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 25, 1999

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) 390-1234
(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. [X]

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
1999 Annual Report to Shareholders	Part II
Proxy Statement relating to Landstar System, Inc.'s Annual Meeting of Shareholders	Part III

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 20, 2000 was 9,071,333; and the aggregate market value of the voting stock held by non-affiliates of the registrant was $474,764,954 (based on the $54.5625 per share closing price on that date, 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.

LANDSTAR SYSTEM, INC.
1999 Annual Report on Form 10-K

Table of Contents

Part I

Part II

Part III

Part IV

Part I

Item 1. - Business

General

Landstar System, Inc. (herein referred to as "Landstar" or the "Company") 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 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." The Company's principal executive offices are located at 13410 Sutton Park Drive South, Jacksonville, Florida 32224 and its telephone number is (904) 390-1234. 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 ("ABSMB"), an affiliate of DB Alex. Brown LLC (formerly known as Alex. Brown & Sons Incorporated), and certain management employees of Landstar and its subsidiaries (the "Management Stockholders"). Landstar was capitalized by the sale of an aggregate of 8,024,000 shares of Common Stock for $20.1 million, as follows: KIA IV ($15.5 million), ABSMB ($3.0 million), Management Stockholders($1.3 million) and certain institutional stockholders ($.3 million). In March 1993, Landstar completed a recapitalization (the "Recapitalization") that increased shareholders' equity, reduced indebtedness and improved the Company's operating and financial flexibility. The Recapitalization involved three principal components: (i) the initial public offering (the "IPO") of 5,387,000 shares of Common Stock, at an initial price to the public of $13 per share, 2,500,000 of which were sold by Landstar and 2,887,000 of which were sold by certain of the Company's stockholders (including KIA IV), (ii) the retirement of all $38 million outstanding principal amount of LSHI's 14% Senior Subordinated Notes due 1998 (the "14% Notes"), and (iii) the refinancing of the Company's then existing senior debt facility with a senior bank credit agreement. The net proceeds to the Company from the IPO (net of underwriting discounts and commissions and expenses) of $28,450,000 and proceeds from the new term loan, were used to repay outstanding borrowings under the old credit agreement and redeem or purchase the 14% Notes. In October 1993, a secondary public offering by existing stockholders of 5,547,930 shares of Common Stock at an initial price to the public of $15 per share was completed. KIA IV sold

4,492,640 shares and ABSMB sold 1,055,290 shares. 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 connection with the secondary offering, Landstar granted the underwriters an over-allotment option of up to 554,793 shares of Common Stock. The option was exercised and Landstar sold the 554,793 shares of Common Stock at an initial price to the public of $15 per share. Landstar received proceeds, net of underwriting discounts and commissions and expenses of the secondary offering, in the amount of $7,386,000.

During the first quarter of 1995, Landstar, through different subsidiaries of LSHI acquired the businesses and net assets of Intermodal Transport Company ("ITCO"), a California-based intermodal marketing company, LDS Truck Lines, Inc., a California-based drayage company, and T.L.C. Lines, Inc., a Missouri-based temperature-controlled and long-haul, time sensitive dry van carrier. Also in the 1995 first quarter, Landstar, through another subsidiary of LSHI, acquired all of the outstanding common stock of Express America Freight Systems, Inc., ("Express"), a North Carolina-based air freight and truck expedited service provider. The businesses acquired from ITCO and Express comprise the majority of the multimodal segment's operations, and are now operated through Landstar Logistics and Landstar Express America, respectively.

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. and Landstar Poole operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997. The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors. During 1997 and 1996, the Company incurred approximately $3,247,000 and $5,937,000 of such restructuring costs, respectively. The restructuring was completed during 1997.

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 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, which comprised the entire company-owned tractor segment, 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.

Description of Business

Landstar, a non asset based business services company, provides transportation solutions 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 sales agents and independent contractors linked together by a series of technological applications. Through this network, Landstar operates a $1.4 billion transportation services business throughout North America, providing truckload services, intermodal transportation services and expedited time definite air and ground transportation services.

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, drop decks, light specialty trailers, temperature-controlled vans and containers, dedicated contract and logistics solutions, including freight optimization and less than truckload freight consolidations, 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 1999, 1998 and 1997 (dollars in thousands):

	Fiscal Year		
	1999	1998	1997
Revenue from unaffiliated customers:			
Carrier segment	$1,111,912	$1,029,432	$ 997,639
Multimodal segment	250,395	229,994	202,732
Insurance segment	25,776	24,181	18,940
Inter-segment revenue:			
Carrier segment	$ 35,194	$ 38,302	$ 39,530
Multimodal segment	196	169	610
Insurance segment	21,790	20,716	15,452
Operating income:			
Carrier segment	$ 86,282	$ 69,401	$ 63,172
Multimodal segment	7,949	6,407	4,463
Insurance segment	27,141	19,479	7,863
Other	(39,658)	(33,833)	(29,177)
Identifiable assets:			
Carrier segment	$ 251,922	$ 210,200	$ 204,974
Multimodal segment	57,337	55,207	51,224
Insurance segment	28,180	24,179	22,101
Discontinued segment			68,791
Other	28,002	24,079	10,089

In 2000, the Company made a decision to realign the operations of Landstar Gemini, formerly a wholly-owned subsidiary of Landstar Logistics, with the operations of the carrier segment. Accordingly, Landstar Gemini is now included as part of the carrier segment and is no longer included in the multimodal segment. All historical segment information included in this Annual Report on Form 10-k has been restated to reflect this change.

In addition to Landstar Gemini, the carrier segment consists of Landstar Ranger, Landstar Inway and Landstar Ligon. 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 and dedicated power only truck capacity. The carrier segment markets its services primarily through independent commission

sales agents and exclusively utilizes tractors provided by independent contractors. The nature of the carrier segment business is such that a significant portion of its operating costs varies directly with revenue. At December 25, 1999, the carrier segment operated a fleet of more than 8,400 tractors, provided by over 6,900 independent contractors, and 13,634 trailers, 6,338 of which are supplied by independent contractors. Approximately 73% of the trailers available to the carrier segment are provided by independent contractors or are leased by the Company at rental rates that vary with the revenue generated by the trailer. The carrier segment's trailer fleet is comprised of 8,976 dry vans, 3,646 flatbeds, 725 specialty and 287 refrigerated vans. The carrier segment has a network of more than 880 independent commission sales agents. Independent commission sales agents in the carrier segment receive a commission generally between 5% and 8% of the revenue they generate. The use of independent contractors 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 tractor power receive a percentage of the revenue generated for the freight hauled and a larger percentage for providing both a tractor and trailer.

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 air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. Multimodal independent sales agents generally receive a percentage of the gross profit, revenue less the cost of the 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. 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 25, 1999, the multimodal segment operated a fleet of 370 trucks, provided by approximately 320 independent contractors. Multimodal segment independent contractors provide cargo vans and straight trucks that are utilized for emergency and expedited freight services. The multimodal segment has a network of more than 180 independent commission sales agents.

The insurance segment is comprised of Signature, a wholly-owned offshore insurance subsidiary that was formed in March 1997, and RMCS. The insurance segment provides risk and claims management services for Landstar's operating companies. 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 offer high quality, specialized transportation services through its transportation group 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 and logistics solutions to meet the total transportation needs of its customers.

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 shippers in particular industries such as the three major U.S. automobile manufacturers.

Management believes the Company has a number of significant competitive advantages, including:

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 carrier and multimodal segments' technology programs centrally through its information services department.

DIVERSITY OF SERVICES OFFERED. The Company offers its customers a wide range of transportation services through the carrier and multimodal groups, 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 steamship lines, including short-to-medium haul movement of ocean-going containers between U.S. ports and inland cities.

The following table illustrates the diversity of this equipment as of December 25, 1999:

Trailers:		
Vans		8,837
Specialty Vans		155
Temperature-Controlled		287
Flatbeds		2,242
Drop Deck/Low Boys		1,407
Other Specialized Flatbeds		725
	Total	13,653

MARKETING NETWORK. Landstar's network of more than 1,000 independent commission sales agents results in regular contact with shippers at the local level and the capability to be highly responsive to shippers' changing needs. The agent network 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 reserved for 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 on revenue generated through that agent. During 1999, more than 360 agents generated revenue for Landstar of at least $1 million each, or approximately $1.2 billion of Landstar's total revenue. 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 independent contractors, both single-unit and multi-unit contractors. Contracts with agents are typically terminable upon 30 days' notice. Historically, Landstar has experienced very limited agent turnover among its larger-volume agents. Each operating subsidiary emphasizes programs to support the agents' operations and to establish pricing parameters. 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 and making that freight available to the Company's independent contractors and coordinating the transportation of the freight with independent contractors. The carrier segment's independent commission sales agents generally use the Company's Landstar Electronic Administrative Dispatch System (LEADS) software program which enables its independent commission sales agents to dispatch freight and process most administrative procedures and then communicate that information to Landstar and its independent contractors 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 independent contractors 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.

INDEPENDENT CONTRACTORS. Landstar operates the largest fleet of truckload independent contractors in North America. This provides marketing, operating, safety, recruiting, retention and financial advantages to the Company. Most of the Company's truckload 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 a tractor and from 75% to 79% where the independent contractor

provides both a tractor and trailer. The independent contractor must pay all 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.

In 1999, Landstar's truck turnover ratio was 53%. 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 tend to limit 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 the 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 tractors, trailers or mobile communication equipment.

Landstar also benefits from its use of independent contractors. This allows the Company to maintain a lower level of capital investment, which results in lower fixed costs.

CORPORATE SERVICES. 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
quality programs	

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 transportation services companies for the services of independent commission sales agents,

contracts with whom are terminable upon short notice. The Company's overall size, coupled with its reputation for good relations with agents and independent contractors, have enabled the Company to attract a sufficient number of qualified agents and independent contractors.

Insurance and Claims

Potential liability associated with accidents in the trucking portion of the transportation services industry is severe and occurrences are unpredictable. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $250,000 for each cargo claim. The Company provides, on an actuarially determined basis, for the estimated cost of property, casualty and general liability claims reported and for claims incurred but not reported. Although Landstar has an active training and safety program, there can be no assurance that the frequency or severity of accidents or workers' compensation claims will not increase in the future, that there will not be unfavorable development of existing claims or that insurance premiums will not increase. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating results. Management believes that Landstar realizes significant savings in insurance premiums by retaining a larger amount of risk than might be prudent for a smaller company.

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.

Although management is unaware of any proposals currently pending that would change the employee/independent contractor classification of independent contractors 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 if Landstar were unable to reflect them in its fee arrangements with the independent contractors and agents or in the prices charged to its customers.

Regulation

Each of the Operating Subsidiaries is a motor carrier which, prior to January 1, 1995, was regulated by the Interstate Commerce Commission ("ICC") and is now 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 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.

Congress deregulated transportation in 1994 by passage of the Trucking Industry Regulatory Reform Act of 1994 ("TIRRA") and the Federal Aviation Administration Authorization Act of 1994 ("FAAAA"). TIRRA substantially eliminated entry procedures for interstate transportation and eliminated the ICC tariff filing requirements for virtually all common carriers. FAAAA required all states to substantially deregulate intrastate transportation as of January 1, 1995. In 1995, Congress enacted The Interstate Commerce Commission Termination Act and substantially eliminated certain of the functions of the ICC and transferred most functions to the DOT.

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of the union sponsored plans' unfunded benefit obligation. Management believes that the liability, if any, for withdrawal from any or all of these plans would 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.

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.

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 due to reduced shipments and higher operating costs in the winter months.

Employees

As of December 25, 1999, the Company and its subsidiaries employed approximately 1,316 individuals. Approximately 120 Landstar Ranger drivers (out of a total of approximately 3,800) 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 the independent commission sales agents and independent contractors. The carrier segment's primary facilities are located in Jacksonville, Florida, Rockford, Illinois and Madisonville, Kentucky. The multimodal segment's primary facilities are located in Jacksonville, Florida. In addition, the Company's corporate headquarters are located in Jacksonville, Florida and RMCS is located in Madisonville, Kentucky. The Madisonville, Kentucky and Rockford, Illinois facilities of the carrier segment are owned by the Company. All other 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 acceptable cost.

Item 3. - Legal Proceedings

On August 5, 1997, suit was filed entitled Rene Alberto Rivas vs. Landstar System, Inc., Landstar Gemini, Inc., Landstar Ranger, Inc., Risk Management Claim Services, Inc., Insurance Management Corporation, and Does 1 through 500, inclusive, in federal district court in Los Angeles. The suit claims Rivas represents a class of all drivers who, according to the suit, should be classified as employees and are therefore allegedly aggrieved by the practice of Landstar Gemini, Inc. requiring such drivers, as independent contractors, to provide either a worker's compensation certificate or to participate in an occupational accident insurance program. Rivas claims violations of federal leasing regulations for allegedly improperly disclosing the program. Rivas also claims violations of Racketeer Influence and Corrupt Organizations ("RICO") Act and the California Business and Professions Act. He seeks on behalf of himself and the class damages of $15 million trebled by virtue of trebling provisions in the RICO Act plus punitive damages. A motion to dismiss these claims was argued to the court on February 9, 1998. On March 24, 1998, the court granted defendant's motion to dismiss the RICO claim.

The federal court has now held that Rivas may not recover damages for alleged violations of the federal leasing regulations without first proceeding at the Federal Highway Administration. Further, Rivas has now agreed to dismiss his lawsuit and submit his claim to arbitration as provided under the motor vehicle lease agreement. It is anticipated that arbitration will occur during 2000. The Company continues to vigorously contest this action. It believes that the drivers in question are properly classified as independent contractors and it also has other meritorious defenses to the various claims.

The Company is routinely a party to 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 1999.

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.

Calendar Period	1999 Market Price		1998 Market Price	
	High	Low	High	Low
First Quarter	$ 46 7/8	$ 31 11/16	$ 32 1/2	$ 25 1/4
Second Quarter	44 1/2	32 1/4	35 5/32	30 3/4

Third Quarter	42	34 7/8	37 1/4	27
Fourth Quarter	47 5/8	32 3/4	45 5/8	21 1/16

The reported last sale price per share of the Common Stock as quoted through the NASDAQ National Market System on March 20, 2000 was $54.5625 per share. As of such date, Landstar had 9,071,333 shares of Common Stock outstanding. As of March 20, 2000, the Company had 86 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders of record 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.

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 44 of the Company's 1999 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 21 to 27 of the Company's 1999 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 The Chase Manhattan Bank, as the administrative agent, (the "Second Amended and Restated Credit Agreement") that provides $200,000,000 of borrowing capacity, consisting of $150,000,000 revolving credit and $50,000,000 revolving credit to finance acquisitions. Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 25, 1999, the weighted average interest rate on borrowings outstanding was 6.54%. During fiscal 1999, the average outstanding balance under the Second Amended and Restated Credit Agreement was $47,228,000. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of December 25, 1999 was estimated to approximate carrying value.

The Second Amended and Restated Credit Agreement expires on

October 10, 2002. The amounts outstanding on the Second Amended and Restated Credit Agreement are payable upon the expiration of the Second Amended and Restated Credit Agreement.

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 28 through 43 of the Company's 1999 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 11, and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on page 24 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 12 through 20 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

The information required by this Item is set forth under the caption "Security Ownership by Management and Others" on pages 21 through 23 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 page 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.

Part IV

Item 14. - 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 1, 2000, 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 28 through 42 of the Company's 1999 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 42 of this Annual Report on Form 10-K.

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

The response to this portion of Item 14 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) No reports on Form 8-K were filed during the last quarter of fiscal year 1999.

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: Henry H. Gerkens

Henry H. Gerkens
Executive Vice President & Chief Financial Officer

By: Robert C. LaRose

Robert C. LaRose
Vice President Finance & Treasurer

Date: March 22, 2000

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
Jeffrey C. Crowe ------------------- Jeffrey C. Crowe	Chairman of the Board, President & Chief Executive Officer; Principal Executive Officer	March 22, 2000
Henry H. Gerkens ------------------- Henry H. Gerkens	Executive Vice President & Chief Financial Officer; Principal Financial Officer	March 22, 2000
Robert C. LaRose ------------------- Robert C. LaRose	Vice President Finance & Treasurer; Principal Accounting Officer	March 22, 2000

*	Senior Vice President and Director	March 22, 2000
John B. Bowron		
*	Director	March 22, 2000
David G. Bannister		
*	Director	March 22, 2000
Ronald W. Drucker		

*	Director	March 22, 2000
Merritt J. Mott		
*	Director	March 22, 2000
William S. Elston		
*	Director	March 22, 2000
Diana M. Murphy		

*	Attorney In Fact
By: Michael L. Harvey	

EXHIBIT INDEX

Form 10-K for fiscal year ended 12/25/99

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 Stockholders Agreement, dated as of March 12, 1993, among KIA IV, ABSMB and the Company. (Incorporated by reference to Exhibit 4.9 of Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

4.3 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))

4.4 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.

4.5 Second Amended and Restated Credit Agreement, dated October 10, 1997, among LSHI, Landstar, the lenders named therein and The Chase Manhattan Bank as administrative agent (including exhibits and schedules thereto).(Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 27, 1997 (Registration No. 0-21238))

Exhibit No.	Description

4.6 First Amendment, dated October 30, 1998, to the Second Amended and Restated Credit Agreement, dated October 10, 1997, among LSHI, Landstar, the lenders named therein and The Chase Manhattan Bank as administrative agent

4.7 Second Amendment, dated September 8, 1999, to the Second Amended and Restated Credit Agreement, dated as of October 10, 1997

(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+ LSHI Investors' Plan. (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.3 Directors' and Consulting Service Agreement, dated March 27, 1991, between Alex. Brown & Sons Incorporated and the Company. (Incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.4 Management Services Agreement, dated March 27, 1991, between Kelso and the Company. (Incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.5 Irrevocable Guaranty, dated as of March 30, 1992, among the Company, Kelso Insurance Services, Inc., and the American Telephone and

Telegraph Company. (Incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (Registration No. 33-57174))

10.6 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))

10.7+ 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))

10.8+ 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))

10.9+ Key Executive Employment Protection Agreement dated January 30, 1998 between Landstar System, Inc. and certain officers of the Company (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))

Exhibit No.	Description

10.10+ 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))

10.11+ Form of Promissory Note between the Company and certain directors, executive officers and management of the Company.

(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 1999 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
(27)	Financial Data Schedules
27.1*	1999 Financial Data Schedule

____
+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 1, 2000, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 25, 1999 and December 26, 1998, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 25, 1999, December 26, 1998 and December 27, 1997, as contained in the 1999 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 1999. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedules as listed in Item 14 (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.

KPMG LLP

Stamford, Connecticut
February 1, 2000

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. 25, 1999	Dec. 26, 1998
Assets		
Investment in Landstar System Holdings, Inc., net of advances	$106,884	$111,848
Total assets	$106,884	$111,848
Liabilities and Shareholders' Equity		
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,063,974 and 13,041,574 shares	$ 131	130
Additional paid-in capital	65,833	65,198
Retained earnings	170,174	124,237
Cost of 3,909,041 and 2,618,041 shares of common stock in treasury	(127,560)	(76,176)
Notes receivable arising from exercise of stock options	(1,694)	(1,541)
Total shareholders' equity	106,884	111,848
Total liabilities and shareholders' equity	$106,884	$111,848

S-1

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. 25, 1999	Dec. 26, 1998	Dec. 27, 1997
Rental income		$	$ 648
Amortization expense			(626)

Interest expense			(22)
Equity in undistributed earnings of Landstar System Holdings, Inc.	$ 46,018	11,897	24,736
Income taxes	81	5	46
Net income	$ 45,937	$ 11,892	$ 24,690
Earnings per common share	$ 4.60	$ 1.08	$ 1.97
Diluted earnings per share	$ 4.55	$ 1.07	$ 1.96
Average number of shares outstanding:			
Earnings per common share	9,982,000	11,022,000	12,541,000
Diluted earnings per share	10,102,000	11,123,000	12,580,000

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. 25, 1999	Dec. 26, 1998	Dec. 27, 1997
Operating Activities			
Net income	$ 45,937	$ 11,892	$ 24,690
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Amortization of operating property			626
Equity in undistributed earnings of Landstar System Holdings, Inc.	(46,018)	(11,897)	(24,736)

Net Cash Provided (Used) By Operating Activities	(81)	(5)	580
Investing Activities			
Additional investments in and advances from Landstar System Holdings, Inc., net	50,982	51,745	20,384
Net Cash Provided By Investing Activities	50,982	51,745	20,384
Financing Activities			
Principal payments on borrowings under capital lease obligations			(413)
Proceeds from sales of common stock	483	1,489	429
Purchases of common stock	(51,384)	(53,229)	(20,980)
Net Cash Used By Financing Activities	(50,901)	(51,740)	(20,964)
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 25, 1999
(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	$ 6,428	$ 94	$ -	$ (2,520)	$ 4,002
Deducted from other receivables	4,007	1,226	-	(200)	5,033
Deducted from other non-current receivables	303	1,323	-	-	1,626
	$10,738	$ 2,643	$ -	$ (2,720)	$10,661

(A) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 26, 1998
(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(A)	Charged to Other Accounts Describe	Deductions Describe(B)	Balance at End of Period
Allowance for doubtful					

accounts:					
Deducted from trade receivables	$ 5,957	$ 3,238	$ -	$ (2,767)	$ 6,428
Deducted from other receivables	4,009	818	-	(820)	4,007
Deducted from other non-current receivables	58	245	-	-	303
	$10,024	$ 4,301	$ -	$ (3,587)	$10,738

(A) Includes $25 charged to costs and expenses of discontinued operations.

(B) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 27, 1997
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at Beginning of Period	Additions			
Description		Charged to Costs and Expenses(A)	Charged to Other Accounts Describe	Deductions Describe (B)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 6,526	$ 2,284	$ -	$ (2,853)	$ 5,957
Deducted from other receivables	4,390	1,673	-	(2,054)	4,009
Deducted from other non-current receivables	17	41	-	-	58
	$10,933	$ 3,998	$ -	$ (4,907)	$10,024

(A) Includes $234 of recoveries related to discontinued operations.

(B) Write-offs, net of recoveries.

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 25, 1999	Fiscal Years Ended December 26, 1998	Fiscal Years Ended December 27, 1997
Income from continuing operations	$ 45,937	$ 34,481	$ 25,428
Discontinued operations, net of income taxes		(22,589)	(738)
Net income	$ 45,937	$ 11,892	$ 24,690
Average number of common shares outstanding	9,982	11,022	12,541
Earnings per common share:			
Income from continuing operations	$ 4.60	$ 3.13	$ 2.03
Loss from discontinued operations		(2.05)	(0.06)
Earnings per common share	$ 4.60	$ 1.08	$ 1.97

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 25, 1999	December 26, 1998	December 27, 1997
Income from continuing operations	$ 45,937	$ 34,481	$ 25,428
Discontinued operations, net of income taxes		(22,589)	(738)
Net income	$ 45,937	$ 11,892	$ 24,690
Average number of common shares outstanding	9,982	11,022	12,541
Plus: Incremental shares from assumed exercise of stock options	120	101	39
Average number of common shares and incremental shares outstanding	10,102	11,123	12,580
Diluted earnings per share:			
Income from continuing operations	$ 4.55	$ 3.10	$ 2.02
Loss from discontinued operations		(2.03)	(0.06)
Diluted earnings per share	$ 4.55	$ 1.07	$ 1.96

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. In 2000, the Company made a decision to realign the operations of Landstar Gemini, Inc. ("Landstar Gemini"), formerly a wholly-owned subsidiary of Landstar Logistics, Inc. ("Landstar Logistics"), with the operations of the carrier segment. Accordingly, Landstar Gemini is now included as part of the carrier segment and is no longer included in the multimodal segment. All historical segment information included in this Management's Discussion and Analysis of Financial Condition and Results of Operations and footnote 11 - Segment Information in the accompanying consolidated financial statements has been restated to reflect this change.

In addition to Landstar Gemini, the carrier segment consists of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway") and Landstar Ligon, Inc. ("Landstar Ligon"). 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 and dedicated power only truck capacity. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. 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 80% of Landstar's consolidated revenue.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America, Inc. ("Landstar Express America"). Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including 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 18% of Landstar's consolidated revenue.

The insurance segment is comprised of Signature Insurance Company ("Signature"), a wholly-owned offshore insurance subsidiary that was formed in March 1997, and Risk Management Claim Services, Inc. The insurance segment provides risk and claims management services to Landstar's operating companies. 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.

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, 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 historical financial results of this segment have been reported as discontinued operations in the accompanying financial statements.

Purchased transportation represents the amount an independent contractor is paid to haul freight and is primarily based on a contractually agreed-upon percentage of revenue generated by the haul for truck capacity provided by independent contractors. 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 the intermodal services 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. Commissions to agents are primarily based on contractually agreed-upon percentages of revenue at the carrier segment and of gross profit at the multimodal segment. Commissions to agents as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue generated through independent commission sales agents. Both purchased transportation and commissions to agents generally will also increase or decrease as a percentage of the Company's consolidated revenue if there is a change in the percentage of revenue contributed by Signature or by the intermodal services operations or the air freight operations of the multimodal segment.

Trailer 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. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating income.

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 trailers and management information services equipment.

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

	Fiscal Years		
	1999	1998	1997
Revenue	100.0%	100.0%	100.0%
Investment income	0.2	0.1	
Costs and expenses:			
Purchased transportation	73.6	74.0	73.7
Commissions to agents	8.0	7.9	8.1
Other operating costs	2.2	2.1	2.7
Insurance and claims	2.5	3.1	3.5
Selling, general and administrative	7.2	7.4	7.0
Depreciation and amortization	0.8	0.8	0.9
Restructuring costs			0.3
Total costs and expenses	94.3	95.3	96.2
Operating income	5.9	4.8	3.8
Interest and debt expense	0.3	0.3	0.2
Income from continuing operations before income taxes	5.6	4.5	3.6
Income taxes	2.3	1.8	1.5
Income from continuing operations	3.3	2.7	2.1
Discontinued operations, net of income taxes		(1.8)	(0.1)
Net income	3.3%	0.9%	2.0%

FISCAL YEAR ENDED DECEMBER 25, 1999 COMPARED TO FISCAL YEAR ENDED DECEMBER 26, 1998

Revenue for the fiscal year 1999 was $1,388,083,000, an increase of $104,476,000, or 8.1%, over revenue for the 1998 fiscal year. The increase was attributable to higher revenue at the carrier, multimodal and insurance segments of $82,480,000, $20,401,000 and $1,595,000, respectively. Overall, revenue per revenue mile (price) increased approximately 3%, which reflected improved freight quality, and revenue miles (volume) increased approximately 6%. The increase in revenue over the prior year at the insurance segment was attributable to increased independent contractor participation in the insurance programs reinsured by Signature.

Purchased transportation was 73.6% of revenue in 1999 compared with 74.0% in 1998. The decrease in purchased transportation as a percentage of revenue was primarily attributable to

reduced intermodal and air freight revenue which tend to have a higher cost of purchased transportation and increased utilization of company-owned or leased trailers as opposed to those supplied by independent contractors. Commissions to agents were 8.0% of revenue in 1999 compared with 7.9% in 1998 primarily due to an increase in the percentage of revenue generated through independent commission sales agents which reflected the conversion of company-owned sales locations to independent commission sales agent locations.

Other operating costs were 2.2% of revenue in 1999 compared with 2.1% in 1998. The increase in other operating costs as a percentage of revenue was primarily attributable to a higher provision for contractor bad debts, higher net trailer costs and increased contractor recruiting costs, partially offset by a one-time reduction in the cost of fuel taxes which resulted from a favorable fuel tax audit. Insurance and claims were 2.5% of revenue in 1999 compared with 3.1% in 1998 primarily due to the favorable development of prior year claims in 1999. Excluding the effects of the insurance programs available to the Company's independent contractors which Signature reinsures, insurance and claims were 1.8% of revenue in 1999 and 2.2% in 1998. Selling, general and administrative costs were 7.2% of revenue in 1999 and 7.4% in 1998. The decrease in selling, general and administrative costs as a percentage of revenue was due to the effect of the increase in revenue, a decrease in the provision for customer bad debts and one-time costs of $560,000 attributable to the relocation in 1998 of Landstar Express America from Charlotte, North Carolina to Jacksonville, Florida, partially offset by increased wages and benefits, increased information services costs and a higher provision for bonuses under the Company's incentive compensation plan.

Interest and debt expense was 0.3% of revenue in 1999 and 1998.

The provisions for income taxes from continuing operations for the 1999 and 1998 fiscal years were based on an effective income tax rate of 40.5%, 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. At December 25, 1999, the valuation allowance of $658,000 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 $630,000 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.

Net income was $45,937,000, or $4.60 per common share, in 1999 compared with income from continuing operations of $34,481,000, or $3.13 per common share, in 1998. Including the dilutive effect of the Company's stock options, diluted earnings per share was $4.55 in 1999 and diluted earnings per share from continuing operations was $3.10 in 1998.

The loss from discontinued operations of $22,589,000, or $2.05 per common share ($2.03 diluted loss per share), in 1998 included a loss on sale of

$21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000.

Net income was $11,892,000, or $1.08 per common share, in 1998. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.07 in 1998.

FISCAL YEAR ENDED DECEMBER 26, 1998 COMPARED TO FISCAL YEAR ENDED DECEMBER 27, 1997

Revenue for the fiscal year 1998 was $1,283,607,000, an increase of $64,296,000, or 5.3%, over revenue for the 1997 fiscal year. The increase was attributable to higher revenue at the carrier, multimodal and insurance segments of $31,793,000, $27,262,000 and $5,241,000, respectively. Overall, revenue per revenue mile increased approximately 3%, which reflected improved freight quality, and revenue miles increased approximately 1%. The increase in revenue over the prior year at the insurance segment was primarily attributable to the establishment of Signature in March 1997.

Purchased transportation was 74.0% of revenue in 1998 compared with 73.7% in 1997. Other operating costs were 2.1% of revenue in 1998 compared with 2.7% in 1997. The increase in purchased transportation and decrease in other operating costs as a percentage of revenue was primarily attributable to the elimination of company-owned tractors as part of the Landstar T.L.C., Inc. ("Landstar T.L.C.") restructuring. Commissions to agents were 7.9% of revenue in 1998 compared with 8.1% in 1997 primarily due to a decrease in the percentage of revenue contributed by the intermodal services operations of the multimodal segment and increased premium revenue at the insurance segment. Insurance and claims were 3.1% of revenue in 1998 compared with 3.5% in 1997 primarily due to the favorable development of prior year claims in 1998 and favorable frequency and severity of accidents. Excluding the effects of the insurance programs available to the Company's independent contractors which Signature reinsures, insurance and claims were 2.2% of revenue in 1998 and 2.7% in 1997. Selling, general and administrative costs were 7.4% of revenue in 1998 and 7.0% in 1997. The increase in selling, general and administrative costs as a percentage of revenue was due to a higher provision for bonuses under the Company's incentive compensation plan, increased management information services costs, an increased provision for customer bad debts and one-time costs of $560,000 attributable to the relocation of Landstar Express America from Charlotte, North Carolina to Jacksonville, Florida.

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C. operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in 1997. Accordingly, the Company recorded $3,247,000 of restructuring costs during the 1997 period. The restructuring was completed during 1997.

Interest and debt expense was 0.3% of revenue in 1998 and 0.2% in 1997. This increase was primarily attributable to the effect of higher average borrowings on the senior credit facility, which were used to finance a portion of the Company's stock repurchase program, partially offset by reduced capital lease obligations.

The provisions for income taxes from continuing operations for the 1998 and 1997 fiscal years were based on effective income tax rates of approximately 40.5% and 41.7%, respectively, which are 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. At December 26, 1998, the valuation allowance of $658,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill were reduced by $52,000 for state operating loss carryforwards utilized in 1998.

Income from continuing operations was $34,481,000, or $3.13 per common share, in 1998 compared with $25,428,000, or $2.03 per common share, in 1997. Including the dilutive effect of the Company's stock options, diluted earnings per share from continuing operations was $3.10 in 1998 and $2.02 in 1997. Excluding restructuring costs, income from continuing operations for 1997 would have been $27,321,000, or $2.18 per common share ($2.17 diluted earnings per share).

The loss from discontinued operations of $22,589,000, or $2.05 per common share ($2.03 diluted loss per share), in 1998, included a loss on sale of $21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000. The loss from discontinued operations for 1997 was $738,000, net of income tax benefits of $310,000, or $0.06 per common share ($0.06 diluted loss per share).

Net income was $11,892,000, or $1.08 per common share, in 1998 compared with $24,690,000, or $1.97 per common share, in the prior year. Including the dilutive effect of the Company's stock options, diluted earnings per share was $1.07 in 1998 and $1.96 in 1997.

CAPITAL RESOURCES AND LIQUIDITY

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. At December 25, 1999, Landstar had commitments for letters of credit outstanding in the amount of $22,229,000, primarily as collateral for estimated insurance claims, $12,480,000 of which were supported by the Second Amended and Restated Credit Agreement and $9,749,000 secured by assets deposited with a financial institution. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 25, 1999, the margin was equal to 32/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 25, 1999, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 25, 1999, the weighted average interest rate on borrowings outstanding under the Second Amended and Restated Credit Agreement was 6.54%.

The Second 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 Second 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 Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by $15,467,000 at December 25, 1999.

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

Borrowings under the Second 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 Second Amended and Restated Credit Agreement.

Shareholders' equity was $106,884,000, or 61% of total capitalization, at December 25, 1999, compared with $111,848,000, or 76% of total capitalization, at December 26, 1998. The reduction in shareholders' equity was primarily a result of the purchase of 1,291,000 shares of the Company's common stock at a total cost of $51,384,000, partially offset by fiscal year's 1999 net income. As of December 25, 1999, the Company may purchase an additional 864,000 shares of its common stock under its current authorized stock repurchase program. Long-term debt including current maturities was $67,298,000 at December 25, 1999, $32,858,000 higher than at December 26, 1998, primarily as a result of financing the stock repurchase program with borrowings under the Second Amended and Restated Credit Agreement. Working capital and the ratio of current assets to current liabilities were $81,589,000 and 1.48 to 1, respectively, at December 25, 1999, compared with $75,670,000 and 1.53 to 1, respectively, at December 26, 1998. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities from continuing operations was $43,392,000 in 1999 compared with $53,363,000 in 1998. The decrease in cash provided by operating activities is attributable

to an increase in trade accounts receivable which resulted from the increase in revenue during the 1999 fourth quarter. During the 1999 fiscal year, Landstar purchased $12,716,000 of operating property and acquired $17,445,000 of revenue equipment by entering into capital leases. Landstar anticipates it will acquire approximately $26,000,000 of operating property during fiscal year 2000 either by purchase or by lease financing.

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes that adequate provisions have been made for probable losses with respect to the resolution of all 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.

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of the union sponsored plans' unfunded benefit obligation. However, management believes that the liability, if any, for withdrawal from any or all of these plans would not have a material adverse effect on the financial condition of Landstar, but could have a material adverse effect on the results of operations in a given quarter or year.

The Company did not experience any disruptions in its operations as a result of the year changing to 2000. The vast majority of the changes necessary to make the Company's information technology systems year 2000 compliant were incurred as part of ongoing system development or as part of a company-wide strategy to standardize computer systems. As such, management has not separately quantified the cost of year 2000 compliance. However, management estimates the total cost of third party assistance for year 2000 compliance approximated $700,000.

Management believes that cash flow from operations combined with its borrowing capacity under the Second Amended and Restated Credit Agreement will be adequate to meet Landstar's debt service requirements, fund continued growth, both internal and through acquisitions, complete 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.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Investments and Hedging Activities." This Statement, effective for fiscal years beginning after June 15, 2000, establishes standards for reporting and display of derivative investments and for hedging activities. Management believes that upon adoption of this Statement, Landstar's financial statements will not be affected, considering the nature of the transactions the Company routinely enters into.

FORWARD-LOOKING STATEMENTS

The Company has included various statements in Management's Discussion and Analysis of Financial Condition and Results of Operations which may be considered as forward-looking statements of expected future results of operations or events. Such statements, based upon management's interpretation of currently available information, are subject to risks and uncertainties that could cause future financial results or events to differ materially from those which are presented. Such risks and factors which are outside of the Company's control include general economic conditions, competition in the transportation industry, governmental regulation, the Company's ability to recruit and retain qualified independent contractors, fuel prices and adverse weather conditions.

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 due to reduced shipments and higher operating costs in the winter months.

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

	December 25, 1999	December 26, 1998
ASSETS		
Current assets:		
Cash	$ 23,721	$ 26,681
Short-term investments	1,000	
Trade accounts receivable, less allowance of $4,002 and $6,428	207,024	172,471
Other receivables, including advances to independent contractors, less allowance of $5,033 and $4,007	14,318	13,980
Prepaid expenses and other current assets	6,190	5,428
Total current assets	252,253	218,560
Operating property, less accumulated depreciation and amortization of $34,283 and $29,603	63,797	46,958
Goodwill, less accumulated amortization of $7,777 and $6,561	33,733	34,949
Deferred income taxes and other assets	15,658	13,198
Total assets	$365,441	$313,665
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 19,471	$ 14,746
Accounts payable	67,322	50,624
Current maturities of long-term debt	6,769	4,708
Insurance claims	27,207	29,873
Accrued compensation	12,113	9,881
Other current liabilities	37,782	33,058
Total current liabilities	170,664	142,890
Long-term debt, excluding current maturities	60,529	29,732
Insurance claims	27,364	29,195
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000		

shares, issued 13,063,974 and 13,041,574 shares	131	130
Additional paid-in capital	65,833	65,198
Retained earnings	170,174	124,237
Cost of 3,909,041 and 2,618,041 shares of common stock in treasury	(127,560)	(76,176)
Notes receivable arising from exercise of stock options	(1,694)	(1,541)
Total shareholders' equity	106,884	111,848
Total liabilities and shareholders' equity	$365,441	$313,665

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 25, 1999	December 26, 1998	December 27, 1997
Revenue	$ 1,388,083	$ 1,283,607	$ 1,219,311
Investment income	2,502	1,689	
Costs and expenses:			
Purchased transportation	1,022,203	950,343	898,746
Commissions to agents	111,666	101,409	98,425
Other operating costs	30,000	27,516	32,747
Insurance and claims	34,064	39,388	42,885
Selling, general and administrative	99,240	95,028	85,586
Depreciation and amortization	11,698	10,158	11,354
Restructuring costs			3,247
Total costs and expenses	1,308,871	1,223,842	1,172,990
Operating income	81,714	61,454	46,321
Interest and debt expense	4,509	3,503	2,705
Income from continuing operations before income taxes	77,205	57,951	43,616
Income taxes	31,268	23,470	18,188
Income from continuing operations	45,937	34,481	25,428
Discontinued operations, net of income taxes		(22,589)	(738)
Net income	$ 45,937	$ 11,892	$ 24,690
Earnings per common share:			
Income from continuing operations	$ 4.60	$ 3.13	$ 2.03
Loss from discontinued operations		(2.05)	(0.06)
Earnings per common share	$ 4.60	$ 1.08	$ 1.97
Diluted earnings per share:			
Income from continuing operations	$ 4.55	$ 3.10	$ 2.02
Loss from discontinued operations		(2.03)	(0.06)
Diluted earnings per share	$ 4.55	$ 1.07	$ 1.96
Average number of shares outstanding:			
Earnings per common share	9,982,000	11,022,000	12,541,000
Diluted earnings per share	10,102,000	11,123,000	12,580,000

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Fiscal Years Ended December 25, 1999	December 26, 1998	December 27, 1997
OPERATING ACTIVITIES OF CONTINUING OPERATIONS			
Net income	$ 45,937	$ 11,892	$ 24,690
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Discontinued operations		22,589	738
Depreciation and amortization of operating property	10,482	8,892	9,737
Amortization of goodwill and non-competition agreements	1,216	1,266	1,617
Non-cash interest charges	324	324	264
Provisions for losses on trade and other receivables	2,643	4,276	4,232
Losses (gains) on sales of operating property	708	(253)	(600)
Deferred income taxes, net	1,788	(423)	5,670
Non-cash charge in lieu of income taxes		52	106
Changes in operating assets and liabilities, net of discontinued operations:			
Increase in trade and other accounts receivable	(37,534)	(7,167)	(13,672)
Increase in prepaid expenses and other assets	(1,329)	(2,066)	(195)
Increase in accounts payable	16,698	2,482	11,978
Increase (decrease) in insurance claims	(4,497)	4,531	8,492
Increase in other liabilities	6,956	6,968	5,423
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	43,392	53,363	58,480
INVESTING ACTIVITIES			
Purchases of investments	(5,005)		(4,799)
Maturities of short-term investments		3,012	1,787
Purchases of operating property	(12,716)	(7,185)	(8,944)
Proceeds from sales of operating property	2,132	2,716	13,373
Proceeds from sale of discontinued operations		40,435	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(15,589)	38,978	1,417
FINANCING ACTIVITIES OF CONTINUING OPERATIONS			
Increase (decrease) in cash overdraft	4,725	2,598	(483)
Borrowings on revolving credit facility	21,500	15,000	
Principal payments on long-term debt and capital lease obligations	(6,087)	(23,040)	(29,338)
Proceeds from exercise of stock options and related income tax benefit	483	1,489	429
Purchases of common stock	(51,384)	(53,229)	(20,980)
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(30,763)	(57,182)	(50,372)
NET CASH PROVIDED (USED) BY DISCONTINUED OPERATIONS		(26,472)	4,282
Increase (decrease) in cash	(2,960)	8,687	13,807
Cash at beginning of period	26,681	17,994	4,187
Cash at end of period	$ 23,721	$ 26,681	$ 17,994

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 25, 1999, December 26, 1998 and December 27, 1997 (Dollars in thousands)

	Common Stock		Additional		Treasury Stock at Cost		Notes Receivable Arising from	
	Shares	Amount	Paid-In Capital	Retained Earnings	Shares	Amount	Exercise of Stock Options	Total
Balance December 28, 1996	12,882,874	$ 129	$61,740	$ 87,655	94,041	$ (1,967)		$147,557
Net income				24,690				24,690

Purchases of common stock					821,400	(20,980)		(20,980)
Exercises of stock options and related income tax benefit	18,100		429					429
Balance December 27, 1997	12,900,974	129	62,169	112,345	915,441	(22,947)		151,696
Net income				11,892				11,892
Purchases of common stock					1,702,600	(53,229)		(53,229)
Exercises of stock options and related income tax benefit	140,600	1	3,029				$ (1,541)	1,489
Balance December 26, 1998	13,041,574	130	65,198	124,237	2,618,041	(76,176)	(1,541)	111,848
Net income				45,937				45,937
Purchases of common stock					1,291,000	(51,384)		(51,384)
Exercises of stock options and related income tax benefit	22,400	1	635				(153)	483
Balance December 25, 1999	13,063,974	$ 131	$65,833	$170,174	3,909,041	$(127,560)	$ (1,694)	$106,884

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.

Insurance Claim Costs
Landstar provides, 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 up to $1,000,000 for each individual property, casualty and general liability claim, $500,000 for each workers' compensation claim and $250,000 for each cargo claim.

Tires
Tires and tubes purchased as part of trailers are capitalized as part of the cost of the equipment. Replacement tires and tubes 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 three years and are carried at amortized cost, which approximates fair value. Short-term investments represent the current portion of these bonds and the $4,002,000 non-current portion is included in other assets.

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. Trailers are being depreciated over 7 years.

Goodwill
Goodwill represents the excess of purchase cost over the estimated fair value of net assets acquired. It is being amortized on a straight-line basis over periods of twenty and forty years. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining useful life can be recovered through projected undiscounted future operating cash flows. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's current average cost of funds.

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
Compensation cost for the Company's stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the stock option.

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) Discontinued Operations

On August 22, 1998, Landstar Poole, Inc. ("Landstar Poole"), a wholly-owned subsidiary of Landstar which comprised the entire company-owned tractor segment, 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 in the accompanying financial statements.

The loss from discontinued operations of $22,589,000 in 1998, included a loss on sale of $21,489,000, net of income tax benefits of $2,511,000, and a loss from operations of $1,100,000, net of income tax benefits of $597,000. The loss from discontinued operations for 1997 was $738,000, net of income tax benefits of $310,000. Certain liabilities of the company-owned tractor segment were retained by Landstar, primarily insurance claims, capital lease obligations and accounts payable.

The company-owned tractor segment had revenue of $58,715,000 and $93,393,000 for 1998 and 1997, respectively.

(3) Restructuring Costs

On December 18, 1996, the Company announced a plan to restructure its Landstar T.L.C., Inc. ("Landstar T.L.C.") operations, in addition to the relocation of its Shelton, Connecticut corporate office headquarters to Jacksonville, Florida in the second quarter of 1997.

The plan to restructure Landstar T.L.C. included the merger of the operations of Landstar T.L.C. into Landstar Inway, Inc., the closing of the Landstar T.L.C. headquarters in St. Clair, Missouri and the disposal of all of Landstar T.L.C.'s company-owned tractors.

During the first half of 1997, the Company recorded $3,247,000 of restructuring costs, which included $1,647,000 for office and employee relocation and $1,600,000 of other costs. After deducting related income tax

benefits of $1,354,000, the restructuring charge reduced net income by $1,893,000, or $0.15 per common share, in 1997. The restructuring was completed during 1997.

(4) Income Taxes

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

	Fiscal Years		
	1999	1998	1997

Current:			
Federal	$24,931	$21,185	$10,375
State	4,549	2,656	2,037
	29,480	23,841	12,412
Deferred:			
Federal	1,019	(1,268)	4,465
State	769	845	1,205
	1,788	(423)	5,670
Non-cash charge in lieu of income taxes		52	106
Income taxes	$31,268	$23,470	$18,188

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

	Dec. 25, 1999	Dec. 26, 1998
Deferred tax assets:		
Receivable valuations	$ 3,759	$ 3,263
Deferred state income tax benefits	1,665	1,396
State net operating loss carryforwards	1,439	1,536
Self insured claims	8,044	10,383
Other	3,281	2,025
	18,188	18,603
Valuation allowance	(658)	(658)
	$ 17,530	$ 17,945
Deferred tax liabilities:		
Operating property	$ 7,321	$ 6,296
All other	6,174	5,826
	$ 13,495	$ 12,122

The loss from discontinued operations included a deferred tax benefit of $7,604,000 in 1998.

At December 25, 1999, the valuation allowance of $658,000 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 $630,000 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 from continuing operations before income taxes and the provisions for income taxes (in thousands):

	Fiscal Years		
	1999	1998	1997

Income taxes at federal income tax rate	$27,022	$20,283	$15,266
State income taxes, net of federal income tax benefit	3,457	2,309	2,176
Amortization of goodwill	258	258	258
Meals and entertainment exclusion	472	470	425
Other, net	59	150	63
Income taxes	$31,268	$23,470	$18,188

Landstar paid income taxes of $28,659,000 in 1999, $26,110,000 in 1998 and $10,184,000 in 1997.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 25, 1999	Dec. 26, 1998
Land	$ 2,280	$ 2,280
Leasehold improvements	5,817	95
Buildings and improvements	8,638	9,589
Trailers	56,966	43,522
Other equipment	24,379	21,075
	98,080	76,561
Less accumulated depreciation and amortization	34,283	29,603
	$ 63,797	$ 46,958

Included above is $50,899,000 in 1999 and $35,438,000 in 1998 of operating property under capital leases, $35,153,000 and $22,513,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering

into capital leases in the amount of $17,445,000 and $12,902,000 in 1999 and 1998, respectively.

(6) Pension 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 16% 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. In addition, one subsidiary, Landstar Ranger, Inc. ("Landstar Ranger"), makes contributions in accordance with a negotiated labor contract (generally based on the number of weeks worked) to union sponsored multi-employer defined benefit pension plans for the benefit of approximately 200 union drivers.

Landstar Ranger is subject to the Multi Employer Pension Plan Amendments Act of 1980 ("MEPPA"), which could require Landstar Ranger, in the event of withdrawal, to fund its proportionate share of these union sponsored plans' unfunded benefit obligation. Management believes that the liability, if any, for withdrawal from any or all of these plans would 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.

The expense from continuing operations for the Company sponsored defined contribution plan and for union sponsored plans was $1,082,000 and $1,351,000 in 1999, respectively, $624,000 and $1,265,000 in 1998, respectively and $660,000 and $1,193,000 in 1997, respectively.

(7) Debt

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

	Dec. 25, 1999	Dec. 26, 1998
Capital leases	$27,298	$15,940
Working Capital Facility	21,500	
Acquisition Facility	18,500	18,500
	67,298	34,440
Less current maturities	6,769	4,708
Total long-term debt	$60,529	$29,732

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second 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 The Chase Manhattan 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 The Chase Manhattan 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 Second Amended and Restated Credit Agreement. As of December 25, 1999, the margin was equal to 32/100 of 1%. The unused portion of the Second 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 25, 1999, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.100%. At December 25, 1999, the weighted average interest rate on borrowings outstanding under the Second Amended and Restated Credit Agreement was 6.54%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Second Amended and Restated Credit Agreement was estimated to approximate carrying value.

The Second 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 Second 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 Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by approximately $15,467,000 at December 25, 1999.

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

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

The amounts outstanding on both the Working Capital Facility and the Acquisition Facility are payable upon the expiration of the Second Amended and Restated Credit Agreement. There are no other installments of long-term debt, excluding capital lease obligations, maturing in the next five years.

Landstar paid interest of $4,484,000 in 1999, $4,159,000 in 1998 and $5,476,000 in 1997. Included in interest paid is $695,000 and $1,936,000 in 1998 and 1997, respectively, related to discontinued operations.

(8) Leases

The future minimum lease payments under all noncancelable leases at December 25, 1999, principally for trailers and the Company's headquarters facility in Jacksonville, Florida, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
2000	$ 8,370	$ 3,162
2001	7,720	2,532
2002	7,117	2,177
2003	5,691	1,742
2004	2,300	1,680
Thereafter		19,069
	31,198	$ 30,362
Less amount representing interest (5.9% to 7.4%)	3,900	
Present value of minimum lease payments	$27,298	

Total rent expense from continuing operations, net of sublease income, was $19,322,000 in 1999, $20,548,000 in 1998 and $21,022,000 in 1997.

(9) Stock Option Plans

The Company maintains two stock option plans. Under the 1993 Stock Option Plan, as amended, (the "Plan"), the Compensation Committee of the Board of Directors may grant options to Company employees for up to 1,115,000 shares of common stock. Under the 1994 Directors Stock Option Plan (the "DSOP"), outside members of the Board of Directors will be granted up to an aggregate of 120,000 options to purchase common stock. Under the DSOP, as amended, each outside Director will be granted 9,000 options to purchase common stock upon election or re-election to the Board of Directors.

Options granted become exercisable in five equal annual installments under the Plan and three equal annual installments under the DSOP, 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 plans, the exercise price of each option equals the market price of the Company's stock on the date of grant. At December 25, 1999, there were 1,042,700 shares of the Company's 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 28, 1996	512,900	$ 24.77	201,000	$ 23.10
Granted	23,500	$ 26.38		
Exercised	(18,100)	$ 19.89		
Forfeited	(36,800)	$ 24.95		
Options at December 27, 1997	481,500	$ 25.01	276,800	$ 23.90
Granted	219,300	$ 35.02		
Exercised	(140,600)	$ 20.66		
Forfeited	(39,900)	$ 27.36		
Options at December 26, 1998	520,300	$ 30.25	203,900	$ 26.40
Granted	71,600	$ 36.33		
Exercised	(22,400)	$ 19.88		
Forfeited	(300)	$ 25.50		
Options at December 25, 1999	569,200	$ 31.42	286,520	$ 28.53

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 1999, 1998 and 1997: risk free interest rate of 6.0% in 1999, 5.0% in 1998 and 6.0% in 1997, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 38% in 1999, 40% in 1998 and 37% in 1997. The weighted average grant date fair value of stock options granted was $15.71, $15.02 and $11.23 per share in 1999, 1998 and 1997, respectively.

The following table summarizes stock options outstanding at December 25, 1999:

	Options Outstanding		
Range of Exercise Prices Per Share	Number Outstanding Dec. 25, 1999	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share
$22.531 - $33.800	370,500	6.3	$ 27.89

$33.801 - $40.500	198,700	9.0	$ 38.01
$22.531 - $40.500	569,200	7.3	$ 31.42

Range of Exercise Prices Per Share	Options Exercisable Number Exercisable Dec. 25, 1999	Weighted Average Exercise Price Per Share
$22.531 - $33.800	261,100	$ 27.51
$33.801 - $38.953	25,420	$ 38.95
$22.531 - $38.953	286,520	$ 28.53

The Company accounts for its stock option plans using the intrinsic value method as prescribed in Accounting Principal Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation cost for the Company's stock option plans been determined using the fair value at grant date method as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the effect on net income and earnings per common share for the fiscal year would have been $966,000, or $0.10 per common share, in 1999, $484,000, or $0.04 per common share, in 1998 and $378,000, or $0.03 per common share, in 1997.

(10) Shareholders' Equity

During 1999, Landstar purchased 1,291,000 shares of its common stock at a total cost of $51,384,000 pursuant to previously announced stock repurchase programs. As of December 25, 1999, Landstar may purchase an additional 864,000 shares of its common stock under its current authorized stock repurchase program.

During 1998, the Company established an employee stock option loan program. Under the terms of the program, the Company will provide 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 1999 and 1998, $384,000 and $1,541,000 of such loans were issued, respectively.

The Company has 2,000,000 shares of preferred stock authorized and unissued. Under the terms of a Shareholder Rights Agreement (the "Agreement"), a preferred stock purchase right (the "Right") accompanies each outstanding share of common stock. Each Right entitles the holder to purchase from the Company one one-hundredth of a share of preferred stock at an exercise price of $60. Within the time limits and under the circumstances specified in the Agreement, the Rights entitle the holder to acquire shares of common stock in the Company, or the surviving Company in a business combination, having a value of two times the exercise price. The Rights may be redeemed prior to becoming exercisable by action of the Board of Directors at a redemption price of $.01 per Right. The Rights expire February 10, 2003. Until a Right is exercised, it has no rights including, without limitation, the right to vote or to receive dividends.

(11) Segment Information

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. In 2000, the Company made a decision to realign the operations of Landstar Gemini, Inc. ("Landstar Gemini"), formerly a wholly-owned subsidiary of Landstar Logistics, Inc. ("Landstar Logistics"), with the operations of the carrier segment. Accordingly, Landstar Gemini is now included as part of the carrier segment and is no longer included in the multimodal segment. All segment information included herein has been restated to reflect this change.

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 and dedicated power only truck capacity. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including 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 companies. 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. Signature Insurance Company, which comprises the majority of the insurance segment, began operations in March 1997.

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.

Inter-segment 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. Inter-segment revenue between the insurance segment and the carrier and multimodal segments is calculated at the beginning of each fiscal period based on an actuarial calculation of historical loss experience and is believed to approximate the cost that would have been incurred had similar insurance been obtained from an unrelated third party.

No single customer accounts for more than 10% of consolidated revenue. However, during 1999 approximately 15% 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 25, 1999, December 26, 1998 and December 27, 1997 (in thousands):

1999

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$1,111,912	$ 250,395	$ 25,776		$1,388,083
Internal revenue	35,194	196	21,790		57,180
Investment income			2,502		2,502
Interest and debt expense				$ 4,509	4,509
Depreciation and amortization	7,107	982		3,609	11,698
Operating income	86,282	7,949	27,141	(39,658)	81,714
Expenditures on long-lived assets	374	137		12,205	12,716
Capital lease additions	17,445				17,445
Total assets	251,922	57,337	28,180	28,002	365,441

1998

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$1,029,432	$ 229,994	$ 24,181		$1,283,607
Internal revenue	38,302	169	20,716		59,187
Investment income			1,689		1,689
Interest and debt expense				$ 3,503	3,503
Depreciation and amortization	6,072	1,064		3,022	10,158
Operating income	69,401	6,407	19,479	(33,833)	61,454
Expenditures on long-lived assets	2,240	717		4,228	7,185
Capital lease additions	12,902				12,902
Total assets	210,200	55,207	24,179	24,079	313,665

1997

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 997,639	$ 202,732	$ 18,940		$1,219,311
Internal revenue	39,530	610	15,452		55,592
Interest income			468		468
Interest and debt expense				$ 3,173	3,173
Depreciation and amortization	6,473	1,146		3,735	11,354
Restructuring costs	1,355	43		1,849	3,247
Operating income	63,172	4,463	7,863	(29,177)	46,321
Expenditures on long-lived assets	6,314	629		2,001	8,944
Total assets	204,974	51,224	22,101	78,880	357,179

Included in total assets in the other segment at December 27, 1997 are assets of $68,791,000 from the discontinued company-owned tractor segment.

(12) Commitments and Contingencies

At December 25, 1999, Landstar had commitments for letters of credit outstanding in the amount of $22,229,000, primarily as collateral for estimated insurance claims, $12,480,000 of which were supported by the Second Amended and Restated Credit Agreement and $9,749,000 secured by assets deposited with a financial institution.

Landstar is involved in certain 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 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 25, 1999 and December 26, 1998, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 25, 1999, December 26, 1998 and December 27, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 25, 1999 and December 26, 1998, and the results of their operations and their cash flows for the fiscal years ended December 25, 1999, December 26, 1998 and December 27, 1997 in conformity with generally accepted accounting principles.

KPMG LLP

Stamford, Connecticut
February 1, 2000

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

	Fourth Quarter 1999	Third Quarter 1999	Second Quarter 1999	First Quarter 1999
Revenue	$ 380,124	$ 351,460	$ 345,064	$ 311,435
Operating income	$ 27,800	$ 21,616	$ 18,995	$ 13,303
Income before income taxes	$ 26,272	$ 20,295	$ 18,074	$ 12,564
Income taxes	10,639	8,221	7,319	5,089
Net income	$ 15,633	$ 12,074	$ 10,755	$ 7,475
Earnings per common share (1)	$ 1.65	$ 1.21	$ 1.06	$ 0.72
Diluted earnings per share (1)	$ 1.63	$ 1.20	$ 1.05	$ 0.71

	Fourth Quarter 1998	Third Quarter 1998	Second Quarter 1998	First Quarter 1998
Revenue	$ 333,865	$ 324,033	$ 327,525	$ 298,184
Operating income	$ 19,954	$ 16,516	$ 16,047	$ 8,937
Income from continuing operations before income taxes	$ 19,035	$ 15,528	$ 15,104	$ 8,284
Income taxes	7,709	6,289	6,117	3,355
Income from continuing operations	11,326	9,239	8,987	4,929
Discontinued operations, net of income taxes			(22,152)	(437)
Net income (loss)	$ 11,326	$ 9,239	$ (13,165)	$ 4,492
Earnings (loss) per common share: (1)				
Income from continuing operations	$ 1.09	$ 0.86	$ 0.80	$ 0.42
Loss from discontinued operations			(1.97)	(0.04)
Earnings (loss) per common share	$ 1.09	$ 0.86	$ (1.17)	$ 0.38
Diluted earnings (loss) per share: (1)				
Income from continuing operations	$ 1.07	$ 0.85	$ 0.79	$ 0.42
Loss from discontinued operations			(1.95)	(0.04)
Diluted earnings (loss) per share	$ 1.07	$ 0.85	$ (1.16)	$ 0.38

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

SELECTED CONSOLIDATED FINANCIAL DATA
(Dollars in thousands, except per share amounts)

	Fiscal Years				
	1999	1998	1997	1996	1995
Income Statement Data:					
Revenue	$1,388,083	$1,283,607	$1,219,311	$1,129,856	$1,054,648
Investment income	2,502	1,689			
Costs and expenses:					
Purchased transportation	1,022,203	950,343	898,746	826,822	773,300
Commissions to agents	111,666	101,409	98,425	84,768	73,095
Other operating costs	30,000	27,516	32,747	51,385	43,369
Insurance and claims	34,064	39,388	42,885	29,774	26,722
Selling, general and administrative	99,240	95,028	85,586	79,002	81,448
Depreciation and amortization	11,698	10,158	11,354	13,814	11,287
Restructuring costs			3,247	5,937	
Total costs and expenses	1,308,871	1,223,842	1,172,990	1,091,502	1,009,221
Operating income	81,714	61,454	46,321	38,354	45,427
Interest and debt expense	4,509	3,503	2,705	5,032	5,166
Income from continuing operations before income taxes	77,205	57,951	43,616	33,322	40,261
Income taxes	31,268	23,470	18,188	13,675	16,489
Income from continuing operations	45,937	34,481	25,428(1)	19,647(2)	23,772
Discontinued operations, net of income taxes		(22,589)	(738)	(722)	1,190
Net income	$ 45,937	$ 11,892	$ 24,690	$ 18,925	$ 24,962
Earnings per common share:					
Income from continuing operations	$ 4.60	$ 3.13	$ 2.03(1)	$ 1.54(2)	$ 1.86
Income (loss) from discontinued operations		(2.05)	(0.06)	(0.06)	0.09
Earnings per common share	$ 4.60	$ 1.08	$ 1.97	$ 1.48	$ 1.95
Diluted earnings per share:					
Income from continuing operations	$ 4.55	$ 3.10	$ 2.02(1)	$ 1.53(2)	$ 1.85
Income (loss) from discontinued operations		(2.03)	(0.06)	(0.06)	0.09
Diluted earnings per share	$ 4.55	$ 1.07	$ 1.96	$ 1.47	$ 1.94

	Dec. 25, 1999	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996	Dec. 30, 1995

Balance Sheet Data:					
Total assets	$ 365,441	$ 313,665	$ 357,179	$ 370,801	$ 353,079
Long-term debt, including current maturities	67,298	34,440	50,446	90,396	93,867
Shareholders' equity	106,884	111,848	151,696	147,557	128,396

(1) After deducting related income tax benefits of $1,354, the restructuring costs reduced income from continuing operations by $1,893, or $0.15 per common share ($0.15 per diluted share).

(2) After deducting related income tax benefits of $2,434, the restructuring costs reduced income from continuing operations by $3,503, or $0.27 per common share ($0.27 per diluted share).

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.	Delaware	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 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 Contractor Financing, Inc.	Delaware	100
Landstar Gemini, Inc. Also d/b/a Gemini Transportation Services of	Delaware	100

Greensburg, PA in Ontario and New Jersey
Also d/b/a GTSI Transportation Services in Ontario

Landstar Capacity Services, Inc.	Delaware	100
Signature Insurance Company	Cayman Islands, BWI	100
Signature Technology Services, Inc.	Delaware	100
Subsidiary of Landstar Gemini, Landstar Inway, Landstar Ligon, Landstar Poole 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 1, 2000, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 25, 1999 and December 26, 1998, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 25, 1999, December 26, 1998, and December 27, 1997, and all related schedules, which reports appear in or are incorporated by reference in the December 25, 1999 annual report on Form 10-K of Landstar System, Inc.

KPMG LLP

Stamford, Connecticut
March 22, 2000

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

David G. Bannister

David G. Bannister

DATED: March 17, 2000

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

John B. Bowron

John B. Bowron

DATED: March 17, 2000

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

Ronald W. Drucker

Ronald W. Drucker

DATED: March 17, 2000

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

William S. Elston

William S. Elston

DATED: March 17, 2000

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

Diana M. Murphy

Diana M. Murphy

DATED: March 17, 2000

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/25/99

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, 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 25, 1999, 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.

Merritt J. Mott

Merritt J. Mott

DATED: March 17, 2000

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Consolidated Balance Sheets at December 25, 1999 and the Consolidated Statements of Income for the fiscal year ended December 25, 1999 and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	OTHER
<FISCAL-YEAR-END>	DEC-25-1999
<PERIOD-START>	DEC-26-1998
<PERIOD-END>	DEC-25-1999
<CASH>	23,721
<SECURITIES>	1,000
<RECEIVABLES>	211,026
<ALLOWANCES>	4,002
<INVENTORY>	0
<CURRENT-ASSETS>	252,253
<PP&E>	98,080
<DEPRECIATION>	34,283
<TOTAL-ASSETS>	365,441
<CURRENT-LIABILITIES>	170,664
<BONDS>	60,529
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	131
<OTHER-SE>	106,753
<TOTAL-LIABILITY-AND-EQUITY>	365,441
<SALES>	0
<TOTAL-REVENUES>	1,388,083
<CGS>	0
<TOTAL-COSTS>	1,052,203
<OTHER-EXPENSES>	34,064
<LOSS-PROVISION>	2,643
<INTEREST-EXPENSE>	4,509
<INCOME-PRETAX>	77,205
<INCOME-TAX>	31,268
<INCOME-CONTINUING>	45,937
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	45,937
<EPS-BASIC>	4.60
<EPS-DILUTED>	4.55