UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 29, 2002

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to ____________________

Commission File Number: 0-21238

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

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

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

32224
(Zip Code)

(904) 390-1234
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 ( )

The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of the close of business on August 1, 2002 was 8,121,653, not adjusted for the two-for-one stock-split announced July 18, 2002.

PART I

FINANCIAL INFORMATION

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Item 1. Financial Statements

The interim consolidated financial statements contained herein reflect all adjustments (all of a normal, recurring nature) which, in the opinion of management, are necessary for a fair statement of the financial condition, results of operations, cash flows and changes in shareholders' equity for the periods presented. They have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. Operating results for the twenty-six weeks ended June 29, 2002 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 28, 2002.

These interim financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's 2001 Annual Report on Form 10-K.

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

	June 29, 2002	Dec 29, 2001
ASSETS		
Current assets:		
Cash	$ 47,877	$ 47,886
Short-term investments	1,305	2,982
Trade accounts receivable, less allowance of $4,009 and $4,416	203,344	185,206
Other receivables, including advances to independent contractors, less allowance of $6,008 and $4,740	14,710	13,779
Prepaid expenses and other current assets	6,250	4,020
Total current assets	273,486	253,873
Operating property, less accumulated depreciation and amortization of $49,218 and $44,455	64,243	68,532
Goodwill	31,134	31,134

Other assets	21,141	11,112
Total assets	$ 390,004	$ 364,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 17,638	$ 13,018
Accounts payable	67,326	55,813
Current maturities of long-term debt	10,070	9,965
Insurance claims	24,631	21,602
Other current liabilities	38,707	31,667
Total current liabilities	158,372	132,065
Long-term debt, excluding current maturities	62,439	91,909
Insurance claims	24,552	21,585
Deferred income taxes	2,206	1,652
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 16,255,606 and 13,328,834 shares	163	133
Additional paid-in capital		75,036
Retained earnings	145,332	258,162
Cost of 5,241,841 shares of common stock in treasury at December 29, 2001		(209,926)
Notes receivable arising from exercise of stock options	(3,060)	(5,965)
Total shareholders' equity	142,435	117,440
Total liabilities and shareholders' equity	$ 390,004	$ 364,651

See accompanying notes to consolidated financial statements.

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Revenue	$ 726,909	$ 689,299	$ 391,216	$ 358,018
Investment income	1,078	1,959	515	903
Costs and expenses:				
Purchased transportation	536,422	510,037	289,234	265,882
Commissions to agents	56,905	54,007	30,817	27,890
Other operating costs	17,814	16,895	9,708	8,792
Insurance and claims	24,384	17,025	13,477	9,222
Selling, general and administrative	50,723	50,975	24,675	24,113
Depreciation and amortization	5,700	7,026	2,821	3,536
Total costs and expenses	691,948	655,965	370,732	339,435
Operating income	36,039	35,293	20,999	19,486
Interest and debt expense	2,552	3,932	1,244	1,710
Income before income taxes	33,487	31,361	19,755	17,776
Income taxes	12,725	12,074	7,507	6,843
Net income	$ 20,762	$ 19,287	$ 12,248	$ 10,933
Earnings per common share (1)	$ 1.28	$ 1.13	$ 0.75	$ 0.64
Diluted earnings per share (1)	$ 1.23	$ 1.11	$ 0.72	$ 0.63
Average number of shares outstanding:				
Earnings per common share (1)	16,223,000	17,007,000	16,252,000	16,989,000

Diluted earnings per share (1)	16,829,000	17,437,000	16,914,000	17,415,000

(1) All earnings per share amounts and average number of shares outstanding have been restated to give retroactive effect to a two-for-one stock split effected in the form of a 100% stock dividend announced July 18, 2002.

See accompanying notes to consolidated financial statements.

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

	Twenty-Six Weeks Ended	
	June 29, 2002	June 30, 2001
OPERATING ACTIVITIES		
Net income	$ 20,762	$ 19,287
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of operating property	5,700	6,417
Amortization of goodwill		609
Non-cash interest charges	136	86
Provisions for losses on trade and other accounts receivable	3,769	3,406
Losses (gains) on sales of operating property	12	(195)
Deferred income taxes, net	554	(120)
Changes in operating assets and liabilities:		
Increase in trade and other accounts receivable	(22,838)	(2,445)
Increase in prepaid expenses and other assets	(6,996)	(3,412)
Increase in accounts payable	11,513	6,151
Increase (decrease) in other liabilities	7,040	(8,352)
Increase (decrease) in insurance claims	5,996	(3,097)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,648	18,335
INVESTING ACTIVITIES		
Maturities of short-term investments	2,000	499
Purchases of short-term investments	(5,722)	
Purchases of operating property	(1,697)	(2,825)
Proceeds from sales of operating property	274	557
NET CASH USED BY INVESTING ACTIVITIES	(5,145)	(1,769)
FINANCING ACTIVITIES		
Increase (decrease) in cash overdraft	4,620	(2,095)
Proceeds from exercise of stock options	4,233	1,224
Purchases of common stock		(7,875)
Principal payments on long-term debt and capital lease obligations	(29,365)	(12,907)
NET CASH USED BY FINANCING ACTIVITIES	(20,512)	(21,653)
Decrease in cash	(9)	(5,087)
Cash at beginning of period	47,886	32,926
Cash at end of period	$ 47,877	$ 27,839

See accompanying notes to consolidated financial statements.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY
Twenty-Six Weeks Ended June 29, 2002
(Dollars in thousands)
(Unaudited)

Common Stock	Additional Paid-In	Retained	Treasury Stock at Cost	Notes Receivable Arising from Exercise of

	Shares	Amount	Capital	Earnings	Shares	Amount	Stock Options	Total
Balance December 29, 2001	13,328,834	$ 133	$ 75,036	$ 258,162	5,241,841	$(209,926)	$ (5,965)	$ 117,440
Net income				20,762				20,762
Exercises of stock options	46,960	1	1,327				2,905	4,233
Retirement of treasury stock	(5,241,841)	(52)	(76,363)	(133,511)	(5,241,841)	209,926		-
Stock split effected in the form of a 100% stock dividend	8,121,653	81		(81)				-
Balance June 29, 2002	16,255,606	$ 163	$ -	$ 145,332	-	$ -	$ (3,060)	$ 142,435

See accompanying notes to consolidated financial statements.

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

The consolidated financial statements include the accounts of Landstar System, Inc. and its subsidiary, Landstar System Holdings, Inc., and reflect all adjustments (all of a normal, recurring nature) which are, in the opinion of management, necessary for a fair statement of the results for the periods presented. The preparation of the consolidated financial statements requires the use of management's estimates. Actual results could differ from those estimates. Landstar System, Inc. and its subsidiary are herein referred to as "Landstar" or the "Company."

(1) Stock-Split

On July 18, 2002, Landstar announced that its Board of Directors had declared a two-for-one stock-split of its common stock to be effected in the form of a 100% stock dividend. Stockholders of record on August 2, 2002 will receive one additional share of common stock for each share held. The additional shares will be distributed on or about August 12, 2002. All share and per share amounts have been restated to give retroactive effect to this stock-split.

(2) Income Taxes

The provisions for income taxes for the 2002 and 2001 twenty-six-week and thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are higher than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period.

(3) 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. All earnings per share amounts have been restated to give retroactive effect to the two-for-one stock split announced July 18, 2002.

(4) Goodwill

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" in the first quarter of fiscal year 2002. SFAS No. 142 eliminated the requirement to amortize goodwill and requires that it be tested for impairment on an annual basis. During the first quarter of 2002, the Company completed the transitional goodwill impairment test and determined that the fair value of each reporting unit exceeded the carrying value of the net assets of each reporting unit. Accordingly, no impairment loss was recognized. Adoption of SFAS No. 142 resulted in the elimination of goodwill amortization expense beginning with the first quarter of 2002. During the twenty-six-week and thirteen-week periods ended June 30, 2001, the Company recorded goodwill amortization expense of $609,000 and $305,000, respectively. Elimination of this amortization expense would have resulted in net income of $19,896,000, or an increase of $0.04 in earnings per share ($0.03 per diluted share), and $11,238,000, or an increase of $0.02 in earnings per share ($0.02 per diluted share), in the 2001 twenty-six and thirteen-week periods, respectively. The Company has no other intangible assets subject to the provisions of SFAS No. 142.

(5) Additional Cash Flow Information

During the 2002 period, Landstar paid income taxes and interest of $14,259,000 and $2,216,000, respectively. During the 2001 period, Landstar paid income taxes and interest of $15,232,000 and $4,450,000, respectively.

(6) Segment Information

The following tables summarize information about Landstar's reportable business segments for the twenty-six and thirteen weeks ended June 29, 2002 and June 30, 2001 (in thousands):

Twenty-Six Weeks Ended June 29, 2002

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 579,964	$ 133,059	$ 13,886		$ 726,909
Investment income			1,078		1,078
Internal revenue	11,505	1,160	15,473		28,138
Operating income	41,459	2,785	7,560	$(15,765)	36,039
Goodwill	20,496	10,638			31,134

Twenty-Six Weeks Ended June 30, 2001

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 543,559	$ 134,019	$ 11,721		$ 689,299
Investment income			1,959		1,959
Internal revenue	14,431	1,121	13,054		28,606
Operating income	37,603	2,121	13,708	$(18,139)	35,293
Goodwill	20,954	10,911			31,865

Thirteen Weeks Ended June 29, 2002

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 310,001	$ 74,340	$ 6,875		$ 391,216
Investment income			515		515
Internal revenue	6,359	645	8,864		15,868
Operating income	24,603	1,645	2,238	$ (7,487)	20,999

Thirteen Weeks Ended June 30, 2001

	Carrier	Multimodal	Insurance	Other	Total
External revenue	$ 280,174	$ 72,190	$ 5,654		$ 358,018
Investment income			903		903
Internal revenue	7,792	639	7,688		16,119
Operating income	20,569	1,535	6,512	$ (9,130)	19,486

(7) Commitments and Contingencies

At June 29, 2002, Landstar had commitments for letters of credit outstanding in the amount of $19,929,000, primarily as collateral for insurance claims. The commitments for letters of credit outstanding included $9,080,000 under 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 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 adverse effect on the results of operations in a given quarter or year.

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

The following discussion should be read in conjunction with the attached interim consolidated financial statements and notes thereto, and with the Company's audited financial statements and notes thereto for the fiscal year ended December 29, 2001 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2001 Annual Report to Shareholders.

RESULTS OF OPERATIONS

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

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

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 and multimodal segments is based on a negotiated rate for each load hauled. Purchased transportation for the intermodal services operations and the air freight operations of the multimodal segment is based on a contractually agreed-upon fixed rate. Purchased transportation as a percentage of revenue for 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 generated by the carrier segment, the multimodal segment and Signature and increases or decreases in gross profit at the multimodal segment.

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

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents, cargo or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect, or materially 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. Landstar retains liability for each individual unladen truckers liability claim (claims incurred while the vehicle is being operated without a trailer attached or is being operated with an attached trailer which does not contain or carry any cargo) up to $25,000 per occurrence through December 31, 2001 and $1,000,000 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.

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

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

All historical share related financial information presented herein has been restated to reflect a two-for-one stock-split effected in the form of a 100% stock dividend to be distributed on or about August 12, 2002 to stockholders of record on August 2, 2002.

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Revenue	100.0%	100.0%	100.0%	100.0%
Investment income	0.2	0.3	0.1	0.3
Costs and expenses:				
Purchased transportation	73.8	74.0	73.9	74.3
Commissions to agents	7.8	7.8	7.9	7.8
Other operating costs	2.4	2.5	2.5	2.4
Insurance and claims	3.4	2.5	3.5	2.6
Selling, general and administrative	7.0	7.4	6.3	6.7
Depreciation and amortization	0.8	1.0	0.7	1.0
Total costs and expenses	95.2	95.2	94.8	94.8
Operating income	5.0	5.1	5.3	5.5
Interest and debt expense	0.4	0.6	0.3	0.5
Income before income taxes	4.6	4.5	5.0	5.0
Income taxes	1.7	1.7	1.9	1.9
Net income	2.9%	2.8%	3.1%	3.1%

TWENTY-SIX WEEKS ENDED JUNE 29, 2002 COMPARED TO TWENTY-SIX WEEKS ENDED JUNE 30, 2001

Revenue for the 2002 twenty-six-week period was $726,909,000, an increase of $37,610,000 over the 2001 twenty-six-week period. The increase was attributable to increased revenue of $36,405,000 and $2,165,000 at the carrier and insurance segments, respectively, partially offset by decreased revenue at the multimodal segment of $960,000. Overall, revenue miles (volume) increased approximately 6%, while revenue per revenue mile (price) decreased approximately 1%. The increase in premium revenue at the insurance segment was primarily attributable to an increase in the level of reinsurance underwritten for unladen truckers liability from $25,000 per occurrence to $1,000,000 per occurrence effective January 1, 2002. Investment income at the insurance segment was $1,078,000 and $1,959,000 in the 2002 and 2001 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates.

Purchased transportation was 73.8% of revenue in 2002 compared with 74.0% in

2001. The decrease in purchased transportation as a percentage of revenue was primarily due to increased revenue at the insurance and carrier segments. Commissions to agents were 7.8% of revenue in 2002 and 2001.

Other operating costs were 2.4% of revenue in 2002 compared with 2.5% in 2001. The decrease in other operating costs as a percentage of revenue was primarily due to decreased license, permit and fuel tax costs, partially offset by increased trailer costs. Insurance and claims were 3.4% of revenue in 2002 compared with 2.5% in 2001. The increase in insurance and claims as a percentage of revenue was primarily attributable to increased trucking claims in the $4 million excess of $1 million layer as a result of one severe accident in June 2002, the increased level of risk assumed for the unladen truckers liability program effective January 1, 2002 and favorable development of prior year claims in 2001, partially offset by reduced property and casualty insurance premiums. Selling, general and administrative costs were 7.0% of revenue in 2002 compared with 7.4% of revenue in 2001. Selling, general and administrative costs, net of an increased provision for bonuses under the Company's incentive compensation plans, remained approximately the same as in the prior year. Accordingly, selling, general and administrative costs as a percentage of revenue declined as revenue increased 5.5%. Depreciation and amortization was 0.8% of revenue in 2002 compared with 1.0% in 2001. The decrease in depreciation and amortization as a percentage of revenue was primarily due to the January 1, 2002 implementation of SFAS No. 142, which eliminated the amortization of goodwill, and reduced depreciation expense for trailing equipment reflecting a decline in the number of company-owned trailers in favor of leased trailers with rent based upon a percentage of revenue.

Interest and debt expense was 0.4% and 0.6% of revenue in 2002 and 2001, respectively. This decrease was primarily attributable to the decline in interest rates, decreased average borrowings on the senior credit facility and decreased capital lease obligations for trailing equipment.

The provisions for income taxes for the 2002 and 2001 twenty-six-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are greater than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period. The decrease in the effective income tax rate was attributable to the elimination of goodwill amortization in 2002.

Net income was $20,762,000, or $1.28 per common share ($1.23 per diluted share), in the 2002 period compared with $19,287,000, or $1.13 per common share ($1.11 per diluted share), in the 2001 period.

THIRTEEN WEEKS ENDED JUNE 29, 2002 COMPARED TO THIRTEEN WEEKS ENDED JUNE 30, 2001

Revenue for the 2002 thirteen-week period was $391,216,000, an increase of $33,198,000 compared to the 2001 thirteen-week period. The increase was attributable to increased revenue of $29,827,000, $2,150,000 and $1,221,000 at the carrier, multimodal and insurance segments, respectively. Overall, revenue miles increased approximately 10%, while revenue per revenue mile decreased approximately 1%. The increase in premium revenue at the insurance segment was primarily attributable to an increase in the level of reinsurance underwritten for unladen truckers liability. Investment income at the insurance segment was $515,000 and $903,000 in the 2002 and 2001 periods, respectively. The decrease in investment income was primarily due to a reduced rate of return, attributable to the decline in interest rates.

Purchased transportation was 73.9% of revenue in 2002 compared with 74.3% in 2001. The decrease in purchased transportation as a percentage of revenue was primarily attributable to increased revenue at the insurance and carrier segments and improved purchased transportation rates at the multimodal segment, partially offset by increased brokerage revenue at the carrier segment. Commissions to agents were 7.9% of revenue in 2002 and 7.8% of revenue in 2001. The increase in commissions to agents as a percentage of revenue was primarily due to improved gross profit at the multimodal segment resulting from lower purchased transportation costs and increased brokerage revenue at the carrier segment. Other operating costs were 2.5% of revenue in 2002 compared with 2.4% in 2001. The increase in other operating costs as a percentage of revenue was primarily due to increased trailer costs, partially offset by decreased license, permit and fuel tax costs. Insurance and claims were 3.5% of revenue in 2002 compared with 2.6% in 2001. The increase in insurance and claims as a percentage of revenue was primarily attributable to increased trucking claims in the $4 million excess of $1 million layer as a result of one severe accident in June 2002 and the increased level of risk assumed for the unladen truckers liability program, partially offset by reduced property and casualty insurance premiums. Selling, general and administrative costs were 6.3% of revenue in 2002 compared with 6.7% of revenue in 2001. Selling, general and administrative costs, net of an increased provision for bonuses under the Company's incentive compensation plans, remained approximately the same as in the prior year. Accordingly, selling, general and administrative costs as a percentage of revenue declined as revenue increased 9.3%. Depreciation and amortization was 0.7% of revenue in 2002 compared with 1.0% in 2001. The decrease in depreciation and amortization as a percentage of revenue was primarily due to the January 1, 2002 implementation of SFAS No. 142, which eliminated the amortization of goodwill, and reduced depreciation expense for trailing equipment.

Interest and debt expense was 0.3% and 0.5% of revenue in 2002 and 2001, respectively. The decrease was primarily attributable to the decline in interest rates, decreased average borrowings on the senior credit facility and decreased capital lease obligations for trailing equipment.

The provisions for income taxes for the 2002 and 2001 thirteen-week periods were based on estimated full year combined effective income tax rates of approximately 38.0% and 38.5%, respectively, which are greater than the statutory federal income tax rate primarily as a result of state income taxes and the meals and entertainment exclusion in both years and the amortization of certain goodwill in the 2001 period. The decrease in the effective income tax rate was attributable to the elimination of goodwill amortization in 2002.

Net income was $12,248,000, or $0.75 per common share ($0.72 per diluted share), in the 2002 period compared with $10,933,000, or $0.64 per common share ($0.63 per diluted share), in the 2001 period.

CAPITAL RESOURCES AND LIQUIDITY

Shareholders' equity increased to $142,435,000 at June 29, 2002 compared with $117,440,000 at December 29, 2001, primarily as a result of net income for the period. Shareholders' equity was 66% and 54% of total capitalization at June 29, 2002 and December 29, 2001, respectively. As of August 1, 2002, the Company may purchase up to 974,600 shares, adjusted for the two-for-one stock-split, of its common stock under its authorized stock purchase program.

Working capital and the ratio of current assets to current liabilities were $115,114,000 and 1.73 to 1, respectively, at June 29, 2002, compared with $121,808,000 and 1.92 to 1, respectively, at December 29, 2001. Landstar has historically operated with current ratios within the range of 1.5 to 1 to 2.0 to 1. Cash provided by operating activities was $25,648,000 in the 2002 period compared with $18,335,000 in the 2001 period. The increase in cash flow provided by operating activities was primarily attributable to the timing of payments. During the 2002 period, Landstar purchased $1,697,000 of operating property. Management anticipates acquiring $25,000,000 of operating property during the remainder of fiscal year 2002 either by purchase or lease financing.

Management believes that cash flow from operations combined with the Company's borrowing capacity under its revolving credit agreement will be adequate to meet Landstar's debt service requirements, fund continued growth, both internal and through acquisitions, complete its announced stock repurchase 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.

FORWARD-LOOKING STATEMENTS

The following is a "safe harbor" statement under the Private Securities Litigation Reform Act of 1995. Statements contained in this document that are not based on historical facts are "forward-looking statements." This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Form 10-Q 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, cargo 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company maintains 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 in the form of a revolving credit facility, $50,000,000 of which may be utilized in the form of letter of credit guarantees. 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. There have been no significant changes that would affect the information provided in Item 7a of the 2001 Annual Report on Form 10-K regarding quantitative and qualitative disclosures about market risk.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

On September 20, 2001, a suit was filed entitled Gulf Bridge RoRo, Inc. v. Landstar System, Inc. (hereinafter "Landstar"), Landstar Logistics, Inc. (hereinafter "Landstar Logistics"), and Ford Motor Co., Inc. in Federal District Court in Mobile, Alabama. The suit alleges breach of contract and misrepresentation against Landstar and Landstar Logistics and certain other courses of action arising out of a contract between Landstar Logistics and the Plaintiff involving a trans-Gulf of Mexico roll-on/roll-off shipping venture developed by the Plaintiffs. The complaint and discovery developed after the filing of the suit would indicate that Plaintiff's principal claim is that Landstar and Landstar Logistics breached a duty under the contract to use "best efforts" to aid in the arrangement of freight for Plaintiff's vessel and that Landstar and Landstar Logistics misrepresented material facts which induced Plaintiff to enter into the contract with Landstar Logistics. The suit makes claim for $25,000,000 for damages for breach of contract and $50,000,000 punitive and other damages related to the misrepresentation counts. As of August 1, 2002, discovery remains open and proceeding in this matter. Discovery completion date has been set by the Court for October 31, 2002. The Court has set a trial date for February of 2003.

The Company believes it has meritorious defenses to this litigation and intends to defend it vigorously. The Company also believes that if this litigation were determined adverse to it, the probable liability of the Company, exclusive of any available insurance recoveries, would not have a material adverse effect on the financial condition of the Company but could have a material adverse effect on the results of operations in a given quarter or year. The Company also believes, however, that any such liability would have no greater impact on the Company's results of operations for any fiscal quarter or fiscal year than any previous litigation to which the Company has been a party in the last three fiscal years. No assurances can be given as to the outcome of this matter.

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 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

On May 15, 2002, Landstar System, Inc. (the "Company") held its Annual Meeting of Shareholders (the "Meeting") at its principal offices in Jacksonville, FL. The matters voted upon at the Meeting included (i) the election of two Class III directors for the terms to expire at the 2005 Annual Meeting of Shareholders, (ii) the ratification of appointment of KPMG LLP as the Company's independent auditors for fiscal year 2002, (iii) to consider the approval of the Company's 2002 Employee Stock Option Plan and (iv) to consider approval of the Company's Executive Incentive Compensation Plan.

The number of shares voted below do not give effect to the two-for-one stock-split announced on July 18, 2002.

Pursuant to the Company's Restated Certificate of Incorporation, the Board of Directors has fixed the number of directors at seven: two Class I directors whose members' terms will expire at the 2003 Annual Meeting of Shareholders; three Class II directors whose members' terms will expire at the 2004 Annual Meeting of Shareholders; and two Class III directors whose members' terms will expire at the 2005 Annual Meeting of Shareholders. With respect to the election of two Class III directors at the Meeting, nominee David G. Bannister and nominee Jeffrey C. Crowe were elected to the Board of Directors of the Company. Mr. Bannister received 6,915,622 votes for election to the Board and 86,216 were withheld. Mr. Crowe received 6,954,198 votes for election to the Board and 47,640 were withheld. The names of the other directors whose terms of office as a director continued after the Meeting are as follows: Henry H. Gerkens (a Class I director), Ronald W. Drucker (a Class I director), Merritt J. Mott (a Class II director), William S. Elston (a Class II director) and Diana M. Murphy (a Class II director).

The proposal to appoint KPMG LLP as the Company's independent auditors for fiscal year 2002 was ratified by the Company's shareholders. Votes for the ratification were 6,913,160, votes against were 81,722 and votes abstaining were 6,956.

The proposal for the approval of the Company's 2002 Employee Stock Option Plan was approved by a majority of the shareholders with 4,130,629 votes for the proposal, 2,223,556 votes against the proposal and 86,512 votes abstained.

The proposal for the approval of the Company's Executive Incentive Compensation Plan was approved by a majority of the shareholders with 6,105,025 votes for the proposal, 236,758 votes against the proposal and 98,914 votes abstained.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

(b) Form 8-K

None.

EXHIBIT INDEX

Registrant's Commission File No.: 0-21238

Exhibit No.	Description
(11)	Statement re: Computation of Per Share Earnings:
11.1 *	Landstar System, Inc. and Subsidiary Calculation of Earnings Per Common Share for the Twenty-Six and Thirteen Weeks Ended June 29, 2002 and June 30, 2001

11.2 * Landstar System, Inc. and Subsidiary Calculation of Diluted Earnings Per Share for the Twenty-Six and Thirteen Weeks Ended June 29, 2002 and June 30, 2001

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* Filed herewith

SIGNATURES

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

LANDSTAR SYSTEM, INC.

Date: August 5, 2002 /s/ Jeffrey C. Crowe

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

Date: August 5, 2002 /s/ Robert C. LaRose

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

EXHIBIT 11.1

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Earnings available for earnings per share:				
Net income	$ 20,762	$ 19,287	$ 12,248	$ 10,933
Average number of common shares outstanding	16,223	17,007	16,252	16,989
Earnings per common share	$ 1.28	$ 1.13	$ 0.75	$ 0.64

EXHIBIT 11.2

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

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	June 29, 2002	June 30, 2001	June 29, 2002	June 30, 2001
Net income	$ 20,762	$ 19,287	$ 12,248	$ 10,933
Average number of common shares outstanding	16,223	17,007	16,252	16,989
Plus: Incremental shares from assumed exercise of stock options	606	430	662	426
Average number of common shares and common share equivalents outstanding	16,829	17,437	16,914	17,415
Diluted earnings per share	$ 1.23	$ 1.11	$ 0.72	$ 0.63