statements and Supplementary Data

The information required by this Item is set forth under the captions "Consolidated Balance Sheets," "Consolidated Statements of Income," "Consolidated Statements of Cash Flows," "Consolidated Statements of Changes in Shareholders' Equity," "Notes to Consolidated Financial Statements," "Independent Auditors' Report" and "Quarterly Financial Data" in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 34 through 49 of the Company's 2002 Annual Report to Shareholders.

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

None.

Part III

Item 10. - Directors and Executive Officers of the Registrant

The information required by this Item concerning the Directors (and nominees for Directors) and Executive Officers of the Company is set forth under the captions "Election of Directors," "Directors of the Company," "Information Regarding Board of Directors and Committees," and "Executive Officers of the Company" on pages 2 through 8, and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on page 19 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 11. - Executive Compensation

The information required by this Item is set forth under the captions "Compensation of Directors and Executive Officers," "Summary Compensation Table," "Fiscal Year-End Option Values," "Report of the Compensation Committee on Executive Compensation," "Performance Comparison" and "Key Executive Employment Protection Agreements" on pages 9 through 11 and 13 through 16 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

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

The information required by this Item is set forth under the caption "Security Ownership by Management and Others" on pages 17 through 19 and "Equity Compensation Plan Information" on page 12 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. - Certain Relationships and Related Transactions

The information required by this Item is set forth under the caption "Indebtedness of Management" on pages 12 and 13 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 14. Controls and Procedures

Within the 90-day period prior to the filing of 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 pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Subsequent to the date of such evaluation, there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls.

Part IV

Item 15. - Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements

Financial statements of the Company and related notes thereto, together with the report thereon of KPMG LLP dated February 5, 2003, are in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 34 through 48 of the Company's 2002 Annual Report to Shareholders.

(2) Financial Statement Schedules

The report of the Company's independent public accountants with respect to the financial statement schedules listed below appears on page 26 of this Annual Report on Form 10-K.

Schedule Number	Description	Page
I	Condensed Financial Information of Registrant Parent Company Only Balance Sheet Information	S-1
I	Condensed Financial Information of Registrant Parent Company Only Statement of Income Information	S-2
I	Condensed Financial Information of Registrant Parent Company Only Statement of Cash Flows Information	S-3
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 28, 2002	S-4
II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 29, 2001	S-5

II	Valuation and Qualifying Accounts For the Fiscal Year Ended December 30, 2000	S-6

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

(3) Exhibits

(a) The response to this portion of Item 15 is submitted as a separate section of this report (see "Exhibit Index").

THE COMPANY WILL FURNISH, WITHOUT CHARGE, TO ANY SHAREHOLDER OF THE COMPANY WHO SO REQUESTS IN WRITING, A COPY OF ANY EXHIBITS, AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. ANY SUCH REQUEST SHOULD BE DIRECTED TO LANDSTAR SYSTEM, INC., ATTENTION: INVESTOR RELATIONS, 13410 SUTTON PARK DRIVE SOUTH, JACKSONVILLE, FLORIDA 32224.

(b) The Company's Form 8-K filed with the Securities and Exchange Commission on November 1, 2002 contained the Company's Principal Executive Officer's and Principal Financial Officer's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

LANDSTAR SYSTEM, INC.

By: /s/ Jeffrey C. Crowe

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

By: /s/ Robert C. LaRose

Robert C. LaRose
Vice President, Chief Financial Officer
and Secretary

Date: March 10, 2003

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

Signature	Title	Date
/s/ Jeffrey C. Crowe Jeffrey C. Crowe	Chairman of the Board and Chief Executive Officer; Principal Executive Officer	March 10, 2003

/s/ Henry H. Gerkens ------------------- Henry H. Gerkens	Director, President and Chief Operating Officer	March 10, 2003
/s/ Robert C. LaRose ------------------- Robert C. LaRose	Vice President, Chief Financial Officer and Secretary; Principal Accounting Officer	March 10, 2003
* ------------------- David G. Bannister	Director	March 10, 2003
* ------------------- Ronald W. Drucker	Director	March 10, 2003
* ------------------- Merritt J. Mott	Director	March 10, 2003
* ------------------- William S. Elston	Director	March 10, 2003
* ------------------- Diana M. Murphy	Director	March 10, 2003
/s/ Robert C. LaRose ------------------- By: Robert C. LaRose	Attorney In Fact *	

CERTIFICATIONS

I, Jeffrey C. Crowe, certify that:

1. I have reviewed this annual report on Form 10-K of Landstar System, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ Jeffrey C. Crowe

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

CERTIFICATIONS

I, Robert C. LaRose, certify that:

1. I have reviewed this annual report on Form 10-K of Landstar System, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ Robert C. LaRose

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Robert C. LaRose
Vice President, Chief
Financial Officer and Secretary

EXHIBIT INDEX
Form 10-K for fiscal year ended 12/28/02

Exhibit No.	Description
(1)	Plan of acquisition, reorganization, arrangement, liquidation or succession

2.1 Asset Purchase Agreement by and between Landstar Poole, Inc. as the seller, and Landstar System, Inc., as the guarantor, and Schneider National, Inc., as the purchaser, dated as of July 15, 1998. (Incorporated by reference to Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 1998 (Commission File No. 0-21238))

(3) Articles of Incorporation and Bylaws:

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

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

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

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

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

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

Exhibit No.   Description
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4.4   First Amendment of the Rights Agreement, dated December 22, 2000, between the Company and Mellon Investor Services, LLC, as successor by merger to Chemical Bank.

4.5   Third Amended and Restated Credit Agreement, dated December 20, 2001, among LSHI, Landstar, the lenders named therein and JPMorgan Chase Bank as administrative agent (including exhibits and schedules thereto). (Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on December 21, 2001 (Commission File No. 0-21238))

(10)   Material Contracts:

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

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

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

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

10.5+   Form of Key Executive Employment Protection Agreement dated January 30, 1998 between Landstar System, Inc. and each of Jeffrey C. Crowe, Henry H. Gerkens, Robert C. LaRose, Gary W. Hartter and James R. Hertwig (Incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 1997 (Commission File NO. 0-21238))

10.6+*   Amendment to Key Executive Employment Protection Agreement, dated August 7, 2002, between Landstar System, Inc. and Jeffrey C. Crowe.

10.7+*   Amendment to Key Executive Employment Protection Agreement, dated August 7, 2002, between Landstar System, Inc. and Henry H. Gerkens.

10.8+*   Amendment to Key Executive Employment Protection Agreement, dated August 7, 2002, between Landstar System, Inc. and Robert C. LaRose.

10.9+*   Amendment to Key Executive Employment Protection Agreement, dated August 7, 2002, between Landstar System, Inc. and Gary W. Hartter.

10.10+*   Amendment to Key Executive Employment Protection Agreement, dated August 7, 2002, between Landstar System, Inc. and James R. Hertwig.

Exhibit No.	Description

10.11+ Amendment to the Landstar System, Inc. 1993 Stock Option Plan (Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 27, 1997 (Commission File No. 0-21238))

10.12+ Form of Promissory Notes between the Company and certain directors, executive officers and management of the Company.

10.13+ First Amendment to the Landstar System, Inc. 1994 Directors Stock Option Plan

10.14+ Second Amendment to the Landstar System, Inc. 1994 Directors Stock Option Plan

10.15+ Landstar System, Inc. 2002 Employee Stock Option Plan (Incorporated by reference to Exhibit A to the Registrant's Definitive Proxy Statement filed on March 22, 2002 (Commission File No. 0-21238))

10.16+ Landstar System, Inc. Executive Incentive Compensation Plan (Incorporated by reference to Exhibit B to the Registrant's Definitive Proxy Statement filed on March 22, 2002 (Commission File No. 0-21238))

10.17+* Letter Agreement, dated July 2, 2002 from Jeffrey C. Crowe to Henry H. Gerkens.

(11) Statement re: Computation of Per Share Earnings:

11.1* Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share

11.2* Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share

(13) Annual Report to Shareholders, Form 10-Q or Quarterly Report to Shareholders:

13.1* Excerpts from the 2002 Annual Report to Shareholders

(21) Subsidiaries of the Registrant:

21.1* List of Subsidiary Corporations of the Registrant

(23) Consents of Experts and Counsel:

23.1* Consent of KPMG LLP as Independent Auditors of the Registrant

(24) Power of Attorney:

24.1* Powers of Attorney

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

INDEPENDENT AUDITORS' REPORT

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

Under date of February 5, 2003, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 28, 2002 and December 29, 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000, as contained in the 2002 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 2002. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 15 (a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

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

/s/ KPMG LLP

Jacksonville, Florida
February 5, 2003

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

	Dec. 28, 2002	Dec. 29, 2001
Assets		
Investment in Landstar System Holdings, Inc., net of advances	$149,093	$117,440
Total assets	$149,093	$117,440
Liabilities and Shareholders' Equity		
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 16,337,506 and 13,328,834 shares	$ 163	$ 133
Additional paid-in capital	2,609	75,036

Retained earnings	173,817	258,162
Cost of 554,879 and 5,241,841 shares of common stock in treasury	(26,306)	(209,926)
Notes receivable arising from exercise of stock options	(1,190)	(5,965)
Total shareholders' equity	149,093	117,440
Total liabilities and shareholders' equity	$149,093	$117,440

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

	FISCAL YEARS ENDED		
	Dec. 28, 2002	Dec. 29, 2001	Dec. 30, 2000
Equity in undistributed earnings of Landstar System Holdings, Inc.	$ 49,309	$ 42,838	$ 45,296
Income taxes	88	44	102
Net income	$ 49,221	$ 42,794	$ 45,194
Earnings per common share (1)	$ 3.05	$ 2.57	$ 2.57
Diluted earnings per share (1)	$ 2.94	$ 2.50	$ 2.52
Average number of shares outstanding:			
Earnings per common share (1)	16,141,000	16,672,000	17,562,000
Diluted earnings per share (1)	16,767,000	17,092,000	17,962,000

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

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

	FISCAL YEARS ENDED		
	Dec. 28, 2002	Dec. 29, 2001	Dec. 30, 2000
Operating Activities			
Net income	$ 49,221	$ 42,794	$ 45,194
Adjustments to reconcile net income to net cash used by operating activities:			
Equity in undistributed earnings of Landstar System Holdings, Inc.	(49,309)	(42,838)	(45,296)
Net Cash Used By Operating Activities	(88)	(44)	(102)
Investing Activities			
Additional investments in and advances from Landstar System Holdings, Inc., net	19,060	34,082	46,144
Net Cash Provided By Investing Activities	19,060	34,082	46,144
Financing Activities			
Proceeds from repayment of notes receivable arising from exercises of stock options	4,867	1,397	51
Proceeds from exercises of stock options	2,467	1,764	92
Purchases of common stock	(26,306)	(37,199)	(46,185)
Net Cash Used By Financing Activities	(18,972)	(34,038)	(46,042)
Change in cash	0	0	0
Cash at beginning of period	0	0	0
Cash at end of period	$ 0	$ 0	$ 0

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

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2002
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at	Additions			
Description	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe (A)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 4,416	$ 3,936	$ -	$ (4,399)	$ 3,953
Deducted from other receivables	4,740	3,576	-	(2,985)	5,331
Deducted from other non-current receivables	228	2	-		230
	$ 9,384	$ 7,514	$ -	$ (7,384)	$ 9,514

(A) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 29, 2001
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at	Additions			
Description	Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe(A)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 4,450	$ 4,384	$ -	$ (4,418)	$ 4,416
Deducted from other receivables	5,089	3,958	-	(4,307)	4,740
Deducted from other non-current receivables	1,816	(189)	-	(1,399)	228
	$11,355	$ 8,153	$ -	$(10,124)	$ 9,384

(A) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 30, 2000
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts Describe	Deductions Describe(A)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 4,002	$ 1,915	$ -	$ (1,467)	$ 4,450
Deducted from other receivables	5,033	2,479	-	(2,423)	5,089
Deducted from other non-current receivables	1,626	198	-	(8)	1,816
	$10,661	$ 4,592	$ -	$ (3,898)	$11,355

(A) Write-offs, net of recoveries.

EXHIBIT 10.6

AMENDMENT TO
KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

This amendment (this "Amendment") to the Key Executive Employment Protection Agreement (the "Agreement") between Landstar System, Inc., a Delaware corporation (the "Company"), and Jeffrey C. Crowe (the "Executive"), dated January 30, 1998, is entered into as of August 7, 2002.

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects.

NOW THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 2(a)(ii) shall be added to read as follows:

(ii) the Shareholders of the Company approve a definitive agreement (a "Definitive Agreement") (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company, and the transactions contemplated by such Definitive Agreement are, in either case, consummated;

2. The first sentence of Section 3(a) of the Agreement is hereby deleted in its entirety and a new first sentence of such Section 3(a) shall be added to read as follows:

If (x) on or before the second anniversary of the Change in Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason or (y) the Executive voluntarily terminates his employment for any reason at any time within the 60-day period beginning on the 181st day following the Change in Control Date or (z) if the Executive's employment is terminated by the Company for any reason other than death, Disability or Cause or by the Executive for Good Reason, after the execution of a Definitive Agreement but prior to the consummation thereof and the transaction contemplated by such Definitive Agreement are consummated, then the Company shall pay to the Executive the following amounts:

3. Section 3(a)(ii)(B) of the Agreement is hereby deleted in its entirety and a new Section 3(a)(ii)(B) shall be added, to read as follows:

(B) the amount that would have been payable to the Executive as a bonus for the year in which the Change of Control occurs, determined by multiplying the Executive's annual Base Salary by his Participant's Percentage Participation ("PPP") established for such year under the Company's Executive Incentive Compensation Plan (or any successor plan thereto); and

4. Except as set forth above, the Agreement shall remain in full force and effect in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the 7th day of August, 2002.

LANDSTAR SYSTEM, INC.

By: _____________________
Henry H. Gerkens,
President & Chief

Operating Officer

Agreed and Accepted:

____

Jeffrey C. Crowe

____

Date

EXHIBIT 10.7

AMENDMENT TO KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

This amendment (this "Amendment") to the Key Executive Employment Protection Agreement (the "Agreement") between Landstar System, Inc., a Delaware corporation (the "Company"), and Henry H. Gerkens (the "Executive"), dated January 30, 1998, is entered into as of August 7, 2002.

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects.

NOW THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 2(a)(ii) shall be added to read as follows:

(ii) the Shareholders of the Company approve a definitive agreement (a "Definitive Agreement") (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company, and the transactions contemplated by such Definitive Agreement are, in either case, consummated;

2. The first sentence of Section 3(a) of the Agreement is hereby deleted in its entirety and a new first sentence of such Section 3(a) shall be added to read as follows:

If (x) on or before the second anniversary of the Change in Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason or (y) the Executive voluntarily terminates his employment for any reason at any time within the 60-day period beginning on the 181st day following the Change in Control Date or (z) if the Executive's employment is terminated by the Company for any reason other than death, Disability or Cause or by the Executive for Good Reason, after the execution of a Definitive Agreement but prior to the consummation thereof and the transaction contemplated by such Definitive Agreement are consummated, then the Company shall pay to the Executive the following amounts:

3. Section 3(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 3(a)(ii) shall be added, to read as follows:

(ii) a cash amount (the "Severance Amount") equal to three times the sum of
(A) the Executive's annual Base Salary; and
(B) the amount that would have been payable to the Executive as a bonus for the year in which the Change of Control occurs, determined by multiplying the Executive's annual Base Salary by his Participant's Percentage Participation ("PPP") established for such year under the Company's Executive Incentive Compensation Plan (or any successor plan thereto); and

4. Except as set forth above, the Agreement shall remain in full force and effect in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the 7th day of August, 2002.

LANDSTAR SYSTEM, INC.

By: _____________________

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

Agreed and Accepted:

____
Henry H. Gerkens

____
Date

EXHIBIT 10.8

AMENDMENT TO
KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

This amendment (this "Amendment") to the Key Executive Employment Protection Agreement (the "Agreement") between Landstar System, Inc., a Delaware corporation (the "Company"), and Robert C. LaRose (the "Executive"), dated January 30, 1998, is entered into as of August 7, 2002.

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects.

NOW THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 2(a)(ii) shall be added to read as follows:

(ii) the Shareholders of the Company approve a definitive agreement (a "Definitive Agreement") (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company, and the transactions contemplated by such Definitive Agreement are, in either case, consummated;

2. The first sentence of Section 3(a) of the Agreement is hereby deleted in its entirety and a new first sentence of such Section 3(a) shall be added to read as follows:

If (x) on or before the second anniversary of the Change in Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason or (y) the Executive voluntarily terminates his employment for any reason at any time within the 60-day period beginning on the 181st day following the Change in Control Date or (z) if the Executive's employment is terminated by the Company for any reason other than death, Disability or Cause or by the Executive for Good Reason, after the execution of a Definitive Agreement but prior to the consummation thereof and the transaction contemplated by such Definitive Agreement are consummated, then the Company shall pay to the Executive the following amounts:

3. Section 3(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 3(a)(ii) shall be added, to read as follows:

(ii) a cash amount (the "Severance Amount") equal to two times the sum of
(A) the Executive's annual Base Salary; and

(B) the amount that would have been payable to the Executive as a bonus for the year in which the Change of Control occurs, determined by multiplying the Executive's annual Base Salary by his Participant's Percentage Participation ("PPP") established for such year under the Company's Executive Incentive Compensation Plan (or any successor plan thereto); and

4. Except as set forth above, the Agreement shall remain in full force and effect in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the 7th day of August, 2002.

LANDSTAR SYSTEM, INC.

By: ____________________

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

Agreed and Accepted:

____
Robert C. LaRose

____
Date

EXHIBIT 10.9

AMENDMENT TO KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

This amendment (this "Amendment") to the Key Executive Employment Protection Agreement (the "Agreement") between Landstar System, Inc., a Delaware corporation (the "Company"), and Gary W. Hartter (the "Executive"), dated January 30, 1998, is entered into as of August 7, 2002.

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects.

NOW THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 2(a)(ii) shall be added to read as follows:

(ii) the Shareholders of the Company approve a definitive agreement (a "Definitive Agreement") (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company, and the transactions contemplated by such Definitive Agreement are, in either case, consummated;

2. The first sentence of Section 3(a) of the Agreement is hereby deleted in its entirety and a new first sentence of such Section 3(a) shall be added to read as follows:

If (x) on or before the second anniversary of the Change in Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason or (y) the Executive voluntarily terminates his employment for any reason at any time within the 60-day period beginning on the 181st day following the Change in Control Date or (z) if the Executive's employment is terminated by the Company for any reason other than death, Disability or Cause or by the Executive for Good Reason, after the execution of a Definitive Agreement but prior to the consummation thereof and the transaction contemplated by such Definitive Agreement are consummated, then the Company shall pay to the Executive the following amounts:

3. Section 3(a)(ii)(B) of the Agreement is hereby deleted in its entirety and a new Section 3(a)(ii)(B) shall be added, to read as follows:

(B) the amount that would have been payable to the Executive as a bonus for the year in which the Change of Control occurs, determined by multiplying the Executive's annual Base Salary by his Participant's Percentage Participation ("PPP") established for such year under the Company's Executive Incentive Compensation Plan (or any successor plan thereto); and

4. Except as set forth above, the Agreement shall remain in full force and effect in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the 7th day of August, 2002.

LANDSTAR SYSTEM, INC.

By: ____________________
Jeffrey C. Crowe,

Chairman of the Board
& Chief Executive Officer

Agreed and Accepted:

____
Gary W. Hartter

____
Date

EXHIBIT 10.10

AMENDMENT TO
KEY EXECUTIVE EMPLOYMENT PROTECTION AGREEMENT

This amendment (this "Amendment") to the Key Executive Employment Protection Agreement (the "Agreement") between Landstar System, Inc., a Delaware corporation (the "Company"), and James R. Hertwig (the "Executive"), dated January 30, 1998, is entered into as of August 7, 2002.

WHEREAS, the parties to the Agreement desire to amend the Agreement in certain respects.

NOW THEREFORE, the Agreement is hereby amended as follows:

1. Section 2(a)(ii) of the Agreement is hereby deleted in its entirety and a new Section 2(a)(ii) shall be added to read as follows:

(ii) the Shareholders of the Company approve a definitive agreement (a "Definitive Agreement") (a) for the merger or other business combination of the Company with or into another corporation, a majority of the directors of which were not directors of the Company immediately prior to the merger and in which the shareholders of the Company immediately prior to the effective date of such merger directly or indirectly own less than 50% of the voting power in such corporation or (b) for the sale or other disposition of all or substantially all of the assets of the Company, and the transactions contemplated by such Definitive Agreement are, in either case, consummated;

2. The first sentence of Section 3(a) of the Agreement is hereby deleted in its entirety and a new first sentence of such Section 3(a) shall be added to read as follows:

If (x) on or before the second anniversary of the Change in Control Date (i) the Company terminates the Executive's employment for any reason other than for Cause or Disability or (ii) the Executive voluntarily terminates his employment for Good Reason or (y) the Executive voluntarily terminates his employment for any reason at any time within the 60-day period beginning on the 181st day following the Change in Control Date or (z) if the Executive's employment is terminated by the Company for any reason other than death, Disability or Cause or by the Executive for Good Reason, after the execution of a Definitive Agreement but prior to the consummation thereof and the transaction contemplated by such Definitive Agreement are consummated, then the Company shall pay to the Executive the following amounts:

3. Section 3(a)(ii)(B) of the Agreement is hereby deleted in its entirety and a new Section 3(a)(ii)(B) shall be added, to read as follows:

(B) the amount that would have been payable to the Executive as a bonus for the year in which the Change of Control occurs, determined by multiplying the Executive's annual Base Salary by his Participant's Percentage Participation ("PPP") established for such year under the Company's Executive Incentive Compensation Plan (or any successor plan thereto); and

4. Except as set forth above, the Agreement shall remain in full force and effect in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed on the 7th day of August, 2002.

LANDSTAR SYSTEM, INC.

By: _____________________
Jeffrey C. Crowe,
Chairman of the Board

& Chief Executive Officer

Agreed and Accepted:

____

James R. Hertwig

____

Date

EXHIBIT 10.17

July 2, 2002

Mr. Henry Gerkens
Landstar System, Inc.
13410 Sutton Park Drive, South
Jacksonville, Florida 32224

Dear Henry:

I refer to our discussions recently concerning the treatment of your options under the Landstar Stock Option Plans (the "Option Plans") and your bonus under the Landstar Executive Incentive Compensation Plan (the "Bonus Plan") in the event your employment with the Company is terminated in connection with any Change of Control (as such term is defined in the Option Plans) of the Company.

This letter is to advise you that the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") has exercised its discretionary authority under the Option Plans to determine that in the event your employment with the Company is or is likely to be terminated for any reason in connection with any Change of Control, each unexercised option granted to you prior to such Change of Control will be "cashed out" for an amount equal to the excess of the Change of Control Price Change of Control Price (as such term is defined in the Option Plans) over the exercise price of each such option.

This letter is also to advise you that the Compensation Committee has exercised its discretionary authority under the Bonus Plan to determine that in the event your employment with the Company is or is likely to be terminated for any reason in connection with any Change of Control occurring prior to the end of any calendar year, you will receive a prorated bonus for such year based on the bonus you would have received under the Bonus Plan if you had remained an employee of the Company through the end of the year in which such Change of Control occurs.

A copy of the resolutions of the Compensation Committee with respect to the foregoing matters is attached for your records.

Very truly yours,

Jeffrey C. Crowe

EXHIBIT 11.1

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

	Fiscal Years Ended		
	December 28, 2002	December 29, 2001	December 30, 2000
Net income	$ 49,221	$ 42,794	$ 45,194
Average number of common shares outstanding (1)	16,141	16,672	17,562
Earnings per common share (1)	$ 3.05	$ 2.57	$ 2.57

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

EXHIBIT 11.2

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

	Fiscal Years Ended		
	December 28, 2002	December 29, 2001	December 30, 2000
Net income	$ 49,221	$ 42,794	$ 45,194
Average number of common shares outstanding (1)	16,141	16,672	17,562
Plus: Incremental shares from assumed exercise of stock options (1)	626	420	400
Average number of common shares and incremental shares outstanding (1)	16,767	17,092	17,962
Diluted earnings per share (1)	$ 2.94	$ 2.50	$ 2.52

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

EXHIBIT 13.1

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

RESULTS OF OPERATIONS

Introduction

Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc. ("Landstar" or the "Company"), provide transportation services to a variety of market niches throughout the United States and to a lesser extent in Canada and between the United States and Canada and Mexico through its operating subsidiaries. The Company has three reportable business segments. These are the carrier, multimodal and insurance segments.

The carrier segment consists of Landstar Ranger, Inc., Landstar Inway, Inc., Landstar Ligon, Inc. and Landstar Gemini, Inc. The carrier segment primarily provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. 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 "Independent Contractors") and other third party truck capacity providers. Historically, the Company's carrier segment has primarily relied on capacity provided by Independent Contractors. Pursuant to a plan to augment its available capacity and increase its revenue, the Company has begun to increase the carrier segment's use of capacity provided by other third party truck capacity providers. A significant decrease in available capacity provided by either the Company's Independent Contractors or other third party capacity providers could have a material adverse effect on Landstar, including its results of operations and revenue. The nature of the carrier segment's business is such that a significant portion of its operating costs varies directly with revenue. The carrier segment typically contributes approximately 78% of Landstar's consolidated revenue.

The multimodal segment is comprised of Landstar Logistics, Inc. and Landstar Express America, Inc. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by Independent Contractors and other third party capacity providers, including truck brokerage carriers, railroads and air cargo carriers. The nature of the multimodal segment's business is such that a significant portion of its operating costs also varies directly with revenue. The multimodal segment typically contributes approximately 20% of Landstar's consolidated revenue.

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 property, casualty and occupational accident risks of certain Independent Contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries. The insurance segment typically contributes approximately 2% of Landstar's consolidated revenue.

Purchased transportation represents the amount an Independent Contractor or other third party capacity provider is paid to haul freight. The amount of purchased transportation paid to an 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 and multimodal segments is based on a negotiated rate for each load hauled. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for brokerage services and rail intermodal operations is normally higher than that of Landstar's other transportation operations. Purchased transportation is the largest component of costs and expenses and, on a consolidated basis, increases or decreases in proportion to the revenue generated through Independent Contractors and other third party capacity providers. Commissions to agents are primarily based on contractually agreed-upon percentages of revenue at the carrier segment and of gross profit, defined as revenue less the cost of purchased transportation, at the multimodal segment. Commissions to agents as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue generated by the carrier segment, the multimodal segment and Signature and with changes in gross profit at the multimodal segment.

Trailing equipment rent and maintenance costs are the largest components of other operating costs.

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. Landstar retains liability for individual commercial trucking claims up to $5,000,000 per occurrence. For commercial trucking claims incurred prior to May 1, 2001, Landstar retains liability up to $1,000,000 per occurrence. To reduce its exposure to unladen liability claims (claims incurred while a vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo), Landstar requires its Independent Contractors to maintain unladen truckers liability coverage of $1,000,000 per occurrence. Under the Company's unladen truckers liability program, Independent Contractors purchase unladen truckers liability coverage from a third party insurance company. Signature then reinsures unladen liability coverage for Independent Contractors who participate in the Company's unladen program up to $1,000,000 per occurrence. For unladen claims incurred prior to January 1, 2002, Landstar retains liability up to $25,000 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 expense. Other significant components of selling, general and administrative expense are communications costs and rent expense.

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

On July 17, 2002, Landstar declared a two-for-one stock split of its common stock to be effected in the form of a 100% stock dividend. Stockholders of record on August 2, 2002 received one additional share of common stock for each share held. The additional shares were distributed on August 12, 2002. All share and per share amounts have been restated to give retroactive effect to this stock split.

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

	Fiscal Years		
	2002	2001	2000
Revenue	100.0%	100.0%	100.0%
Investment income	0.1	0.3	0.3
Costs and expenses:			
Purchased transportation	74.1	74.0	73.8
Commissions to agents	7.9	7.9	8.0
Other operating costs	2.3	2.3	2.1
Insurance and claims	2.8	2.4	2.2
Selling, general and administrative	6.7	7.2	7.1
Depreciation and amortization	0.7	1.0	0.9
Non-recurring costs			0.4
Total costs and expenses	94.5	94.8	94.5
Operating income	5.6	5.5	5.8
Interest and debt expense	0.3	0.5	0.6
Income before income taxes	5.3	5.0	5.2
Income taxes	2.0	1.9	2.0
Net income	3.3%	3.1%	3.2%

FISCAL YEAR ENDED DECEMBER 28, 2002 COMPARED TO FISCAL YEAR ENDED DECEMBER 29, 2001

Revenue for the fiscal year 2002 was $1,506,555,000, an increase of $113,784,000, or 8.2%, compared to revenue for the 2001 fiscal year. Revenue increased $79,995,000, $29,867,000 and $3,922,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue miles (volume) increased approximately 11%. Revenue per load increased approximately 5% while revenue per revenue mile (price) decreased approximately 3%, reflecting changes in freight mix, including an 8% increase in the average length of haul at the carrier segment. Revenue at the insurance segment increased primarily due to an increase in the level of reinsurance underwritten for unladen truckers liability for certain of the Company's Independent Contractors from $25,000 per occurrence to $1,000,000 per occurrence effective January 1, 2002.

Investment income at the insurance segment was $1,950,000 and $3,567,000 for fiscal year 2002 and 2001, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates, on investments held by the insurance segment.

Purchased transportation was 74.1% of revenue in 2002 compared with 74.0% in 2001. The increase in purchased transportation as a percentage of revenue was primarily attributable to increased brokerage revenue at the carrier segment and increased rail intermodal revenue at the multimodal segment. Commissions to agents were 7.9% of revenue in both 2002 and 2001, as increased agent commissions at the multimodal segment were offset by reduced agent commissions on brokerage revenue at the carrier segment and increased premium revenue at the insurance segment.

Other operating costs were 2.3% of revenue in both 2002 and 2001, as increased trailer maintenance costs were offset by reductions in Independent Contractor recruiting, qualification and incentive costs and reduced net costs of plates and permits. Insurance and claims were 2.8% of revenue in 2002 compared with 2.4% in 2001. The increase in insurance and claims as a percentage of revenue was primarily due to increased commercial trucking claims in the $4 million excess of $1 million layer and increased unladen truckers liability claims due to the increased level of risk assumed by Signature under the Company's unladen truckers liability program effective January 1, 2002. These increases were partially offset by a reduction in insurance claims resulting from increased revenue hauled by other third party capacity providers. Selling, general and administrative costs were 6.7% of revenue in 2002 and 7.2% in 2001. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to decreased wages, travel and entertainment expenses and communication costs, as a result of implementation of certain cost reduction initiatives, and a decreased provision for customer bad debt, partially offset by an increased provision for bonuses under the Company's incentive compensation plans, increased costs for the Company's employee benefit programs and increased legal fees. Depreciation and amortization was 0.7% of revenue in 2002 and 1.0% of revenue in 2001. The decrease in depreciation and amortization as a percentage of revenue was primarily due to the January 1, 2002 implementation of Statement of Financial Accounting Standards ("SFAS") No. 142, which eliminated the amortization of goodwill, and reduced depreciation expense for company-owned trailing equipment and information technology assets.

Interest and debt expense was 0.3% of revenue in 2002 and 0.5% of revenue in 2001. This decrease was primarily attributable to lower interest rates, reduced average borrowings on the Company's senior credit facility and decreased average capital lease obligations for trailing equipment.

The provisions for income taxes for the 2002 and 2001 fiscal years were based on effective income tax rates of 38.0% and 38.5%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and amortization of certain goodwill in 2001. At December 28, 2002, the valuation allowance of $491,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill will be reduced by $463,000 when realization of deferred state income tax benefits becomes likely. The Company believes that deferred income tax benefits, net of the valuation allowance, are more likely than not to be realized because of the Company's ability to generate future taxable earnings. The decrease in the effective income tax rate was primarily attributable to the elimination of goodwill amortization in 2002.

Net income was $49,221,000, or $3.05 per common share ($2.94 per diluted share), in 2002 compared with $42,794,000, or $2.57 per common share ($2.50 per diluted share), in 2001.

FISCAL YEAR ENDED DECEMBER 29, 2001 COMPARED TO FISCAL YEAR ENDED DECEMBER 30, 2000

Revenue for the fiscal year 2001 was $1,392,771,000, a decrease of $25,721,000, or 1.8%, compared to revenue for the 2000 fiscal year. Revenue decreased $18,774,000, $6,238,000 and $709,000 at the carrier, multimodal and insurance segments, respectively. The decrease was primarily attributable to the extra week in the 53-week fiscal year 2000 compared to the 52-week fiscal year 2001. As a result, revenue miles decreased approximately 3% compared to fiscal year 2000, which was partially offset by an increase in revenue per revenue mile of approximately 1%, which reflected improved freight quality primarily at the multimodal segment.

Investment income at the insurance segment was $3,567,000 and $4,317,000 for fiscal year 2001 and 2000, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates, on investments held by the insurance segment.

Purchased transportation was 74.0% of revenue in 2001 compared with 73.8% in 2000. The increase in purchased transportation as a percentage of revenue was primarily attributable to increased rates charged by other third party capacity providers at the multimodal segment as a result of higher fuel costs, increased brokerage revenue at the carrier segment and decreased premium revenue at the insurance segment.

Commissions to agents were 7.9% of revenue in 2001 and 8.0% of revenue in 2000. The decrease in commissions to agents as a percentage of revenue was primarily due to the increased purchased transportation costs incurred at the multimodal segment which negatively impacted gross profit, and resulted in lower agent commissions. Other operating costs were 2.3% of revenue in 2001 compared with 2.1% in 2000. The increase in other operating costs as a percentage of revenue was primarily due to higher net trailer costs, an increased provision for contractor bad debts and increased Independent Contractor recruiting and qualification costs. Insurance and claims were 2.4% of revenue in 2001 compared with 2.2% in 2000 primarily due to greater favorable development of prior year claims in 2000 than realized in 2001, partially offset by reduced premiums for commercial trucking liability insurance and increased brokerage revenue as a percentage of total revenue, which has a lower claims risk profile. The reduction in premiums for commercial trucking liability insurance was attributable to the increase in the level of self-insured retention from $1,000,000 to $5,000,000 per occurrence effective May 1, 2001. Selling, general and administrative costs were 7.2% of revenue in 2001 and 7.1% in 2000. The increase in selling, general and administrative costs as a percentage of revenue was primarily due to an increased provision for customer bad debts and increased wages and benefits, partially offset by a decrease in the provision for bonuses under the Company's management incentive compensation plan. Depreciation and amortization was 1.0% of revenue in 2001 and 0.9% of revenue in 2000. The increase in depreciation and amortization as a percentage of revenue was due to an increase in company-owned trailing equipment.

Interest and debt expense was 0.5% of revenue in 2001 and 0.6% of revenue in 2000. This decrease was primarily attributable to lower interest rates.

At December 25, 1999, approximately 100 Landstar Ranger, Inc. ("Landstar Ranger") drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participated in the Teamsters' Central States Southeast and Southwest Areas Pension Fund

(the "Fund"). As a result of the terms of a new collective bargaining agreement, the Trustees of the Fund terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regarded this action as a withdrawal by Landstar Ranger. Landstar Ranger recorded a charge in the third quarter of 2000 in the amount of $2,230,000 for the cost of withdrawal from the Fund. At December 28, 2002, 43 Landstar Ranger drivers were represented by the Teamsters and neither Landstar nor any of its subsidiaries participates in any multi-employer pension plans.

On March 28, 2000, the Company announced a plan to restructure the operations of Landstar Ligon, Inc. and to relocate its headquarters from Madisonville, Kentucky to Jacksonville, Florida in June of 2000. As a result of the restructuring and relocation, a one-time charge in the amount of $3,040,000 was recorded during the second quarter of 2000 representing approximately $1,370,000 of employee and office relocation costs, $1,000,000 of severance costs and $670,000 of other costs. The restructuring and relocation were substantially completed by September 23, 2000.

The provisions for income taxes for the 2001 and 2000 fiscal years were based on an effective income tax rate of 38.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

Net income was $42,794,000, or $2.57 per common share ($2.50 per diluted share), in 2001 compared with $45,194,000, or $2.57 per common share ($2.52 per diluted share), in 2000. After deducting related income tax benefits of $2,105,000, the non-recurring costs reduced net income by $3,165,000 in 2000. Excluding non-recurring costs, net income would have been $48,359,000, or $2.75 per common share ($2.69 per diluted share), in 2000.

CAPITAL RESOURCES AND LIQUIDITY

On December 20, 2001, Landstar renegotiated its existing credit agreement with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the "Third Amended and Restated Credit Agreement"). The Third Amended and Restated Credit Agreement provides $175,000,000 of borrowing capacity in the form of a revolving credit facility, $50,000,000 of which may be utilized in the form of letter of credit guarantees. At December 28, 2002, Landstar had commitments for letters of credit outstanding in the amount of $18,060,000, primarily as collateral for estimated insurance claims, $9,080,000 of which were supported by the Third Amended and Restated Credit Agreement and $8,980,000 secured by assets deposited with a financial institution. The Third Amended and Restated Credit Agreement expires on January 5, 2005.

Borrowings under the Third 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 Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing capacity. As of December 28, 2002, the margin was equal to 87.5/100 of 1%.

The unused portion of the Third Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 28, 2002, the commitment fee for the unused portion of the Third Amended and Restated Credit Agreement was 0.250%. At December 28, 2002, the weighted average interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.27%.

The Third Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Third Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Third Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Interest Coverage, earnings before interest and taxes exceeded the required minimum by approximately $64,000,000 for the fiscal year ended December 28, 2002.

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

Borrowings under the Third Amended and Restated Credit Agreement are unsecured, however, the Company and all but one of Landstar System Holdings, Inc.'s ("LSHI") subsidiaries guarantee LSHI's obligations under the Third Amended and Restated Credit Agreement.

Shareholders' equity was $149,093,000, or 66% of total capitalization, at December 28, 2002, compared with $117,440,000, or 54% of total capitalization, at December 29, 2001. The increase in shareholders' equity was a result of current year net income, repayment of notes receivable arising from exercises of stock options and exercises of stock options, partially offset by the purchase of 554,879 shares of the Company's common stock at a total cost of $26,306,000. As of December 28, 2002, the Company may purchase an additional 445,121 shares of its common stock under its authorized stock purchase program. Long-term debt including current maturities was $77,360,000 at December 28, 2002, $24,514,000 lower than at December 29, 2001. Working capital and the ratio of current assets to current liabilities were $120,630,000 and 1.78 to 1, respectively, at December 28, 2002, compared with $121,808,000 and 1.92 to 1, respectively, at December 29, 2001. 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 $84,313,000 in 2002 compared with $49,794,000 in 2001. The increase in cash provided by operating activities was primarily attributable to increased earnings and timing of payments. During the 2002 fiscal year, Landstar purchased $4,421,000 of operating property and acquired $16,370,000 of revenue equipment by entering into capital leases. Landstar anticipates it will acquire between $18,000,000 to $30,000,000 of operating property during fiscal year 2003 either by purchase or by lease financing.

At December 28, 2002, the Company's obligations and commitments to make future payments under contracts, such as debt and lease agreements, were as follows (in thousands):

		Payments Due By Period			
Contractual Obligation	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	$44,000		$44,000		
Capital lease obligations	36,285	$13,631	19,511	$3,143	
Operating					

leases	25,724	2,784	6,546	2,087	$14,307
	$106,009	$16,415	$70,057	$5,230	$14,307

Capital lease obligations above include $2,925,000 of imputed interest. Operating leases include $22,488,000 related to the Company's main office facility located in Jacksonville, Florida.

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

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

The Company and Ford Motor Co., Inc. are defendants in a suit alleging breach of contract, misrepresentation and certain other causes of action arising out of a contract between Landstar Logistics, Inc. and the plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the plaintiff, Gulf Bridge RoRo, Inc. The suit makes claim for $25,000,000 damages for breach of contract and $50,000,000 punitive and other damages related to the misrepresentation counts. The Company has filed motions for summary judgment with the court seeking, in addition to a judgment in its favor, to dismiss Landstar System, Inc. from the litigation, to limit the amount of damages obtainable by the plaintiff, to preclude fraud and other theories upon which plaintiff seeks to obtain damages, and to exclude certain evidence concerning damages sought to be introduced at trial by plaintiff, among other things. Subject to the outcome of these motions, which is anticipated in March 2003, discovery has been substantially completed in this matter, and the Company anticipates that the matter will be tried in April 2003. The Company believes it has meritorious defenses to this litigation and intends to continue to defend it vigorously. The Company also believes that if this litigation were determined adversely to it, the liability of the Company, exclusive of any available insurance recoveries, would not be reasonably likely to have a material adverse effect on the financial condition of the Company but that it could have a material adverse effect on the results of operations in a given quarter or year. The Company has notified its third party insurance carrier that it believes that a portion of the claims made in this lawsuit are covered under insurance provided by that carrier, and the carrier has agreed to pay the fees and expenses and to participate in the defense of this litigation, subject to a reservation of rights. The Company also intends to pursue its rights with respect to this coverage vigorously. No assurances can be given as to the outcome of this litigation or any related matter, however.

On November 1, 2002, the Owner Operator Independent Drivers Association, Inc. ("OOIDA") and six individual Independent Contractors filed a putative class action suit in the U.S. Court in Jacksonville, Florida, against the Company. The suit alleges that certain aspects of Landstar's motor carrier's leases with owner operators violate the federal leasing regulations. OOIDA seeks injunctive relief, damages and attorney's fees. On December 17, 2002, the

Company filed a Motion to Dismiss and a Motion to Stay and Compel Arbitration with respect to all of the leases that contain arbitration clauses. Landstar believes it has meritorious defenses to this litigation and intends to defend it vigorously. Landstar also believes that it treats its Independent Contractors fairly and in a manner which reflects the important role they play in the Company's operations.

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 Landstar, but could have a material effect on the results of operations in a given quarter or year.

SIGNIFICANT 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. During 2002, the Company experienced its second consecutive year with an abnormally high level of bad debt expense. Management believes this resulted from the difficult economic environment experienced by the Company's customers and Independent Contractors. Although management believes the amount of the allowance for both trade and other receivables at December 28, 2002 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. Correspondingly, a more robust economic environment may result in the realization of some portion of the estimated uncollectible receivables.

As described in the accounting policy footnote to the financial statements, 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 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 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. The Company has provided for its estimated exposure attributable to income tax planning strategies. Management believes that the provision for liabilities resulting from the implementation of income tax planning strategies is appropriate.

Significant variances from management's estimates for the amount of uncollectible receivables, for the ultimate resolution of claims or the provision for liabilities for income tax planning strategies 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.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement, effective for fiscal years beginning after June 15, 2002, requires an enterprise to record the fair value of an asset retirement obligation as a liability in

the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. The enterprise is also to record a corresponding increase to the carrying amount of the long-lived asset. Management believes that this Statement will not have a material effect on the financial position or results of operations of the Company.

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-K statement contain forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "estimates," "plans," "predicts," "may," "should," "will," the 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 workers' compensation claims; unfavorable development of existing accident claims; dependence on independent sales agents; dependence on third party capacity providers; disruptions or failures in our computer systems; a downturn in domestic economic growth or growth in the transportation sector; substantial industry competition; and other operational, financial or legal risks or uncertainties detailed in this and Landstar's other SEC 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.

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.

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

	December 28, 2002	December 29, 2001
ASSETS		
Current assets:		
Cash	$ 65,447	$ 47,886
Short-term investments	3,130	2,982
Trade accounts receivable, less allowance of $3,953 and $4,416	190,052	185,206
Other receivables, including advances to independent contractors, less allowance of $5,331 and $4,740	12,640	13,779
Prepaid expenses and other current assets	3,338	4,020
Total current assets	274,607	253,873
Operating property, less accumulated depreciation and amortization of $52,841 and $44,455	76,774	68,532
Goodwill	31,134	31,134
Other assets	18,233	11,112
Total assets	$400,748	$364,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 16,545	$ 13,018
Accounts payable	60,297	55,813
Current maturities of long-term debt	12,123	9,965
Insurance claims	24,419	21,602
Other current liabilities	40,593	31,667
Total current liabilities	153,977	132,065
Long-term debt, excluding current maturities	65,237	91,909
Insurance claims	25,276	21,585
Deferred income taxes	7,165	1,652
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 16,337,506 and 13,328,834 shares	163	133
Additional paid-in capital	2,609	75,036
Retained earnings	173,817	258,162
Cost of 554,879 and 5,241,841 shares of common stock in treasury	(26,306)	(209,926)
Notes receivable arising from exercise of stock options	(1,190)	(5,965)
Total shareholders' equity	149,093	117,440
Total liabilities and shareholders' equity	$400,748	$364,651

See accompanying notes to consolidated financial statements.

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

	Fiscal Years Ended December 28, 2002	December 29, 2001	December 30, 2000
Revenue	$ 1,506,555	$ 1,392,771	$ 1,418,492
Investment income	1,950	3,567	4,317
Costs and expenses:			
Purchased transportation	1,116,009	1,030,454	1,046,183
Commissions to agents	118,864	110,513	113,721
Other operating costs	34,325	32,750	29,568
Insurance and claims	42,188	32,930	31,935
Selling, general and administrative	101,918	99,762	100,516
Depreciation and amortization	11,520	13,543	13,003
Non-recurring costs			5,270
Total costs and expenses	1,424,824	1,319,952	1,340,196
Operating income	83,681	76,386	82,613
Interest and debt expense	4,292	6,802	9,127
Income before income taxes	79,389	69,584	73,486
Income taxes	30,168	26,790	28,292
Net income	$ 49,221	$ 42,794	$ 45,194
Earnings per common share (1)	$ 3.05	$ 2.57	$ 2.57
Diluted earnings per share (1)	$ 2.94	$ 2.50	$ 2.52
Average number of shares outstanding:			
Earnings per common share (1)	16,141,000	16,672,000	17,562,000
Diluted earnings per share (1)	16,767,000	17,092,000	17,962,000

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Fiscal Years Ended December 28, 2002	December 29, 2001	December 30, 2000
OPERATING ACTIVITIES			
Net income	$ 49,221	$ 42,794	$ 45,194
Adjustments to reconcile net income to net cash provided by operating activities:			

Depreciation and amortization of operating property	11,520	12,327	11,787
Amortization of goodwill		1,216	1,216
Non-cash interest charges	273	97	324
Provisions for losses on trade and other accounts receivable	7,514	8,153	4,592
Losses (gains) on sales and disposals of operating property	642	(273)	(244)
Deferred income taxes, net	5,513	1,776	3,911
Non-cash charge in lieu of income taxes		124	43
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other accounts receivable	(11,221)	1,382	8,230
Decrease (increase) in prepaid expenses and other assets	933	1,194	(1,405)
Increase (decrease) in accounts payable	4,484	(7,189)	(4,320)
Increase (decrease) in other liabilities	8,926	(8,294)	(7,410)
Increase (decrease) in insurance claims	6,508	(3,513)	(7,871)
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,313	49,794	54,047
INVESTING ACTIVITIES			
Purchases of investments	(8,889)	(496)	(1,435)
Maturities of investments	2,500	1,484	1,060
Purchases of operating property	(4,421)	(5,443)	(7,305)
Proceeds from sales of operating property	387	906	1,958
NET CASH USED BY INVESTING ACTIVITIES	(10,423)	(3,549)	(5,722)
FINANCING ACTIVITIES			
Increase (decrease) in cash overdraft	3,527	(4,478)	(1,975)
Borrowings on revolving credit facility		135,500	27,500
Principal payments on long-term debt and capital lease obligations	(40,884)	(128,269)	(18,603)
Proceeds from repayment of notes receivable arising from exercises of stock options	4,867	1,372	51
Proceeds from exercises of stock options	2,467	1,789	92
Purchases of common stock	(26,306)	(37,199)	(46,185)
NET CASH USED BY FINANCING ACTIVITIES	(56,329)	(31,285)	(39,120)
Increase in cash	17,561	14,960	9,205
Cash at beginning of period	47,886	32,926	23,721
Cash at end of period	$ 65,447	$ 47,886	$ 32,926

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Fiscal Years Ended December 28, 2002, December 29, 2001 and December 30, 2000
(Dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Notes Receivable Arising from Exercises of Stock Options	Total
	Shares	Amount			Shares	Amount		
Balance December 25, 1999	13,063,974	$ 131	$65,833	$170,174	3,909,041	$(127,560)	$ (1,694)	$106,884
Net income				45,194				45,194
Purchases of common stock					864,000	(46,185)		(46,185)
Exercises of stock options and related income tax benefit	169,900	1	5,048				(4,596)	453
Repayment of notes receivable arising from exercises of stock options							51	51
Incentive compensation paid in common stock			444		(31,200)	1,018		1,462
Balance December 30, 2000	13,233,874	132	71,325	215,368	4,741,841	(172,727)	(6,239)	107,859
Net income				42,794				42,794
Purchases of common stock					500,000	(37,199)		(37,199)
Exercises of stock options and related income tax benefit	94,960	1	3,711				(1,098)	2,614
Repayment of notes receivable arising from exercises of stock options							1,372	1,372
Balance December 29, 2001	13,328,834	133	75,036	258,162	5,241,841	(209,926)	(5,965)	117,440
Net income				49,221				49,221
Retirement of treasury stock	(5,241,841)	(52)	(76,389)	(133,485)	(5,241,841)	209,926		-
Purchases of common stock					554,879	(26,306)		(26,306)
Exercises of stock options and related income tax benefit	116,160	1	3,962				(92)	3,871
Repayment of notes receivable arising from exercises of stock options							4,867	4,867
Stock split effected in the form of a 100% stock dividend	8,134,353	81		(81)				-

Balance December 28, 2002	16,337,506	$ 163	$ 2,609	$173,817	554,879	$ (26,306)	$ (1,190)	$149,093

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

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

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

Revenue Recognition
Revenue and the related direct freight expenses are recognized upon completion of freight delivery. Fuel surcharges billed to customers for freight hauled by the independent contractors who provide truck capacity to the Company under exclusive lease arrangements are excluded from revenue and paid in entirety to the independent contractors.

Insurance Claim Costs
Landstar provides, primarily on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims both reported and for claims incurred but not reported. Landstar retains liability for individual commercial trucking claims up to $5,000,000 per occurrence. For commercial trucking claims incurred prior to May 1, 2001, Landstar retains liability up to $1,000,000 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.

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

Investments
Investments, all of which are intended to be held to maturity, consist of investment grade bonds having maturities of up to five years and are carried at amortized cost, which approximates fair value. Short-term investments

represent the current portion of these bonds. There are $7,648,000 and $1,407,000 of these bonds included in other assets at December 28, 2002 and December 29, 2001, respectively.

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

Goodwill
The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" in the first quarter of fiscal year 2002. SFAS No. 142 eliminated the requirement to amortize goodwill and requires that it be tested for impairment on an annual basis. During the first quarter of 2002, the Company completed the transitional goodwill impairment test and determined that the fair value of each reporting unit exceeded the carrying value of the net assets of each reporting unit. The Company updated its test for impairment for the fiscal year ended December 28, 2002 and determined that the fair value of each reporting unit exceeded the carrying value of the net assets of each reporting unit. Accordingly, no impairment loss was recognized.

Adoption of SFAS No. 142 resulted in the elimination of goodwill amortization expense beginning with the first quarter of 2002. During each of 2001 and 2000, the Company recorded goodwill amortization expense of $1,216,000. Elimination of this amortization expense would have resulted in net income of $44,010,000, or an increase of $0.07 in earnings per share ($0.07 per diluted share), and $46,410,000, or an increase of $0.07 in earnings per share ($0.06 per diluted share), in 2001 and 2000, respectively. The Company has no other intangible assets subject to the provisions of SFAS No. 142.

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

Stock-Based Compensation

At December 28, 2002, the Company has two stock-based employee compensation plans and one stock-based plan for members of its Board of Directors, which are described more fully in footnote 9. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation is reflected in net income, as all options granted under those plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to stock-based employee compensation.

Fiscal Years

	2002	2001	2000
Net income, as reported	$49,221	$42,794	$45,194
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related income tax benefits	(3,102)	(1,187)	(1,469)
Pro forma net income	$46,119	$41,607	$43,725
Earnings per common share:			
As reported	$ 3.05	$ 2.57	$ 2.57
Pro forma	$ 2.86	$ 2.50	$ 2.49
Diluted earnings per share:			
As reported	$ 2.94	$ 2.50	$ 2.52
Pro forma	$ 2.80	$ 2.47	$ 2.46

Earnings Per Share

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

(2) Stock Split

On July 17, 2002, Landstar declared a two-for-one stock split of its common stock to be effected in the form of a 100% stock dividend. Stockholders of record on August 2, 2002 received one additional share of common stock for each share held. The additional shares were distributed on August 12, 2002. All share and per share amounts have been restated to give retroactive effect to this stock split.

(3) Non-recurring Costs

At December 25, 1999, approximately 100 Landstar Ranger, Inc. ("Landstar Ranger") drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participated in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). As a result of the terms of a new collective

bargaining agreement, the Trustees of the Fund terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regarded this action as a withdrawal by Landstar Ranger. In the third quarter of 2000, the Company recorded a charge in the amount of $2,230,000 for the cost of withdrawal from the Fund. After deducting related income tax benefits of $880,000, this charge reduced fiscal year 2000 net income by $1,350,000, or $0.08 per common share ($0.08 per diluted share). At December 28, 2002, 43 Landstar Ranger drivers were represented by the Teamsters and neither Landstar nor any of its subsidiaries participate in any multi-employer pension plans.

On March 28, 2000, the Company announced a plan to restructure the operations of Landstar Ligon, Inc. and to relocate its headquarters from Madisonville, Kentucky to Jacksonville, Florida in June of 2000. As a result of this restructuring and relocation, a one-time charge in the amount of $3,040,000 was recorded during the second quarter of 2000 representing approximately $1,370,000 of employee and office relocation costs, $1,000,000 of severance costs and $670,000 of other costs. The restructuring and relocation were substantially completed by September 23, 2000. After deducting related income tax benefits of $1,225,000, this one-time restructuring charge reduced fiscal year 2000 net income by $1,815,000, or $0.10 per common share ($0.10 per diluted share).

(4) Income Taxes

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

	Fiscal Years		
	2002	2001	2000
Current:			
Federal	$23,362	$23,636	$21,525
State	1,293	1,254	2,813
	24,655	24,890	24,338
Deferred:			
Federal	4,273	1,454	4,208
State	1,240	322	(297)
	5,513	1,776	3,911
Non-cash charge in lieu of income taxes		124	43
Income taxes	$30,168	$26,790	$28,292

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

	Dec. 28, 2002	Dec. 29, 2001
Deferred tax assets:		
Receivable valuations	$ 4,092	$ 4,128
Deferred state income tax benefits	2,134	1,700
State net operating loss carryforwards	1,669	1,933
Self-insured claims	3,023	3,252
Other	2,421	5,052

	13,339	16,065
Valuation allowance	(491)	(491)
	$ 12,848	$ 15,574
Deferred tax liabilities:		
Operating property	$ 13,827	$ 11,378
Other	6,186	5,848
	$ 20,013	$ 17,226

At December 28, 2002, the valuation allowance of $491,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill will be reduced by $463,000 when realization of deferred state income tax benefits becomes likely.

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

	Fiscal Years		
	2002	2001	2000
Income taxes at federal income tax rate	$27,786	$24,354	$25,720
State income taxes, net of federal income tax benefit	1,646	1,024	1,635
Amortization of goodwill		258	258
Meals and entertainment exclusion	786	892	597
Other, net	(50)	262	82
Income taxes	$30,168	$26,790	$28,292

Landstar paid income taxes of $23,540,000 in 2002, $24,778,000 in 2001 and $25,089,000 in 2000.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 28, 2002	Dec. 29, 2001
Land	$ 1,999	$ 2,045
Leasehold improvements	8,353	8,307
Buildings and improvements	8,168	7,963
Trailing equipment	85,034	71,957
Other equipment	26,061	22,715
	129,615	112,987
Less accumulated depreciation and amortization	52,841	44,455
	$ 76,774	$ 68,532

Included above is $64,278,000 in 2002 and $48,795,000 in 2001 of operating property under capital leases, $45,465,000 and $35,613,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering into capital leases in the amount of $16,370,000 in 2002 and $18,448,000 in 2000. Landstar did not acquire any property by entering into capital leases in 2001.

(6) Retirement Plans

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full-time employees who have completed one year of service. Eligible employees make voluntary contributions up to 75% of their base salary, subject to certain limitations. Landstar contributes an amount equal to 100% of the first 3% and 50% of the next 2% of such contributions, subject to certain limitations.

Prior to the October 1, 2000 withdrawal (see note 3), Landstar Ranger made contributions in accordance with a negotiated labor contract (generally based on the number of weeks worked) to union sponsored multi-employer pension plans.

The expense for the Company-sponsored defined contribution plan was $1,093,000 in 2002, $1,090,000 in 2001 and $1,105,000 in 2000. The expense for union-sponsored plans, excluding the estimated cost of withdrawal (see note 3), was $935,000 in 2000.

(7) Debt

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

	Dec. 28, 2002	Dec. 29, 2001
Capital leases	$ 33,360	$ 27,374
Revolving credit facility	44,000	74,500
	77,360	101,874
Less current maturities	12,123	9,965
Total long-term debt	$ 65,237	$ 91,909

On December 20, 2001, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the "Third Amended and Restated Credit Agreement"). The Third Amended and Restated Credit Agreement provides $175,000,000 of borrowing capacity in the form of a revolving credit facility, $50,000,000 of which may be utilized in the form of letter of credit guarantees. The Third Amended and Restated Credit Agreement expires on January 5, 2005.

Borrowings under the Third 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 Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing

capacity. As of December 28, 2002, the margin was equal to 87.5/100 of 1%. The unused portion of the Third Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Company's Leverage Ratio, as therein defined. As of December 28, 2002, the commitment fee for the unused portion of the Third Amended and Restated Credit Agreement was 0.250%. At December 28, 2002, the weighted average interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.27%. Based on the borrowing rates in the Third Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Third Amended and Restated Credit Agreement was estimated to approximate carrying value.

The Third Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Third Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Third Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Interest Coverage, earnings before interest and taxes exceeded the required minimum by approximately $64,000,000 for the fiscal year ended December 28, 2002.

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

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

The amount outstanding on the Third Amended and Restated Credit Agreement is due and payable on January 5, 2005. There are no other installments of long-term debt, excluding capital lease obligations, maturing in the next five years.

Landstar paid interest of $4,480,000 in 2002, $7,874,000 in 2001 and $9,658,000 in 2000.

(8) Leases

The future minimum lease payments under all noncancelable leases at December 28, 2002, principally for trailing equipment and the Company's headquarters facility in Jacksonville, Florida, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
2003	$13,631	$ 2,784
2004	10,222	2,260
2005	5,698	2,192
2006	3,591	2,094
2007	3,143	2,087
Thereafter		14,307
	36,285	$ 25,724
Less amount representing interest (3.6% to 8.3%)	2,925	
Present value of minimum lease payments	$33,360	

Total rent expense, net of sublease income, was
$19,250,000 in 2002, $19,976,000 in 2001 and $19,620,000 in 2000.

(9) Stock Option Plans

All of the share and per share amounts that follow have been adjusted to reflect a two-for-one stock split effected in the form of a 100% stock dividend distributed on August 12, 2002 to stockholders of record on August 2, 2002.

The Company maintains three stock option plans. Under the 1993 Stock Option Plan, as amended, the Compensation Committee of the Board of Directors may grant options to Company employees for up to 2,230,000 shares of common stock. Under the 2002 Employee Stock Option Plan, the Compensation Committee of the Board of Directors may grant options to Company employees for up to 1,600,000 shares of common stock. Under the 1994 Directors Stock Option Plan, as amended, (the "DSOP"), outside members of the Board of Directors will be granted up to an aggregate of 420,000 options to purchase common stock. Under the DSOP, each outside Director will be granted 18,000 options to purchase common stock upon election or re-election to the Board of Directors. Subject to approval of its shareholders at the Company's 2003 annual meeting, the DSOP will be replaced by a new Directors Stock Compensation Plan. Under the terms of the proposed plan, each Director, upon election or re-election to the Board, will receive 1,500 shares of the Company's common stock subject to certain restrictions.

Options granted under the existing plans become exercisable in either three or five equal annual installments, commencing on the first anniversary of the date of grant, subject to acceleration in certain circumstances, and expire on the tenth anniversary of the date of grant. Under the existing plans, the exercise price of each option equals the fair market price of the Company's common stock on the date of grant. At December 28, 2002, there were 3,172,160 shares of the Company's common stock reserved for issuance upon exercise of options granted under the plans.

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

	Options Outstanding		Options Exercisable	
	Shares	Weighted Average Exercise Price Per Share	Shares	Weighted Average Exercise Price Per Share
Options at December 25, 1999	1,138,400	$ 15.71	573,040	$ 14.26
Granted	214,800	$ 23.90		
Exercised	(339,800)	$ 13.80		
Forfeited	(3,600)	$ 12.75		
Options at December 30, 2000	1,009,800	$ 18.11	424,120	$ 15.59
Granted	396,200	$ 33.02		
Exercised	(189,920)	$ 15.20		
Forfeited	(93,040)	$ 25.13		
Options at December 29, 2001	1,123,040	$ 23.28	415,360	$ 17.22
Granted	414,000	$ 36.88		
Exercised	(163,520)	$ 15.67		
Options at December 28, 2002	1,373,520	$ 28.28	465,438	$ 21.17

The fair value of each option grant on its grant date was calculated using the Black-Scholes option pricing model with the following assumptions for grants made in 2002, 2001 and 2000: risk-free interest rate of 3.5% in 2002, 5.0% in 2001 and 6.0% in 2000, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 40% in 2002 and 2001 and 41% in 2000. The weighted average grant date fair value of stock options granted was $14.88, $14.16 and $10.81 per share in 2002, 2001 and 2000, respectively.

The following table summarizes stock options outstanding at December 28, 2002:

	Options Outstanding		
Range of Exercise Prices Per Share	Number Outstanding Dec. 28, 2002	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share
$14.055 - $20.250	429,000	5.8	$ 17.87
$20.251 - $34.129	416,920	7.8	$ 28.85
$34.130 - $51.895	527,600	8.9	$ 36.31
$14.055 - $51.895	1,373,520	7.6	$ 28.28

	Options Exercisable	
Range of Exercise Prices Per Share	Number Exercisable Dec. 28, 2002	Weighted Average Exercise Price Per Share

$14.055 - $17.867	158,280	$ 16.09
$17.868 - $20.250	165,118	$ 19.56
$20.251 - $34.224	142,040	$ 28.69
$14.055 - $34.224	465,438	$ 21.17

(10) Shareholders' Equity

During 2002, Landstar purchased 554,879 shares of its common stock at a total cost of $26,306,000 pursuant to a previously announced stock purchase program. As of December 28, 2002, Landstar may purchase an additional 445,121 shares of its common stock under its authorized stock purchase program.

During 1998, the Company established an employee stock option loan program. Under the terms of the program, the Company provided employees financing in order for them to exercise fully vested stock options. The loans are full recourse with the principal repayable in lump sum on the fifth anniversary of the loan. During 2002, 2001 and 2000, $92,000, $1,098,000 and $4,596,000 of such loans were issued, respectively. Effective May 1, 2002, the Company ceased making loans under the employee stock option loan program and terminated the program with respect to future stock option exercises.

The Company has 2,000,000 shares of preferred stock authorized and unissued.

(11) Segment Information

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. 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 tractors provided by independent contractors who provide truck capacity to the Company under exclusive lease arrangements (the "Independent Contractors") and other third party truck capacity providers. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and primarily utilizes capacity provided by Independent Contractors and other third party capacity providers, including truck brokerage carriers, railroads and air cargo carriers. The nature of the carrier and multimodal segments' business is such that a significant portion of their operating costs varies directly with revenue. The insurance segment provides risk and claims management services to Landstar's operating subsidiaries. In addition, it reinsures certain property, casualty and occupational accident risks of certain Independent Contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

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

Internal revenue for transactions between the carrier and multimodal segments is based on quoted rates which are believed to approximate the cost that would have been incurred had similar services been obtained from an unrelated third party. Internal revenue for premiums billed by the insurance segment to the carrier and multimodal segments is calculated each fiscal period based on an actuarial calculation of historical loss experience and is believed to approximate the cost that would have been incurred by the carrier and multimodal segments had similar insurance been obtained from an unrelated third party.

No single customer accounts for more than 10% of consolidated revenue. However, during 2002 approximately 12% of the Company's revenue was attributable to the automotive industry. Substantially all of the Company's revenue is generated in the United States.

The following tables summarize information about the Company's reportable business segments as of and for the fiscal years ending December 28, 2002, December 29, 2001 and December 30, 2000 (in thousands):

2002

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$1,178,263	$ 300,716	$ 27,576		$1,506,555
Internal revenue	23,703	2,483	29,860		56,046
Investment income			1,950		1,950
Interest and debt expense				$ 4,292	4,292
Depreciation and amortization	7,546	126		3,848	11,520
Operating income	87,777	7,793	22,754	(34,643)	83,681
Expenditures on long-lived assets	329			4,092	4,421
Goodwill	20,496	10,638			31,134
Capital lease additions	16,370				16,370
Total assets	241,068	59,571	70,198	29,911	400,748

2001

	Carrier	Multimodal	Insurance	Other	Total

External revenue	$1,098,268	$ 270,849	$ 23,654		$1,392,771
Internal revenue	28,587	2,367	27,313		58,267
Investment income			3,567		3,567
Interest and debt expense				$ 6,802	6,802
Depreciation and amortization	8,382	783		4,378	13,543
Operating income	76,105	5,343	30,644	(35,706)	76,386
Expenditures on long-lived assets	2,994	159		2,290	5,443
Goodwill	20,496	10,638			31,134
Total assets	234,164	47,795	46,440	36,252	364,651

2000

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$1,117,042	$ 277,087	$ 24,363		$1,418,492
Internal revenue	34,669	1,241	21,919		57,829
Investment income			4,317		4,317
Interest and debt expense				$ 9,127	9,127
Depreciation and amortization	7,999	905		4,099	13,003
Non-recurring costs	5,270				5,270
Operating income	88,507	9,346	24,464	(39,704)	82,613
Expenditures on long-lived assets	687	177		6,441	7,305
Goodwill	21,291	11,183			32,474
Capital lease additions	18,448				18,448
Total assets	256,690	54,294	33,267	26,111	370,362

(12) Commitments and Contingencies

At December 28, 2002, Landstar had commitments for letters of credit outstanding in the amount of $18,060,000, primarily as collateral for estimated insurance claims, $9,080,000 of which were supported by the Third Amended and Restated Credit Agreement and $8,980,000 secured by assets deposited with a financial institution.

The Company and Ford Motor Co., Inc. are defendants in a suit alleging breach of contract, misrepresentation and certain other causes of action arising out of a contract between Landstar Logistics, Inc. and the plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the plaintiff, Gulf Bridge RoRo, Inc. The suit makes claim for $25,000,000 damages for breach of contract and $50,000,000 punitive and other damages related to the misrepresentation counts. The Company has filed motions for summary judgment with the court seeking, in addition to a judgment in its favor, to dismiss Landstar System, Inc. from the litigation, to limit the amount of damages obtainable by the plaintiff, to preclude fraud and other theories upon which plaintiff seeks to obtain damages, and to exclude certain evidence concerning damages sought to be introduced at trial by plaintiff, among other things. Subject to the outcome of these motions, which is anticipated in March 2003, discovery has been substantially completed in this matter, and the Company anticipates that the matter will be tried in April 2003. The Company believes it has meritorious defenses to this litigation and

intends to continue to defend it vigorously. The Company also believes that if this litigation were determined adversely to it, the liability of the Company, exclusive of any available insurance recoveries, would not be reasonably likely to have a material adverse effect on the financial condition of the Company but that it could have a material adverse effect on the results of operations in a given quarter or year. The Company has notified its third-party insurance carrier that it believes that a portion of the claims made in this lawsuit are covered under insurance provided by that carrier, and the carrier has agreed to pay the fees and expenses and to participate in the defense of this litigation, subject to a reservation of rights. The Company also intends to pursue its rights with respect to this coverage vigorously. No assurances can be given as to the outcome of this litigation or any related matter, however.

On November 1, 2002, the Owner Operator Independent Drivers Association, Inc. ("OOIDA") and six individual Independent Contractors filed a putative class action suit in the U.S. Court in Jacksonville, Florida, against the Company. The suit alleges that certain aspects of Landstar's motor carrier's leases with owner operators violate the federal leasing regulations. OOIDA seeks injunctive relief, damages and attorney's fees. On December 17, 2002, the Company filed a Motion to Dismiss and a Motion to Stay and Compel Arbitration with respect to all of the leases that contain arbitration clauses. Landstar believes it has meritorious defenses to this litigation and intends to defend it vigorously. Landstar also believes that it treats its Independent Contractors fairly and in a manner which reflects the important role they play in the Company's operations.

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 Landstar, but could have a material effect on the results of operations in a given quarter or year.

Independent Auditors' Report

Landstar System, Inc. and Subsidiary

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

We have audited the accompanying consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 28, 2002 and December 29, 2001, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 28, 2002, December 29, 2001

and December 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 28, 2002 and December 29, 2001, and the results of their operations and their cash flows for the fiscal years ended December 28, 2002, December 29, 2001 and December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective December 30, 2001, Landstar System, Inc. and subsidiary adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets".

/s/ KPMG LLP

Jacksonville, Florida
February 5, 2003

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

	Fourth Quarter 2002	Third Quarter 2002	Second Quarter 2002	First Quarter 2002
Revenue	$ 393,986	$ 385,660	$ 391,216	$ 335,693
Operating income	$ 24,191	$ 23,451	$ 20,999	$ 15,040
Income before income taxes	$ 23,417	$ 22,485	$ 19,755	$ 13,732
Income taxes	8,899	8,544	7,507	5,218
Net income	$ 14,518	$ 13,941	$ 12,248	$ 8,514
Earnings per common share (1,2)	$ 0.91	$ 0.86	$ 0.75	$ 0.53
Diluted earnings per share (1,2)	$ 0.88	$ 0.83	$ 0.72	$ 0.51

Fourth Third Second First

	Quarter 2001	Quarter 2001	Quarter 2001	Quarter 2001
Revenue	$ 347,788	$ 355,684	$ 358,018	$ 331,281
Operating income	$ 20,093	$ 21,000	$ 19,486	$ 15,807
Income before income taxes	$ 18,820	$ 19,403	$ 17,776	$ 13,585
Income taxes	7,243	7,473	6,843	5,231
Net income	$ 11,577	$ 11,930	$ 10,933	$ 8,354
Earnings per common share (1,2)	$ 0.72	$ 0.72	$ 0.64	$ 0.49
Diluted earnings per share (1,2)	$ 0.70	$ 0.70	$ 0.63	$ 0.48

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

(2) All earnings per share amounts have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

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

	Fiscal Years				
	2002	2001	2000	1999	1998
Income Statement Data:					
Revenue	$1,506,555	$1,392,771	$1,418,492	$1,388,083	$1,283,607
Investment income	1,950	3,567	4,317	2,502	1,689
Costs and expenses:					
Purchased transportation	1,116,009	1,030,454	1,046,183	1,022,203	950,343
Commissions to agents	118,864	110,513	113,721	111,666	101,409
Other operating costs	34,325	32,750	29,568	30,000	27,516
Insurance and claims	42,188	32,930	31,935	34,064	39,388
Selling, general and administrative	101,918	99,762	100,516	99,240	95,028
Depreciation and amortization	11,520	13,543	13,003	11,698	10,158
Non-recurring costs			5,270		
Total costs and expenses	1,424,824	1,319,952	1,340,196	1,308,871	1,223,842
Operating income	83,681	76,386	82,613	81,714	61,454
Interest and debt expense	4,292	6,802	9,127	4,509	3,503
Income from continuing operations before income taxes	79,389	69,584	73,486	77,205	57,951
Income taxes	30,168	26,790	28,292	31,268	23,470
Income from continuing operations	49,221	42,794	45,194	45,937	34,481
Discontinued operations, net of income taxes					(22,589)
Net income	$ 49,221	$ 42,794	$ 45,194	$ 45,937	$ 11,892

Earnings per common share:					
Income from continuing operations (1)	$ 3.05	$ 2.57	$ 2.57	$ 2.30	$ 1.56
Loss from discontinued operations (1)					(1.02)
Earnings per common share (1)	$ 3.05	$ 2.57	$ 2.57	$ 2.30	$ 0.54
Diluted earnings per share:					
Income from continuing operations (1)	$ 2.94	$ 2.50	$ 2.52	$ 2.27	$ 1.55
Loss from discontinued operations (1)					(1.02)
Diluted earnings per share (1)	$ 2.94	$ 2.50	$ 2.52	$ 2.27	$ 0.53

(1) All earnings per share amounts have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend declared July 17, 2002.

	Dec. 28, 2002	Dec. 29, 2001	Dec. 30, 2000	Dec. 25, 1999	Dec. 26, 1998
Balance Sheet Data:					
Total assets	$ 400,748	$ 364,651	$ 370,362	$ 365,441	$ 313,665
Long-term debt, including current maturities	77,360	101,874	94,643	67,298	34,440
Shareholders' equity	149,093	117,440	107,859	106,884	111,848

EXHIBIT 21.1

LIST OF SUBSIDIARY CORPORATIONS OF LANDSTAR SYSTEM, INC.

Name	Jurisdiction of Incorporation	% of Voting Securities Owned
Subsidiary of Landstar System, Inc.:		
Landstar System Holdings, Inc.	Delaware	100
Subsidiaries of Landstar System Holdings, Inc.:		
Landstar Express America, Inc.	North Carolina	100
Landstar Inway, Inc. Also d/b/a Inway Nationwide Transportation Services Also d/b/a Independent Freightways, Inc.	Delaware	100
Landstar Logistics, Inc.	Delaware	100
Landstar Ligon, Inc. Also d/b/a Ligon Contract Services in Kentucky	Delaware	100
Landstar Acquisition Corporation (formerly Landstar Poole, Inc.)	Alabama	100
Landstar Ranger, Inc. Also d/b/a Ranger/Landstar, Inc. in South Carolina	Delaware	100
Risk Management Claim Services, Inc. Also d/b/a RMCS, Inc. in Alabama and California	Kentucky	100
Landstar Carrier Services, Inc.	Delaware	100
Landstar Contractor Financing, Inc.	Delaware	100
Landstar Capacity Services, Inc.	Delaware	100
Signature Insurance Company	Cayman Islands, BWI	100
Signature Technology Services, Inc.	Delaware	100
Subsidiary of Landstar Ranger, Inc.		
Landstar Gemini, Inc. Also d/b/a Gemini Transportation Services of Greensburg, PA in Ontario and New Jersey Also d/b/a GTSI Transportation Services in Ontario Also d/b/a Landstar Less Than Truck Load Also d/b/a Landstar LTL	Delaware	100
Subsidiary of Landstar Gemini, Landstar Inway, Landstar Ligon and Landstar Ranger:		
Landstar Corporate Services, Inc.	Delaware	100
Subsidiary of Landstar Inway, Inc.		
Landstar T.L.C., Inc.	Delaware	100

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-76340 and No 33-94304) on Form S-8 of Landstar System, Inc. of our reports dated February 5, 2003, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 28, 2002 and December 29, 2001, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 28, 2002, December 29, 2001, and December 30, 2000, and all related schedules, which reports appear in the December 28, 2002 annual report on Form 10-K of Landstar System, Inc.

/s/ KPMG LLP

Jacksonville, Florida
March 11, 2003

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/28/02

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens and Robert C. LaRose, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 28, 2002, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

/s/ David G. Bannister

David G. Bannister

DATED: February 5, 2002

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/28/02

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens and Robert C. LaRose, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 28, 2002, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

/s/ Ronald W. Drucker

Ronald W. Drucker

DATED: February 5, 2003

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/28/02

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

/s/ William S. Elston

William S. Elston

DATED: February 5, 2003

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/28/02

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virtue hereof.

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

/s/ Diana M. Murphy

Diana M. Murphy

DATED: February 5, 2003

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/28/02

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

/s/ Merritt J. Mott

Merritt J. Mott

DATED: February 5, 2003