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 29, 2001

or

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

For the transition period from __________ to __________

Commission File Number: 0-21238

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

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

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

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

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

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

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

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

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

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2001 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 15, 2002 was 8,105,753; and the aggregate market value of the voting stock held by non-affiliates of the registrant was $757,861,419 (based on the $94.400 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.
2001 Annual Report on Form 10-K

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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 Carrier Services, Inc., Landstar Logistics, Inc. ("Landstar Logistics"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Contractor Financing, Inc. ("LCFI"), Landstar Capacity Services, Inc., Risk Management Claim Services, Inc. ("RMCS"), Signature Technology Services, Inc. ("STSI") and Signature Insurance Company ("Signature"). Landstar Ranger, Landstar Inway, Landstar Ligon, Landstar Gemini, Landstar Logistics and Landstar Express America are collectively herein referred to as Landstar's "Operating Subsidiaries." The Company's principal executive offices are located at 13410 Sutton Park Drive South, Jacksonville, Florida 32224 and its telephone number is (904) 398-9400. The Company'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"). 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, (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. In October 1993, the Company completed a secondary public offering. Immediately subsequent to the offering, KIA IV no longer owned any shares of Landstar Common Stock, and affiliates of DB Alex. Brown LLC retained approximately 1% of the Common Stock outstanding.

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. 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 provider of transportation capacity, provides transportation services to shippers throughout the United States and, to a lesser extent, between the United States, Canada and Mexico. These business services, which emphasize safe transportation, information coordination and customer service, are delivered through a network of independent 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, truck brokerage 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, including drop decks and light specialty trailers, and temperature-controlled vans and containers, dedicated contract and logistics solutions, including freight optimization and less than truckload freight consolidations, truck brokerage and expedited land and air delivery of time-critical freight.

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. The following table provides financial information relating to the Company's reportable business segments as of and for the fiscal years ending 2001, 2000 and 1999 (dollars in thousands):

	Fiscal Year		
	2001	2000	1999
Revenue from unaffiliated customers:			
Carrier segment	$1,098,268	$1,117,042	$1,111,912

Multimodal segment	270,849	277,087	250,395
Insurance segment	23,654	24,363	25,776
Inter-segment revenue:			
Carrier segment	$ 28,587	$ 34,669	$ 35,194
Multimodal segment	2,367	1,241	196
Insurance segment	27,313	21,919	21,790
Operating income:			
Carrier segment	$ 76,105	$ 88,507	$ 86,282
Multimodal segment	5,343	9,346	7,949
Insurance segment	30,644	24,464	27,141
Other	(35,706)	(39,704)	(39,658)
Identifiable assets:			
Carrier segment	$ 234,164	$ 256,690	$ 251,922
Multimodal segment	47,795	54,294	57,337
Insurance segment	46,440	33,267	28,180
Other	36,252	26,111	28,002

The carrier segment consists of Landstar Ranger, Landstar Inway, Landstar Ligon and Landstar Gemini. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck, dedicated power-only truck capacity and truck brokerage. The carrier segment markets its services primarily through independent commission

sales agents and 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 29, 2001, the carrier segment operated a fleet of approximately 8,450 tractors, provided by over 7,220 independent contractors, and 14,519 trailers, 6,067 of which are supplied by independent contractors. Approximately 70% 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 10,320 dry vans, 3,285 flatbeds, 687 specialty and 227 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 carrier segment also utilizes capacity provided by third party truck brokerage services. Truck brokerage services are paid a negotiated rate for each load they haul.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, 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 29, 2001, the multimodal segment operated a fleet of 332 trucks, provided by approximately 267 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 approximately 170 independent commission sales agents.

The insurance segment is comprised of Signature, a wholly-owned offshore insurance subsidiary 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 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 29, 2001:

Trailers:	
Vans	10,194
Specialty Vans	143
Temperature-Controlled	227
Flatbeds, Including Drop Decks and Low Boys	3,286
Other Specialized Flatbeds	687
Total	14,537

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 2001, 357 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.
The carrier segment and multimodal segment emphasize 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 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 2001, Landstar's truck turnover ratio was approximately 60%. 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, however, 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
operator and equipment compliance	quality programs
risk management insurance services	

Competition

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

Management believes that competition for the freight transported by the Company is based primarily on service and efficiency and, to a lesser degree, on freight rates alone. Management believes that Landstar's overall size and availability of a wide range of equipment, together with its geographically dispersed local independent agent network, present the Company with significant competitive advantages over many transportation service providers.
The Company also competes with motor carriers for the services of independent contractors and with motor carriers and other 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 for each individual commercial trucking claim up to $1,000,000 through April 30, 2001 and $5,000,000 thereafter. The Company also retains liability for each general liability claim up to $1,000,000, $250,000 for each workers' compensation claim and $250,000 for each cargo claim. The Company provides, primarily 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 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 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 is regulated by the United States Department of Transportation ("DOT") and by various state agencies. The DOT has broad powers, generally governing activities such as the regulation of, to a limited degree, motor carrier operations, rates, accounting systems, periodic financial reporting and insurance. Subject to federal and state regulatory authorities or regulation, the Company may transport most types of freight to and from any point in the United States over any route selected by the Company.

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

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

At December 25, 1999, approximately 100 Landstar Ranger drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participated in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). Under a prior collective bargaining agreement, Landstar Ranger was required to make contributions to various Teamster pension funds for 205 drivers regardless of the actual number of unionized drivers. Effective April 1, 2000, a new collective bargaining agreement required Landstar Ranger to make pension contributions for only the actual number of unionized drivers. As a result of the elimination of the requirement to make contributions for more than the actual number of unionized drivers, the Trustees of the Fund terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regard this action as a withdrawal by Landstar Ranger. In the third quarter of 2000, the Company recorded a charge in the amount of $2,230,000 for the cost of withdrawal from the Fund.

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 29, 2001, the Company and its subsidiaries employed 1,231 individuals. Approximately 50 Landstar Ranger drivers (out of a total of approximately 4,600) 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 and Rockford, Illinois. The multimodal segment's primary facilities are located in Jacksonville, Florida. In addition, the Company's corporate headquarters are located in Jacksonville, Florida. The Rockford, Illinois facility of the carrier segment is owned by the Company. All other primary facilities are leased.

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

Item 3. - Legal Proceedings

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 2001.

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	2001 Market Price		2000 Market Price	
	High	Low	High	Low
First Quarter	$ 72.875	$ 55.250	$ 64.625	$ 38.063
Second Quarter	72.000	62.500	69.750	48.531
Third Quarter	81.140	60.000	60.625	42.500
Fourth Quarter	75.840	60.500	59.000	37.625

The reported last sale price per share of the Common Stock as quoted through the NASDAQ National Market System on March 15, 2002 was $94.400 per share. As of such date, Landstar had 8,105,753 shares of Common Stock outstanding. As of March 15, 2001, the Company had 64 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders because a substantial number of the Company's shares are held by brokers or dealers for their customers in street name.

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

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 2001 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 2001 Annual Report to Shareholders.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company has a credit agreement with a syndicate of banks and JPMorgan Chase Bank, as the administrative agent, (the "Third Amended and Restated Credit Agreement") that provides $175,000,000 of borrowing capacity. Borrowings under the Third Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the

Company's Leverage Ratio, as defined in the Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing capacity. As of December 29, 2001, the weighted average interest rate on borrowings outstanding was 2.81%. During fiscal 2001, the average outstanding balance under the Third Amended and Restated Credit Agreement (combined with borrowings that were outstanding on the Second Amended and Restated Credit Agreement from December 30, 2000 to December 20, 2001 which was refinanced on December 20, 2001 with funds received on the Third Amended and Restated Credit Agreement) was $89,929,000. Based on the borrowing rates in the Third Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of December 29, 2001 was estimated to approximate carrying value.

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

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 2001 Annual Report to Shareholders.

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

None.

Part III

Item 10. - Directors and Executive Officers of the Registrant

The information required by this Item concerning the Directors (and nominees for Directors) and Executive Officers of the Company is set forth under the captions "Election of Directors," "Directors of the Company," "Information Regarding Board of Directors and Committees," and "Executive Officers of the Company" on pages 2 through 8, and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" on page 17 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 11. - Executive Compensation

The information required by this Item is set forth under the captions "Compensation of Directors and Executive Officers," "Summary Compensation Table," "Fiscal Year-End Option Values," "Report of the Compensation Committee on Executive Compensation," "Performance Comparison" and "Key Executive Employment Protection Agreements" on pages 9 through 15 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 16 through 18 of the Company's definitive Proxy Statement for its annual meeting of shareholders filed with the Securities and Exchange Commission pursuant to Regulation 14A, and is incorporated herein by reference.

Item 13. - Certain Relationships and Related Transactions

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

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 5, 2002, 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 2001 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 23 of this Annual Report on Form 10-K.

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

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)The Company's Form 8-K filed with the Securities and Exchange Commission on December 21, 2001 reported the execution of the "Third Amended and Restated Credit Agreement" as of December 20, 2001.

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
President & Chief Operating Officer

By: Robert C. LaRose

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

Date: March 21, 2002

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	Chairman of the Board and Chief Executive Officer; Principal	March 21, 2002

Jeffrey C. Crowe	Executive Officer	
Henry H. Gerkens ------------------- Henry H. Gerkens	Director, President and Chief Operating Officer	March 21, 2002
Robert C. LaRose ------------------- Robert C. LaRose	Vice President, Chief Financial Officer and Secretary; Principal Accounting Officer	March 21, 2002
* ------------------- David G. Bannister	Director	March 21, 2002
* ------------------- Ronald W. Drucker	Director	March 21, 2002

* ------------------- Merritt J. Mott	Director	March 21, 2002
* ------------------- William S. Elston	Director	March 21, 2002
* ------------------- Diana M. Murphy	Director	March 21, 2002
Robert C. LaRose ------------------- By: Robert C. LaRose	Attorney In Fact *	

EXHIBIT INDEX

Form 10-K for fiscal year ended 12/29/01

Exhibit No.	Description

(1) Plan of acquisition, reorganization, arrangement, liquidation or succession

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

(3) Articles of Incorporation and Bylaws:

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

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

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

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

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

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

4.4 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. (Incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 26, 1998)

4.7 Second Amendment, dated September 8, 1999, to the Second Amended and Restated Credit Agreement, dated as of October 10, 1997. (Incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended December 25, 1999)

4.8 First Amendment of the Rights Agreement, dated December 22, 2000, between the Company and Mellon Investor Services, LLC, as successor by merger to Chemical Bank.

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

(10) Material Contracts:

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

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

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

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

10.5+ 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

10.6+ 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))

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

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

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

(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 2001 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

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

INDEPENDENT AUDITORS' REPORT

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

Under date of February 5, 2002, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 29, 2001 and December 30, 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 29, 2001, December 30, 2000 and December 25, 1999, as contained in the 2001 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 2001. 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 5, 2002

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. 29, 2001	Dec. 30, 2000
Assets		

Investment in Landstar System Holdings, Inc., net of advances	$117,440	$107,859
Total assets	$117,440	$107,859

Liabilities and Shareholders' Equity

Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,328,834 and 13,233,874 shares	$ 133	$ 132
Additional paid-in capital	75,036	71,325
Retained earnings	258,162	215,368
Cost of 5,241,841 and 4,741,841 shares of common stock in treasury	(209,926)	(172,727)
Notes receivable arising from exercise of stock options	(5,965)	(6,239)
Total shareholders' equity	117,440	107,859
Total liabilities and shareholders' equity	$117,440	$107,859

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. 29, 2001	Dec. 30, 2000	Dec. 25, 1999
Equity in undistributed earnings of Landstar System Holdings, Inc.	$ 42,838	$ 45,296	$ 46,018
Income taxes	44	102	81
Net income	$ 42,794	$ 45,194	$ 45,937
Earnings per common share	$ 5.13	$ 5.15	$ 4.60

Diluted earnings per share	$ 5.01	$ 5.03	$ 4.55
Average number of shares outstanding:			
Earnings per common share	8,336,000	8,781,000	9,982,000
Diluted earnings per share	8,546,000	8,981,000	10,102,000

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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. 29, 2001	Dec. 30, 2000	Dec. 25, 1999
Operating Activities			
Net income	$ 42,794	$ 45,194	$ 45,937
Adjustments to reconcile net income to net cash used by operating activities:			
Equity in undistributed earnings of Landstar System Holdings, Inc.	(42,838)	(45,296)	(46,018)
Net Cash Used By Operating Activities	(44)	(102)	(81)
Investing Activities			
Additional investments in and advances from Landstar System Holdings, Inc., net	34,082	46,144	51,172
Net Cash Provided By Investing Activities	34,082	46,144	51,172
Financing Activities			

Proceeds from sales of common stock	3,161	143	293
Purchases of common stock	(37,199)	(46,185)	(51,384)
Net Cash Used By Financing Activities	(34,038)	(46,042)	(51,091)
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 29, 2001
(Dollars in thousands)

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

(A) Write-offs, net of recoveries.

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

COL. A	COL. B	COL. C	COL. D	COL. E
	Balance	Additions		

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

(A) Write-offs, net of recoveries.

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
	Balance at Beginning of Period	Additions			
Description		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.

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 29, 2001	December 30, 2000	December 25, 1999
Net income	$ 42,794	$ 45,194	$ 45,937
Average number of common shares outstanding	8,336	8,781	9,982
Earnings per common share	$ 5.13	$ 5.15	$ 4.60

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 29, 2001	December 30, 2000	December 25, 1999
Net income	$ 42,794	$ 45,194	$ 45,937
Average number of common shares outstanding	8,336	8,781	9,982
Plus: Incremental shares from assumed exercise of stock options	210	200	120
Average number of common shares and incremental shares outstanding	8,546	8,981	10,102
Diluted earnings per share	$ 5.01	$ 5.03	$ 4.55

EXHIBIT 13.1

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

RESULTS OF OPERATIONS

Introduction

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

The carrier segment consists of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc., Landstar Ligon, Inc. ("Landstar Ligon") and Landstar Gemini, Inc. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck, dedicated power-only truck capacity and truck brokerage. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. 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 79% of Landstar's consolidated revenue.

The multimodal segment is comprised of Landstar Logistics, Inc. and Landstar Express America, Inc. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, 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 19% of Landstar's consolidated revenue.

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

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 brokerage services operations of the carrier segment and multimodal segment are based on a negotiated rate for each load hauled. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for the intermodal services operations and brokerage services 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, revenue less the cost of purchased transportation, at the multimodal segment. Commissions to agents as a percentage of consolidated revenue will vary directly with the percentage of consolidated revenue contributed by the carrier segment, multimodal segment and Signature and increases or decreases in gross profit at the multimodal segment.

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

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. 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. Landstar retains liability for each individual commercial trucking claim up to $1,000,000 per occurrence through April 30, 2001 and $5,000,000 per occurrence thereafter. The Company also retains liability for each general liability claim up to $1,000,000, $250,000 for each workers' compensation claim and $250,000 for each cargo claim.

Employee compensation and benefits account for over half of the Company's selling, general and administrative expense. Other significant components of selling, general and administrative expense are communications costs and rent expense.

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

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

	Fiscal Years		
	2001	2000	1999
Revenue	100.0%	100.0%	100.0%
Investment income	0.3	0.3	0.2
Costs and expenses:			
Purchased transportation	74.0	73.8	73.6
Commissions to agents	7.9	8.0	8.0
Other operating costs	2.3	2.1	2.2
Insurance and claims	2.4	2.2	2.5

Selling, general and administrative	7.2	7.1	7.2
Depreciation and amortization	1.0	0.9	0.8
Non-recurring costs	0.4		
Total costs and expenses	94.8	94.5	94.3
Operating income	5.5	5.8	5.9
Interest and debt expense	0.5	0.6	0.3
Income before income taxes	5.0	5.2	5.6
Income taxes	1.9	2.0	2.3
Net income	3.1%	3.2%	3.3%

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

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

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

Purchased transportation was 74.0% of revenue in 2001 compared with 73.8% in 2000. The increase in purchased transportation as a percentage of revenue was primarily attributable to

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

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

At December 25, 1999, approximately 100 Landstar Ranger drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participated in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). Under a prior collective bargaining agreement, Landstar Ranger was required to make contributions to various Teamster pension funds for 205 drivers regardless of the actual number of unionized drivers. Effective April 1, 2000, a new collective bargaining agreement required Landstar Ranger to make pension contributions for only the actual number of unionized drivers. As a result of the elimination of the requirement to make contributions for more than the actual number of unionized drivers, the Trustees of the Fund terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regard this action as a withdrawal by Landstar Ranger. Landstar Ranger recorded a charge in the third quarter of 2000 in the amount of $2,230,000 for the cost of withdrawal from the Fund.

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

The provisions for income taxes for the 2001 and 2000 fiscal years were based on an effective income tax rate of 38.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion. At December 29, 2001, the valuation allowance of $491,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill will be reduced by $463,000 when realization of deferred state income tax benefits becomes likely. The Company believes that deferred income tax benefits, net of the valuation allowance, are more likely than not to be realized because of the Company's ability to generate future taxable earnings.

Net income was $42,794,000, or $5.13 per common share ($5.01 per diluted share), in 2001 compared with $45,194,000, or $5.15 per common share ($5.03 per diluted share), in 2000. After deducting related income tax benefits of $2,105,000, the non-recurring costs reduced net income by $3,165,000 in 2000. Excluding non-recurring costs, net income would have been $48,359,000, or $5.51 per common share ($5.38 per diluted share) in 2000.

FISCAL YEAR ENDED DECEMBER 30, 2000 COMPARED TO FISCAL YEAR ENDED DECEMBER 25, 1999

Revenue for the fiscal year 2000 was $1,418,492,000, an increase of $30,409,000, or 2.2%, over revenue for the 1999 fiscal year. The increase was attributable to higher revenue at the carrier and multimodal segments of $5,130,000 and $26,692,000, respectively, partially offset by a decrease in revenue of $1,413,000 at the insurance segment. The increase was primarily attributable to the extra week in the 53-week fiscal year 2000 compared to the 52-week fiscal year 1999. Overall, revenue per revenue mile increased approximately 3%, partially offset by a decrease in revenue miles of approximately 1%. The decrease in revenue from the prior year at the insurance segment was primarily attributable to reduced independent contractor participation in the insurance programs reinsured by Signature. Investment income at the insurance segment was $4,317,000 and $2,502,000 for fiscal year 2000 and 1999, respectively.

Purchased transportation was 73.8% of revenue in 2000 compared with 73.6% in 1999. The increase in purchased transportation as a percentage of revenue was primarily attributable to increased revenue contributed by the multimodal segment which tends to have a higher cost of purchased transportation and decreased premium revenue at the insurance segment. In addition, purchased transportation costs at the multimodal segment were generally higher due to increased rates charged by its third party capacity providers as a result of higher fuel costs. Commissions to agents were 8.0% of revenue in 2000 and 1999. Other operating costs were 2.1% of revenue in 2000 compared with 2.2% in 1999. The decrease in other operating costs as a percentage of revenue was primarily attributable to the increase in the percentage of revenue contributed by the multimodal segment which does not incur trailer rent or trailer maintenance costs. Insurance and claims were 2.2% of revenue in 2000 compared with 2.5% in 1999 primarily due to increased revenue at the multimodal segment which has a lower claims risk profile and lower accident frequency and severity in 2000. Selling, general and administrative costs were 7.1% of revenue in 2000 and 7.2% in 1999. The decrease in selling, general and administrative costs as a percentage of revenue was primarily due to a decrease in the provision for bonuses under the Company's incentive compensation plan. Depreciation and amortization was 0.9% of revenue in 2000 and 0.8% of revenue in 1999. The increase in depreciation and amortization as a percent of revenue was due to an increase in company-owned trailing equipment.

Interest and debt expense was 0.6% of revenue in 2000 and 0.3% of revenue in 1999. This increase was primarily attributable to increased average borrowings on the senior credit facility, which were used to finance a portion of the Company's stock repurchase program, increased capital lease obligations for trailing equipment and higher interest rates.

The provisions for income taxes for the 2000 and 1999 fiscal years were based on an effective income tax rate of 38.5% and 40.5%, respectively, 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. The decrease in the effective income tax rate was attributable to the implementation of certain state income tax planning strategies.

Net income was $45,194,000, or $5.15 per common share ($5.03 per diluted share), in 2000 compared with $45,937,000, or $4.60 per common share ($4.55 per diluted share), in 1999. After deducting related income tax benefits of $2,105,000, the non-recurring costs reduced net income by $3,165,000 in 2000. Excluding non-recurring costs, net income would have been $48,359,000, or $5.51 per common share ($5.38 per diluted share) in 2000.

CAPITAL RESOURCES AND LIQUIDITY

On December 20, 2001, Landstar renegotiated its existing credit agreement with a syndicate of banks and JPMorgan Chase Bank, as administrative agent (the "Third Amended and Restated Credit Agreement"). The Third Amended and Restated Credit Agreement provides $175,000,000 of borrowing capacity in the form of a revolving credit facility, $50,000,000 of which may be utilized in the form of letter of credit guarantees. At December 29, 2001, Landstar had commitments for letters of credit outstanding in the amount of $19,929,000, primarily as collateral for estimated insurance claims, $9,080,000 of which were supported by the Third Amended and Restated Credit Agreement and $10,849,000 secured by assets deposited with a financial institution. The Third Amended and Restated Credit Agreement expires on January 5, 2005.

Borrowings under the Third Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing capacity. As of December 29, 2001, the margin was equal to 87.5/100 of 1%. The unused portion

of the Third Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 29, 2001, the commitment fee for the unused portion of the Third Amended and Restated Credit Agreement was 0.250%. At December 29, 2001, the weighted average interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.81%.

The Third Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Third Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Third Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by $11,719,000 at December 29, 2001.

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

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

Shareholders' equity was $117,440,000, or 54% of total capitalization, at December 29, 2001, compared with $107,859,000, or 53% of total capitalization, at December 30, 2000. The increase in shareholders' equity as a percentage of total capitalization was primarily a result of current year net income, partially offset by the purchase of 500,000 shares of the Company's common stock at a total cost of $37,199,000. As of December 29, 2001, the Company may purchase an additional 500,000 shares of its common stock under its authorized stock purchase program. Long-term debt including current maturities was $101,874,000 at December 29, 2001, $7,231,000 higher than at December 30, 2000, primarily as a result of financing a portion of the stock purchase program with borrowings under the Company's credit agreement. Working capital and the ratio of current assets to current liabilities were $121,808,000 and 1.92 to 1, respectively, at December 29, 2001, compared with $94,718,000 and 1.61 to 1, respectively, at December 30, 2000. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities was $49,794,000 in 2001 compared with $54,047,000 in 2000. The decrease in cash provided by operating activities was primarily attributable to the timing of collection of accounts receivable and reduced earnings. During the 2001 fiscal year, Landstar purchased $5,443,000 of operating property. Landstar anticipates it will acquire approximately $28,000,000 of operating property during fiscal year 2002 either by purchase or by lease financing.

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

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

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.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The allowance for doubtful accounts for both trade and other receivables represents management's estimate of the amount of outstanding receivables that will not be collected. During 2001, the Company experienced an abnormally high level of bad debt expense. Management believes this resulted from the difficult economic environment experienced by the Company's customers and independent contractors. Although management believes the amount of the allowance for both trade and other receivables at December 29, 2001 is appropriate, a prolonged period of low or no economic growth may adversely affect the collection of these receivables. Correspondingly, a more robust economic environment may result in the realization of some portion of the estimated uncollectible receivables.

As described in the accounting policy footnote to the financial statements, Landstar provides for the estimated costs of self-insured claims primarily on an actuarial basis. The amount recorded for the estimated liability for claims incurred is based upon the facts and circumstances known on the balance sheet date. The ultimate resolution of these claims may be for an amount greater or less than the amount estimated by management.

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

In June 2001, the Financial Accounting Standards Board issued statement of financial accounting standard (SFAS) No. 142, "Goodwill and Other Intangible Assets." This Statement, effective for fiscal years beginning after December 15, 2001, establishes standards for recognizing and measuring goodwill and other intangible assets. Management believes other than the elimination of amortization expense for goodwill currently reflected on the Company's balance sheet, the adoption of this Statement will not materially affect the financial position or results of operations of the Company.

In August 2001, the Financial Accounting Standards Board issued SFAS No.143, "Accounting for Asset Retirement Obligations." This Statement, effective for fiscal years beginning after June 15, 2002, requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of a tangible long-lived asset. The enterprise is also to record a corresponding increase to the carrying amount of the long-lived asset. Management believes that this Statement will not have a material effect on the financial position or results of operations of the Company.

In October 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement, effective for fiscal years beginning after December 15, 2001, supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed Of," and addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. Management believes that the adoption of this Statement will not have a material effect on the financial position or results of operations of the Company.

FORWARD-LOOKING STATEMENTS

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are "forward-looking statements." This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-K statement contain forward-looking statements, such as statements which relate to Landstar's business objectives, plans, strategies and expectations. Terms such as "anticipates," "believes," "estimates," "plans," "predicts," "may," "should," "will," the negative thereof and similar expressions are intended to identify forward-looking statements. Such statements are by nature subject to uncertainties and risks, including but not limited to; an increase in the frequency or severity of accidents or workers' compensation claims; unfavorable development of existing accident claims; a downturn in domestic economic growth or growth in the transportation sector; and other operational, financial or legal risks or uncertainties detailed in Landstar's SEC filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

SEASONALITY

Landstar's operations are subject to seasonal trends common to the trucking industry. Results of operations for the quarter ending in March are typically lower than the quarters ending June, September and December 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 29, 2001	December 30, 2000
ASSETS		
Current assets:		
Cash	$ 47,886	$ 32,926
Short-term investments	2,982	1,500
Trade accounts receivable, less allowance of $4,416 and $4,450	185,206	195,398
Other receivables, including advances to independent contractors, less allowance of $4,740 and $5,089	13,779	13,122
Prepaid expenses and other current assets	4,020	6,062
Total current assets	253,873	249,008
Operating property, less accumulated depreciation and amortization of $44,455 and $37,497	68,532	76,049
Goodwill, less accumulated amortization of $10,209 and $8,993	31,134	32,474
Deferred income taxes and other assets	11,112	12,831
Total assets	$364,651	$370,362
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 13,018	$ 17,496
Accounts payable	55,813	63,002
Current maturities of long-term debt	9,965	9,766
Insurance claims	21,602	23,364
Accrued compensation	2,091	8,277
Other current liabilities	29,576	32,385
Total current liabilities	132,065	154,290
Long-term debt, excluding current maturities	91,909	84,877
Insurance claims	21,585	23,336
Deferred income taxes 1,652		
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,328,834 and 13,233,874 shares	133	132
Additional paid-in capital	75,036	71,325
Retained earnings	258,162	215,368
Cost of 5,241,841 and 4,741,841 shares of common stock in treasury	(209,926)	(172,727)
Notes receivable arising from exercise of stock options	(5,965)	(6,239)

Total shareholders' equity	117,440	107,859
Total liabilities and shareholders' equity	$364,651	$370,362

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 29, 2001	December 30, 2000	December 25, 1999
Revenue	$ 1,392,771	$ 1,418,492	$ 1,388,083
Investment income	3,567	4,317	2,502
Costs and expenses:			
Purchased transportation	1,030,454	1,046,183	1,022,203
Commissions to agents	110,513	113,721	111,666
Other operating costs	32,750	29,568	30,000
Insurance and claims	32,930	31,935	34,064
Selling, general and administrative	99,762	100,516	99,240
Depreciation and amortization	13,543	13,003	11,698
Non-recurring costs		5,270	
Total costs and expenses	1,319,952	1,340,196	1,308,871
Operating income	76,386	82,613	81,714
Interest and debt expense	6,802	9,127	4,509
Income before income taxes	69,584	73,486	77,205
Income taxes	26,790	28,292	31,268
Net income	$ 42,794	$ 45,194	$ 45,937
Earnings per common share	$ 5.13	$ 5.15	$ 4.60
Diluted earnings per share	$ 5.01	$ 5.03	$ 4.55
Average number of shares outstanding:			
Earnings per common share	8,336,000	8,781,000	9,982,000
Diluted earnings per share	8,546,000	8,981,000	10,102,000

See accompanying notes to consolidated financial statements.

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

Fiscal Years Ended
December 29, December 30, December 25,

(Dollars in thousands)	2001	2000	1999
OPERATING ACTIVITIES			
Net income	$ 42,794	$ 45,194	$ 45,937
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of operating property	12,327	11,787	10,482
Amortization of goodwill	1,216	1,216	1,216
Non-cash interest charges	97	324	324
Provisions for losses on trade and other accounts receivable	8,153	4,592	2,643
Losses (gains) on sales of operating property	(273)	(244)	708
Deferred income taxes, net	1,776	3,911	1,788
Non-cash charge in lieu of income taxes	124	43	
Changes in operating assets and liabilities:			
Decrease (increase) in trade and other accounts receivable	1,382	8,230	(37,534)
Decrease (increase) in prepaid expenses and other assets	1,194	(1,405)	(1,329)
Increase (decrease) in accounts payable	(7,189)	(4,320)	16,698
Increase (decrease) in other liabilities	(8,294)	(7,410)	7,146
Decrease in insurance claims	(3,513)	(7,871)	(4,497)
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,794	54,047	43,582
INVESTING ACTIVITIES			
Purchases of investments	(496)	(1,435)	(5,005)
Maturities of investments	1,484	1,060	
Purchases of operating property	(5,443)	(7,305)	(12,716)
Proceeds from sales of operating property	906	1,958	2,132
NET CASH USED BY INVESTING ACTIVITIES	(3,549)	(5,722)	(15,589)
FINANCING ACTIVITIES			
Increase (decrease) in cash overdraft	(4,478)	(1,975)	4,725
Borrowings on revolving credit facility	135,500	27,500	21,500
Principal payments on long-term debt and capital lease obligations	(128,269)	(18,603)	(6,087)
Proceeds from exercise of stock options	3,161	143	293
Purchases of common stock	(37,199)	(46,185)	(51,384)
NET CASH USED BY FINANCING ACTIVITIES	(31,285)	(39,120)	(30,953)
Increase (decrease) in cash	14,960	9,205	(2,960)
Cash at beginning of period	32,926	23,721	26,681
Cash at end of period	$ 47,886	$ 32,926	$ 23,721

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 29, 2001, December 30, 2000 and December 25, 1999
(Dollars in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock at Cost		Notes Receivable Arising from Exercise of Stock Options	Total
	Shares	Amount			Shares	Amount		
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
Net income				45,194				45,194
Purchases of common stock					864,000	(46,185)		(46,185)
Exercises of stock options and related income tax benefit	169,900	1	5,048				(4,545)	504
Incentive compensation paid in common stock			444		(31,200)	1,018		1,462
Balance December 30, 2000	13,233,874	132	71,325	215,368	4,741,841	(172,727)	(6,239)	107,859
Net income				42,794				42,794
Purchases of common stock					500,000	(37,199)		(37,199)
Exercises of stock options and related income tax benefit	94,960	1	3,711				274	3,986
Balance December 29, 2001	13,328,834	$ 133	$75,036	$258,162	5,241,841	$(209,926)	$ (5,965)	$117,440

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, primarily on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims both reported and for claims incurred but not reported. Landstar retains liability for each individual commercial trucking claim up to $1,000,000 per occurrence through April 30, 2001 and $5,000,000 per occurrence thereafter. The Company also retains liability for each general liability claim up to $1,000,000, $250,000 for each workers' compensation claim and $250,000 for each cargo claim.

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

Investments
Investments, all of which are intended to be held to maturity, consist of investment grade bonds having maturities of up to five years and are carried at amortized cost, which approximates fair value. Short-term investments represent the current portion of these bonds. There are $1,407,000 and $3,877,000 of these bonds included in other assets at December 29, 2001 and December 30, 2000, respectively.

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

Goodwill
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) Non-recurring Costs

At December 25, 1999, approximately 100 Landstar Ranger, Inc. ("Landstar Ranger") drivers were represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participated in the Teamsters' Central States Southeast and Southwest Areas Pension Fund (the "Fund"). Under a prior collective bargaining agreement, Landstar Ranger was required to make contributions to various Teamster pension funds for 205 drivers regardless of the actual number of unionized drivers. Effective April 1, 2000, a new collective bargaining agreement required Landstar Ranger to make pension contributions for only the actual number of unionized drivers. As a result of the elimination of the requirement to make contributions for more than the actual number of unionized drivers, the Trustees of the Fund terminated participation in the Fund by Landstar Ranger effective October 1, 2000. The Trustees of the Fund regard this action as a withdrawal by Landstar Ranger. In the third quarter of 2000, the Company recorded a charge in the amount of $2,230,000 for the cost of withdrawal from the Fund. After deducting related income tax benefits of $880,000, this charge reduced fiscal year 2000 net income by $1,350,000, or $0.15 per common share ($0.15 per diluted share).

On March 28, 2000, the Company announced a plan to restructure the operations of Landstar Ligon, Inc. and to relocate its headquarters from Madisonville, Kentucky to Jacksonville, Florida in June of 2000. As a result of this restructuring and relocation, a one-time charge in the amount of $3,040,000 was recorded during the second quarter of 2000 representing approximately $1,370,000 of employee and office relocation costs, $1,000,000 of severance costs and $670,000 of other costs. The restructuring and relocation were substantially completed by September 23, 2000. After deducting related income tax benefits of $1,225,000, this one-time restructuring charge reduced fiscal year 2000 net income by $1,815,000, or $0.21 per common share ($0.20 per diluted share).

(3) Income Taxes

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

	Fiscal Years		
	2001	2000	1999
Current:			
Federal	$23,636	$21,525	$24,931
State	1,254	2,813	4,549
	24,890	24,338	29,480
Deferred:			
Federal	1,454	4,208	1,019
State	322	(297)	769
	1,776	3,911	1,788
Non-cash charge in lieu of income taxes	124	43	
Income taxes	$26,790	$28,292	$31,268

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

	Dec. 29, 2001	Dec. 30, 2000
Deferred tax assets:		
Receivable valuations	$ 4,128	$ 4,221
Deferred state income tax benefits	1,700	1,587
State net operating loss carryforwards	1,933	1,885
Self-insured claims	3,252	4,881
Other	5,052	3,530
	16,065	16,104
Valuation allowance	(491)	(615)
	$ 15,574	$ 15,489
Deferred tax liabilities:		
Operating property	$ 11,378	$ 9,731
Other	5,848	5,634
	$ 17,226	$ 15,365

At December 29, 2001, the valuation allowance of $491,000 was attributable to deferred state income tax benefits, which primarily represented state operating loss carryforwards at one subsidiary. The valuation allowance and goodwill will be reduced by $463,000 when realization of deferred state income tax benefits becomes likely.

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

	Fiscal Years		
	2001	2000	1999
Income taxes at federal income tax rate	$24,354	$25,720	$27,022
State income taxes, net of federal income tax benefit	1,024	1,635	3,457
Amortization of goodwill	258	258	258
Meals and entertainment exclusion	892	597	472
Other, net	262	82	59
Income taxes	$26,790	$28,292	$31,268

Landstar paid income taxes of $24,778,000 in 2001, $25,089,000 in 2000 and $28,659,000 in 1999.

(4) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 29, 2001	Dec. 30, 2000
Land	$ 2,045	$ 2,097
Leasehold improvements	8,307	8,341
Buildings and improvements	7,963	7,963
Trailing equipment	71,957	72,257
Other equipment	22,715	22,888
	112,987	113,546
Less accumulated depreciation and amortization	44,455	37,497
	$ 68,532	$ 76,049

Included above is $57,393,000 in 2001 and $60,811,000 in 2000 of operating property under capital leases, $37,224,000 and $44,458,000, respectively, net of accumulated amortization. Landstar did not acquire any property by entering into capital leases in 2001. Landstar acquired operating property by entering

into capital leases in the amount of $18,448,000 in 2000 and $17,445,000 in 1999.

(5) 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.

Prior to the October 1, 2000 withdrawal (see note 2), Landstar Ranger made contributions in accordance with a negotiated labor contract (generally based on the number of weeks worked) to union sponsored multi-employer pension plans.

The expense for the Company-sponsored defined contribution plan was $1,090,000 in 2001, $1,105,000 in 2000 and $1,082,000 in 1999. The expense for union-sponsored plans, excluding the estimated cost of withdrawal (see note 2), was $935,000 in 2000 and $1,351,000 in 1999.

(6) Debt

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

	Dec. 29, 2001	Dec. 30, 2000
Capital leases	$27,374	$37,143
Revolving credit facility	74,500	57,500
	101,874	94,643
Less current maturities	9,965	9,766
Total long-term debt	$91,909	$84,877

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

Borrowings under the Third Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by JPMorgan Chase Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to JPMorgan Chase Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Third Amended and Restated Credit Agreement. The margin is subject to an increase of .125% if the aggregate amount outstanding under the Third Amended and Restated Credit Agreement exceeds 50% of the total borrowing capacity. As of December 29, 2001, the margin was equal to 87.5/100 of 1%. The unused portion of the Third Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Company's Leverage Ratio, as therein defined. As of December 29, 2001, the commitment fee for the unused portion of the Third Amended and Restated Credit Agreement was 0.250%. At December 29, 2001, the weighted average interest rate on borrowings outstanding under the Third Amended and Restated Credit Agreement was 2.81%. Based on the borrowing rates in the Third Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Third Amended and Restated Credit Agreement was estimated to approximate carrying value.

The Third Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Third Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Third Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by approximately $11,719,000 at December 29, 2001.

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

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

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

Landstar paid interest of $7,874,000 in 2001, $9,658,000 in 2000 and $4,484,000 in 1999.

(7) Leases

The future minimum lease payments under all noncancelable leases at December 29, 2001, principally for trailing equipment and the Company's headquarters facility in Jacksonville, Florida, are shown in the following table (in thousands):

PAGE>

	Capital Leases	Operating Leases
2002	$11,581	$ 3,206
2003	10,093	2,687
2004	6,876	2,110
2005	2,178	2,066
2006		2,023
Thereafter		16,183
	30,728	$ 28,275
Less amount representing interest (5.9% to 8.3%)	3,354	
Present value of minimum lease payments	$27,374	

Total rent expense, net of sublease income, was $19,976,000 in 2001, $19,620,000 in 2000 and $19,322,000 in 1999.

(8) 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, as amended, (the "DSOP"), outside members of the Board of Directors will be granted up to an aggregate of 210,000 options to purchase common stock. Under the DSOP, each outside Director will be granted 9,000 options to purchase common stock upon election or re-election to the Board of Directors.

All options granted under the Plan through December 29, 2001 become exercisable in five equal annual installments 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 29, 2001, there were 867,840 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 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
Granted	107,400	$ 47.79		
Exercised	(169,900)	$ 27.59		
Forfeited	(1,800)	$ 25.50		
Options at December 30, 2000	504,900	$ 36.21	212,060	$ 31.19
Granted	198,100	$ 66.05		
Exercised	(94,960)	$ 30.41		
Forfeited	(46,520)	$ 50.25		
Options at December 29, 2001	561,520	$ 46.56	207,680	$ 34.43

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 2001, 2000 and 1999: risk-free interest rate of 5.0% in 2001 and

6.0% in both 2000 and 1999, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 40% in 2001, 41% in 2000 and 38% in 1999. The weighted average grant date fair value of stock options granted was $28.32, $21.61 and $15.71 per share in 2001, 2000 and 1999, respectively.

The following table summarizes stock options outstanding at December 29, 2001:

	Options Outstanding		
Range of Exercise Prices Per Share	Number Outstanding Dec. 29, 2001	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share
$22.531 - $35.734	174,280	5.9	$ 30.60
$35.735 - $46.875	197,740	7.4	$ 42.36
$46.876 - $69.266	189,500	9.3	$ 65.63
$22.531 - $69.266	561,520	7.6	$ 46.56

	Options Exercisable	
Range of Exercise Prices Per Share	Number Exercisable Dec. 29, 2001	Weighted Average Exercise Price Per Share
$22.531 - $38.900	121,620	$ 29.67
$38.901 - $56.891	86,060	$ 41.16
$22.531 - $56.891	207,680	$ 34.43

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 No. 123, "Accounting for Stock-Based Compensation," the effect on net income and earnings per common share for the fiscal year would have been $1,274,000, or $0.15 per common share, in 2001, $1,145,000, or $0.13 per common share, in 2000 and $966,000, or $0.10 per common share, in 1999.

(9) Shareholders' Equity

During 2001, Landstar purchased 500,000 shares of its common stock at a total cost of $37,199,000 pursuant to a previously announced stock purchase program. As of December 29, 2001, Landstar may purchase an additional 500,000 shares of its common stock under its authorized stock purchase program.

During 1998, the Company established an employee stock option loan program. Under the terms of the program, the Company 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 2001, 2000 and 1999, $1,098,000, $4,596,000 and $384,000 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"), as amended, 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.

(10) Segment Information

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. The carrier segment provides truckload transportation for a wide range of general commodities over irregular routes with its fleet of dry and specialty vans and unsided trailers, including flatbed, drop deck and specialty. It also provides short-to-long haul movement of containers by truck, dedicated power-only truck capacity and truck brokerage. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited ground and air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, 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.

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 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 2001 approximately 14% 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 29, 2001, December 30, 2000 and December 25, 1999 (in thousands):

2001

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

2000

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

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

(11) Commitments and Contingencies

At December 29, 2001, Landstar had commitments for letters of credit outstanding in the amount of $19,929,000, primarily as collateral for estimated insurance claims, $9,080,000 of which were supported by the Third Amended and Restated Credit Agreement and $10,849,000 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 29, 2001 and December 30, 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 29, 2001, December 30, 2000 and December 25, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landstar System, Inc. and subsidiary as of December 29, 2001 and December 30, 2000, and the results of their operations and their cash flows for the fiscal years ended December 29, 2001, December 30, 2000 and December 25, 1999 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Stamford, Connecticut
February 5, 2002

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

	Fourth Quarter 2001	Third Quarter 2001	Second Quarter 2001	First Quarter 2001
Revenue	$ 347,788	$ 355,684	$ 358,018	$ 331,281
Operating income	$ 20,093	$ 21,000	$ 19,486	$ 15,807
Income before income taxes	$ 18,820	$ 19,403	$ 17,776	$ 13,585
Income taxes	7,243	7,473	6,843	5,231
Net income	$ 11,577	$ 11,930	$ 10,933	$ 8,354
Earnings per common share (1)	$ 1.43	$ 1.45	$ 1.29	$ 0.98
Diluted earnings per share (1)	$ 1.40	$ 1.41	$ 1.26	$ 0.96

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

	Fourth Quarter 2000	Third Quarter 2000	Second Quarter 2000	First Quarter 2000
Revenue	$ 380,575	$ 352,356	$ 358,555	$ 327,006
Operating income	$ 27,953	$ 21,456	$ 17,715	$ 15,489
Income before income taxes	$ 25,069	$ 19,036	$ 15,597	$ 13,784
Income taxes	9,167	7,520	6,160	5,445
Net income	$ 15,902	$ 11,516	$ 9,437	$ 8,339
Earnings per common share (1)	$ 1.89	$ 1.33	$ 1.06	$ 0.91
Diluted earnings per share (1)	$ 1.85	$ 1.30	$ 1.04	$ 0.89

(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.

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

	Fiscal Years				
	2001	2000	1999	1998	1997
Income Statement Data:					
Revenue	$1,392,771	$1,418,492	$1,388,083	$1,283,607	$1,219,311
Investment income	3,567	4,317	2,502	1,689	
Costs and expenses:					
Purchased transportation	1,030,454	1,046,183	1,022,203	950,343	898,746
Commissions to agents	110,513	113,721	111,666	101,409	98,425
Other operating costs	32,750	29,568	30,000	27,516	32,747
Insurance and claims	32,930	31,935	34,064	39,388	42,885
Selling, general and administrative	99,762	100,516	99,240	95,028	85,586
Depreciation and amortization	13,543	13,003	11,698	10,158	11,354
Non-recurring costs		5,270			3,247
Total costs and expenses	1,319,952	1,340,196	1,308,871	1,223,842	1,172,990
Operating income	76,386	82,613	81,714	61,454	46,321
Interest and debt expense	6,802	9,127	4,509	3,503	2,705
Income from continuing operations before income taxes	69,584	73,486	77,205	57,951	43,616
Income taxes	26,790	28,292	31,268	23,470	18,188
Income from continuing operations	42,794	45,194	45,937	34,481	25,428
Discontinued operations, net of income taxes				(22,589)	(738)
Net income	$ 42,794	$ 45,194	$ 45,937	$ 11,892	$ 24,690
Earnings per common share:					
Income from continuing operations	$ 5.13	$ 5.15	$ 4.60	$ 3.13	$ 2.03
Loss from discontinued operations				(2.05)	(0.06)
Earnings per common share	$ 5.13	$ 5.15	$ 4.60	$ 1.08	$ 1.97
Diluted earnings per share:					
Income from continuing operations	$ 5.01	$ 5.03	$ 4.55	$ 3.10	$ 2.02
Loss from discontinued operations				(2.03)	(0.06)
Diluted earnings per share	$ 5.01	$ 5.03	$ 4.55	$ 1.07	$ 1.96

	Dec. 29, 2001	Dec. 30, 2000	Dec. 25, 1999	Dec. 26, 1998	Dec. 27, 1997
Balance Sheet Data:					
Total assets	$ 364,651	$ 370,362	$ 365,441	$ 313,665	$ 357,179
Long-term debt, including current maturities	101,874	94,643	67,298	34,440	50,446
Shareholders' equity	117,440	107,859	106,884	111,848	151,696

EXHIBIT 21.1

LIST OF SUBSIDIARY CORPORATIONS OF LANDSTAR SYSTEM, INC.

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

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-76340 and No 33-94304) on Form S-8 of Landstar System, Inc. of our reports dated February 5, 2002, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 29, 2001 and December 30, 2000, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 29, 2001, December 30, 2000, and December 25, 1999, and all related schedules, which reports appear in the December 29, 2001 annual report on Form 10-K of Landstar System, Inc.

KPMG LLP

Stamford, Connecticut
March 21, 2002

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/29/01

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens and Robert C. LaRose, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 29, 2001, 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: February 6, 2002

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/29/01

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

Ronald W. Drucker

Ronald W. Drucker

DATED: February 6, 2002

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/29/01

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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: February 6, 2002

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/29/01

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

Diana M. Murphy

Diana M. Murphy

DATED: February 6, 2002

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/29/01

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens and Robert C. LaRose, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 29, 2001, 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: February 6, 2002