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 30, 2000

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. [ ]

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
2000 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 19, 2001 was 8,518,533; and the aggregate market value of the voting stock held by non-affiliates of the registrant was $529,022,484 (based on the $64.375 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.
2000 Annual Report on Form 10-K

Table of Contents

Part I

Part II

Part III

Part IV

Part I

Item 1. - Business

General

Landstar System, Inc. (herein referred to as "Landstar" or the "Company") was incorporated in January 1991 under the laws of the State of Delaware and acquired all of the capital stock of its predecessor, Landstar System Holdings, Inc. ("LSHI") on March 28, 1991. LSHI owns directly or indirectly all of the common stock of Landstar Ranger, Inc. ("Landstar Ranger"), Landstar Inway, Inc. ("Landstar Inway"), Landstar Ligon, Inc. ("Landstar Ligon"), Landstar Gemini, Inc. ("Landstar Gemini"), Landstar Logistics, Inc. ("Landstar Logistics"), Landstar Express America, Inc. ("Landstar Express America"), Landstar Contractor Financing, Inc. ("LCFI"), Landstar Capacity Services, Inc., Risk Management Claim Services, Inc. ("RMCS"), Signature Technology Services, Inc. ("STSI") and Signature Insurance Company ("Signature"). Landstar Ranger, Landstar Inway, Landstar Ligon, Landstar Gemini, Landstar Logistics and Landstar Express America are collectively herein referred to as Landstar's "Operating Subsidiaries." The Company's principal executive offices are located at 13410 Sutton Park Drive South, Jacksonville, Florida 32224 and its telephone number is (904) 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"). Landstar was capitalized by the sale of an aggregate of 8,024,000 shares of Common Stock for $20.1 million, as follows: KIA IV ($15.5 million), ABSMB ($3.0 million), Management Stockholders($1.3 million) and certain institutional stockholders ($.3 million). In March 1993, Landstar completed a recapitalization (the "Recapitalization") that increased shareholders' equity, reduced indebtedness and improved the Company's operating and financial flexibility. The Recapitalization involved three principal components: (i) the initial public offering (the "IPO") of 5,387,000 shares of Common Stock, at an initial price to the public of $13 per share, 2,500,000 of which were sold by Landstar and 2,887,000 of which were sold by certain of the Company's stockholders (including KIA IV), (ii) the retirement of all $38 million outstanding principal amount of LSHI's 14% Senior Subordinated Notes due 1998 (the "14% Notes"), and (iii) the refinancing of the Company's then existing senior debt facility with a senior bank credit agreement. The net proceeds to the Company from the IPO (net of underwriting discounts and commissions and expenses) of $28,450,000 and proceeds from the new term loan, were used to repay outstanding borrowings under the old credit agreement and redeem or purchase the 14% Notes. In October 1993, a secondary public offering by existing stockholders of 5,547,930 shares of Common Stock at an initial price to the public of $15 per share was completed. KIA IV sold

4,492,640 shares and ABSMB sold 1,055,290 shares. Immediately subsequent to the offering, KIA IV no longer owned any shares of Landstar Common Stock, and affiliates of DB Alex. Brown LLC retained approximately 1% of the Common Stock outstanding.

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

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

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

In March 1997, Landstar formed Signature, a wholly-owned offshore insurance subsidiary. Signature reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar. In addition, Signature provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

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

Description of Business

Landstar, a non asset based business services company, provides transportation solutions to shippers throughout the United States and, to a lesser extent, between the United States, Canada and Mexico. These business services, which emphasize safe transportation, information coordination and customer service, are delivered through a network of independent sales agents and independent contractors linked together by a series of technological applications. Through this network, Landstar operates a $1.4 billion transportation services business throughout North America, providing truckload services, intermodal transportation services and expedited time definite air and ground transportation services.

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

The Company has three reportable business segments. These are the carrier, multimodal and insurance segments. The following table provides financial information relating to the Company's reportable business segments as of and for the fiscal years ending 2000, 1999 and 1998 (dollars in thousands):

	Fiscal Year		
	2000	1999	1998
Revenue from unaffiliated customers:			
Carrier segment	$1,117,042	$1,111,912	$1,029,432
Multimodal segment	277,087	250,395	229,994
Insurance segment	24,363	25,776	24,181
Inter-segment revenue:			
Carrier segment	$ 34,669	$ 35,194	$ 38,302
Multimodal segment	1,241	196	169
Insurance segment	21,919	21,790	20,716
Operating income:			
Carrier segment	$ 88,507	$ 86,282	$ 69,401
Multimodal segment	9,346	7,949	6,407
Insurance segment	24,464	27,141	19,479
Other	(39,704)	(39,658)	(33,833)
Identifiable assets:			
Carrier segment	$ 256,690	$ 251,922	$ 210,200
Multimodal segment	54,294	57,337	55,207
Insurance segment	33,267	28,180	24,179
Other	26,111	28,002	24,079

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 and dedicated power-only truck capacity. The carrier segment markets its services primarily through independent commission

sales agents and exclusively utilizes tractors provided by independent contractors. The nature of the carrier segment business is such that a significant portion of its operating costs varies directly with revenue. At December 30, 2000, the carrier segment operated a fleet of approximately 8,300 tractors, provided by over 7,000 independent contractors, and 14,131 trailers, 5,700 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 9,809 dry vans, 3,516 flatbeds, 571 specialty and 235 refrigerated vans. The carrier segment has a network of more than 850 independent commission sales agents. Independent commission sales agents in the carrier segment receive a commission generally between 5% and 8% of the revenue they generate. The use of independent contractors enables the carrier segment to utilize a large fleet of revenue equipment while minimizing capital investment and fixed costs, thereby enhancing return on investment. Independent contractors who provide tractor power receive a percentage of the revenue generated for the freight hauled and a larger percentage for providing both a tractor and trailer.

The multimodal segment is comprised of Landstar Logistics and Landstar Express America. Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. Multimodal independent sales agents generally receive a percentage of the gross profit, revenue less the cost of the transportation, from each load they generate. Independent contractors who provide truck capacity to the multimodal segment are compensated based on a percentage of the revenue generated by the haul depending on the type and timing of the shipment. Railroads and air cargo carriers receive a fixed amount per load. The nature of the multimodal segment business is such that a significant portion of its operating costs also varies directly with revenue. At December 30, 2000, the multimodal segment operated a fleet of 380 trucks, provided by approximately 315 independent contractors. Multimodal segment independent contractors provide cargo vans and straight trucks that are utilized for emergency and expedited freight services. The multimodal segment has a network of more than 150 independent commission sales agents.

The insurance segment is comprised of Signature, a wholly-owned offshore insurance subsidiary that was formed in March 1997, and RMCS. The insurance segment provides risk and claims management services for Landstar's operating companies. In addition, it reinsures certain property, casualty and occupational accident risks of certain independent contractors who have contracted to haul freight for Landstar and provides certain property and casualty insurance directly to Landstar's operating subsidiaries.

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

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

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

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

DIVERSITY OF SERVICES OFFERED. The Company offers its customers a wide range of transportation services through the carrier and multimodal groups, including a fleet of diverse trailing equipment and extensive geographic coverage. Examples of the specialized services offered include a large fleet of flatbed trailers, multi-axle trailers capable of hauling extremely heavy or oversized loads, drivers certified to handle ammunition and explosive shipments for the U.S. Department of Defense, emergency and expedited surface and air cargo services and intermodal capability with railroads and steamship lines, including short-to-medium haul movement of ocean-going containers between U.S. ports and inland cities.

The following table illustrates the diversity of this equipment as of December 30, 2000:

Trailers:		
Vans		9,667
Specialty Vans		158
Temperature-Controlled		235
Flatbeds		1,984
Drop Deck/Low Boys		1,535
Other Specialized Flatbeds		571
	Total	14,150

MARKETING NETWORK. Landstar's network of approximately 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 2000, 362 agents generated revenue for Landstar of at least $1 million each, or approximately $1.2 billion of Landstar's total revenue. The majority of the agents who generate revenue of $1 million or more have chosen to represent Landstar exclusively. The typical Landstar agent maintains a relationship with a number of shippers and services these shippers by providing a base of operations for independent contractors, both single-unit and multi-unit contractors. Contracts with agents are typically terminable upon 30 days' notice. Historically, Landstar has experienced very limited agent turnover among its larger-volume agents. Each operating subsidiary emphasizes programs to support the agents' operations and to establish pricing parameters. Each operating subsidiary contracts directly with customers and generally assumes the credit risk and liability for freight losses or damages.

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

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

INDEPENDENT CONTRACTORS. Landstar operates the largest fleet of truckload independent contractors in North America. This provides marketing, operating, safety, recruiting, retention and financial advantages to the Company. Most of the Company's truckload independent contractors are compensated based on a fixed percentage of the revenue generated from the freight they haul. This percentage generally ranges from 60% to 70% where the independent contractor provides a tractor and from 75% to 79% where the independent contractor

provides both a tractor and trailer. The independent contractor must pay all the expenses of operating his/her equipment, including driver wages and benefits, fuel, physical damage insurance, maintenance, highway use taxes and debt service.

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

In 2000, Landstar's truck turnover ratio was 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 and terminations initiated by the Company for safety-related compliance issues. Management believes that factors that tend to limit turnover include the Company's extensive agent network, the Company's programs to reduce the operating costs of its independent contractors and Landstar's reputation for quality, service and reliability. Management believes that a reduction in the amount of available freight may cause an increase in truck turnover.

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

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

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

safety	purchasing
strategic planning	human resource management
technology and management information systems	finance
legal	accounting, budgeting and taxes
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 up to $1,000,000 for each individual property, casualty and general liability claim, $250,000 for each workers' compensation claim and $100,000 for each cargo claim. The Company provides, on an actuarially determined basis, for the estimated cost of property, casualty and general liability claims reported and for claims incurred but not reported. Although Landstar has an active training and safety program, there can be no assurance that the frequency or severity of accidents or workers' compensation claims will not increase in the future, that there will not be unfavorable development of existing claims or that insurance premiums will not increase. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating results. Management believes that Landstar realizes significant savings in insurance premiums by retaining a larger amount of risk than might be prudent for a smaller company.

Potential Changes in Fuel Taxes

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

Independent Contractor Status

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

Although management is unaware of any proposals currently pending that would change the employee/independent contractor classification of independent contractors currently doing business with the Company, the costs associated with potential changes, if any, in the employee/independent contractor classification could adversely affect Landstar's results of operations if Landstar were unable to reflect them in its fee arrangements with the independent contractors and agents or in the prices charged to its customers.

Regulation

Each of the Operating Subsidiaries is a motor carrier which, prior to January 1, 1995, was regulated by the Interstate Commerce Commission ("ICC") and is now regulated by the United States Department of Transportation ("DOT") and by various state agencies. The DOT has broad powers, generally governing activities such as the regulation of, to a limited degree, motor carrier operations, rates, accounting systems, periodic financial reporting and insurance. Subject to federal and state regulatory authorities or regulation, the Company may transport most types of freight to and from any point in the United States over any route selected by the Company.

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

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

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.

Approximately 100 Landstar Ranger drivers are represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participate 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 have 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 estimated 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 30, 2000, the Company and its subsidiaries employed 1,266 individuals. Approximately 100 Landstar Ranger drivers (out of a total of approximately 4,280) 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 facilities are leased.

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

Item 3. - Legal Proceedings

On August 5, 1997, suit was filed entitled Rene Alberto Rivas vs. Landstar System, Inc., Landstar Gemini, Inc., Landstar Ranger, Inc., Risk Management Claim Services, Inc., Insurance Management Corporation, and Does 1 through 500, inclusive, in federal district court in Los Angeles. The suit claimed Rivas represents a class of all drivers who, according to the suit, should be classified as employees and were therefore allegedly aggrieved by the practice of Landstar Gemini, Inc. requiring such drivers, as independent contractors, to provide either a worker's compensation certificate or to participate in an occupational accident insurance program. Rivas also claimed violations of federal leasing regulations for allegedly improperly disclosing the program. Rivas also claimed violations of Racketeer Influence and Corrupt Organizations ("RICO") Act and the California Business and Professions Act. He sought on behalf of himself and the class damages of $15 million trebled by virtue of trebling provisions in the RICO Act plus punitive damages. On March 24, 1998, the court granted defendant's motion to dismiss the RICO claim. This matter was settled in the third quarter of 2000 for a non-material amount and the parties executed a mutual dismissal with prejudice which was filed with the court on February 16, 2001.

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 2000.

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	2000 Market Price		1999 Market Price	
	High	Low	High	Low
First Quarter	$ 64 5/8	$ 38 1/16	$ 46 7/8	$ 31 11/16
Second Quarter	69 3/4	48 17/32	44 1/2	32 1/4
Third Quarter	60 5/8	42 1/2	42	34 7/8
Fourth Quarter	59	37 5/8	47 5/8	32 3/4

The reported last sale price per share of the Common Stock as quoted through the NASDAQ National Market System on March 19, 2001 was $64.375 per share. As of such date, Landstar had 8,518,533 shares of Common Stock outstanding. As of March 19, 2001, the Company had 75 stockholders of record of its Common Stock. However, the Company estimates that it has a significantly greater number of stockholders of record because a substantial number of the Company's shares are held by brokers or dealers for their customers in street name.

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

Item 6. - Selected Financial Data

The information required by this Item is set forth under the caption "Selected Consolidated Financial Data" in Exhibit 13 attached hereto, and is incorporated by reference in this Annual Report on Form 10-K. This information is also included on page 44 of the Company's 2000 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 2000 Annual Report to Shareholders.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The Company has a credit agreement with a syndicate of banks and The Chase Manhattan Bank, as the administrative agent, (the "Second Amended and Restated Credit Agreement") that provides $200,000,000 of borrowing capacity, consisting of $150,000,000 revolving credit and $50,000,000 revolving credit to finance acquisitions. Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 30, 2000, the weighted average interest rate on borrowings outstanding was 7.06%. During fiscal 2000, the average outstanding balance under the Second Amended and Restated Credit Agreement was $94,989,000. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings as of December 30, 2000 was estimated to approximate carrying value.

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

Item 8. - Financial Statements and Supplementary Data

The information required by this Item is set forth under the captions "Consolidated Balance Sheets," "Consolidated Statements of Income," "Consolidated Statements of Cash Flows," "Consolidated Statements of Changes in Shareholders' Equity," "Notes to Consolidated Financial Statements," "Independent Auditors' Report" and "Quarterly Financial Data" in Exhibit 13 attached hereto, and are incorporated by reference in this Annual Report on Form 10-K. This information is also included on pages 28 through 43 of the

Company's 2000 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 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 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 page 11 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 6, 2001, 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 2000 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.

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

(3) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report (see "Exhibit Index").

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

(b) No reports on Form 8-K were filed during the last quarter of fiscal year 2000.

SIGNATURES

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

LANDSTAR SYSTEM, INC.

By: Henry H. Gerkens

Henry H. Gerkens
Executive Vice President & Chief Financial Officer

By: Robert C. LaRose

Robert C. LaRose
Vice President Finance & Treasurer

Date: March 21, 2001

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

Signature	Title	Date
Jeffrey C. Crowe ------------------- Jeffrey C. Crowe	Chairman of the Board, President & Chief Executive Officer; Principal Executive Officer	March 21, 2001
Henry H. Gerkens ------------------- Henry H. Gerkens	Director; Executive Vice President & Chief Financial Officer; Principal Financial Officer	March 21, 2001
Robert C. LaRose ------------------- Robert C. LaRose	Vice President Finance & Treasurer; Principal Accounting Officer	March 21, 2001
* ------------------- David G. Bannister	Director	March 21, 2001
* ------------------- Ronald W. Drucker	Director	March 21, 2001

*	Director	March 21, 2001
------------------- Merritt J. Mott		
*	Director	March 21, 2001
------------------- William S. Elston		
*	Director	March 21, 2001
------------------- Diana M. Murphy		

Michael L. Harvey   Attorney In Fact

By: Michael L. Harvey

EXHIBIT INDEX

Form 10-K for fiscal year ended 12/30/00

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.

(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 Index (continued)
Form 10-K for fiscal year ended 12/30/00

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 for exercise of stock options

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

10.10+* Form of Promissory Notes between the Company and certain directors, executive officers and management of the Company for federal income tax purposes

10.11+* Form of Promissory Notes between the Company and certain directors, executive officers and management of the Company for relocation purposes

(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 2000 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 6, 2001, we reported on the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 30, 2000 and December 25, 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 30, 2000, December 25, 1999 and December 26, 1998, as contained in the 2000 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 2000. 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 6, 2001

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. 30, 2000	Dec. 25, 1999
Assets		
Investment in Landstar System Holdings, Inc., net of advances	$107,859	$106,884
Total assets	$107,859	$106,884
Liabilities and Shareholders' Equity		
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,233,874 and 13,063,974 shares	$ 132	131
Additional paid-in capital	71,325	65,833

Retained earnings	215,368	170,174
Cost of 4,741,841 and 3,909,041 shares of common stock in treasury	(172,727)	(127,560)
Notes receivable arising from exercise of stock options	(6,239)	(1,694)
Total shareholders' equity	107,859	106,884
Total liabilities and shareholders' equity	$107,859	$106,884

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. 30, 2000	Dec. 25, 1999	Dec. 26, 1998
Equity in undistributed earnings of Landstar System Holdings, Inc.	$ 45,296	$ 46,018	$ 11,897
Income taxes	102	81	5
Net income	$ 45,194	$ 45,937	$ 11,892
Earnings per common share	$ 5.15	$ 4.60	$ 1.08
Diluted earnings per share	$ 5.03	$ 4.55	$ 1.07
Average number of shares outstanding:			
Earnings per common share	8,781,000	9,982,000	11,022,000
Diluted earnings per share	8,981,000	10,102,000	11,123,000

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

	FISCAL YEARS ENDED		
	Dec. 30, 2000	Dec. 25, 1999	Dec. 26, 1998
Operating Activities			
Net income	$ 45,194	$ 45,937	$ 11,892
Adjustments to reconcile net income to net cash used by operating activities:			
Equity in undistributed earnings of Landstar System Holdings, Inc.	(45,296)	(46,018)	(11,897)
Net Cash Used By Operating Activities	(102)	(81)	(5)
Investing Activities			
Additional investments in and advances from Landstar System Holdings, Inc., net	46,144	51,172	51,871
Net Cash Provided By Investing Activities	46,144	51,172	51,871
Financing Activities			
Proceeds from sales of common stock	143	293	1,363
Purchases of common stock	(46,185)	(51,384)	(53,229)
Net Cash Used By Financing Activities	(46,042)	(51,091)	(51,866)
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 30, 2000
(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	$ 4,002	$ 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	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	$ 6,428	$ 94	$ -	$ (2,520)	$ 4,002
Deducted from other receivables	4,007	1,226	-	(200)	5,033
Deducted from other non-current receivables	303	1,323	-	-	1,626
	$10,738	$ 2,643	$ -	$ (2,720)	$10,661

(A) Write-offs, net of recoveries.

LANDSTAR SYSTEM, INC. AND SUBSIDIARY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED DECEMBER 26, 1998
(Dollars in thousands)

COL. A	COL. B	COL. C		COL. D	COL. E
	Balance at Beginning of Period	Additions			
Description		Charged to Costs and Expenses(A)	Charged to Other Accounts Describe	Deductions Describe(B)	Balance at End of Period
Allowance for doubtful accounts:					
Deducted from trade receivables	$ 5,957	$ 3,238	$ -	$ (2,767)	$ 6,428
Deducted from other receivables	4,009	818	-	(820)	4,007
Deducted from other non-current receivables	58	245	-	-	303
	$10,024	$ 4,301	$ -	$ (3,587)	$10,738

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

(B) Write-offs, net of recoveries.

Exhibit 10.8

FIRST AMENDMENT TO
THE LANDSTAR SYSTEM, INC.
1994 DIRECTORS STOCK OPTION PLAN

WHEREAS, LANDSTAR SYSTEM, INC. (the "Company") adopted the 1994 Directors Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to Section 12 of the Plan, the Board of Directors retained the right to amend the Plan;

NOW, THEREFORE, the Plan is amended as follows:

1. Section 2(1) of the Plan is deleted in its entirety and a new Section 2(1) added to read as follows:

"Term Award" shall mean an Option to purchase 9,000 Shares, with an exercise price per Share equal to the Fair Market Value of a Share on the date of grant.

2. This First Amendment to the Plan shall be effective as of May 19, 1999.

IN WITNESS WHEREOF, the Company has caused this First Amendment to be executed by its duly authorized officer on the 24 day of March, 1999.

LANDSTAR SYSTEM, INC.

By:_______________________________
Michael L. Harvey, Secretary

Exhibit 10.9

SECOND AMENDMENT TO
THE LANDSTAR SYSTEM, INC.
1994 DIRECTORS STOCK OPTION PLAN

WHEREAS, LANDSTAR SYSTEM, INC. (the "Company") adopted the 1994 Directors Stock Option Plan (the "Plan"); and

WHEREAS, pursuant to Section 12 of the Plan, the Board of Directors retained the right to amend the Plan;

NOW, THEREFORE, the plan is amended as follows:

1. 5. Shares; Adjustment Upon Certain Events of the plan has been changed to increase the number of shares available from 120,000 to 210,000 as follows:

   (a) Shares Available. Shares to be issued under this Plan shall be made available, at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by the Company. The aggregate number of Shares that may be issued under this Plan shall not exceed 210,000 Shares, except as provided in this Section. Shares subject to any option granted hereunder which expires or is terminated or cancelled prior to exercise will be available for future grants under the Plan.

2. This Second Amendment to the Plan shall be effective as of May 16, 2000.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed by its duly authorized officer on the 9th of June, 2000.

LANDSTAR SYSTEM, INC.

By:____________________________
Michael L. Harvey, Secretary

Exhibit 10.10

PROMISSORY NOTE

FOR VALUE RECEIVED, ---------- (the "Promissor") hereby promises to pay to the order of LANDSTAR SYSTEM, INC. (the "Lender") the sum of -------------------- Dollars ($xx,xxx.xx) ("the "Loan") on or before ---------- plus interest on the unpaid principal balance hereof from ------------, at the annual rate of seven percent (7%) as provided herein on demand. The principal shall be repaid on the fifth anniversary of this note, ---------- or sooner as provided herein. Interest shall be repayable annually on the anniversary date of the note, except that interest shall be forgiven each year on the anniversary date of this note if the Promissor is still employed by the Lender. In the event Borrower is terminated as an employee of Landstar System, Inc., (Landstar System, Inc. or any affiliate of Landstar System, Inc.) for any reason, the entire amount (principal and interest) then remaining due shall be repaid in full within thirty (30) days of termination date.

The purpose of this Note is to fund payment by Promissor of federal alternative minimum tax liability of Promissor and is repayable when the alternative minimum tax credit carry forward is utilized by Promissor or upon the expiration of five (5) years from the date of this Note, whichever first occurs. Promissor is required and does hereby agree to annually submit completed, as filed federal tax returns to Lender for purposes of verification of AMT credit carry forward utilization until such time as the herein Note is fully paid and satisfied.

The Lender and the Promissor further agree to waive demand, notice of nonpayment and protest; and in case suit shall be brought for the collection hereof, or the same has to be collected upon demand of an attorney, to pay reasonable attorney's fees for making such collection. The Lender and the Promissor shall remain liable for any deficiency with legal interest. The Loan (i) may not be assigned by Promissor without the written consent of the Lender, (ii) is binding upon the Borrower's successors and heirs, and (iii) shall be governed by and construed in accordance with the laws of the State of Florida.

The Lender may, on notice to the Promissor, convey its interest in the Loan to any entity in which the Lender has an equity interest, in which case reference herein to "Lender" shall be deemed to refer to such entity.

Dated: ----------------------------

Typed Name:

Acknowledged and Agreed:

LANDSTAR SYSTEM, INC.

By:----------------------
Name:
Title:

Exhibit 10.11

Promissory Note

FOR VALUE RECEIVED, ----------- (the "Borrower") hereby promises to pay to LANDSTAR SYSTEM HOLDINGS, INC. (the "Lender") the sum of ------------DOLLARS ($xx,xxx.xx) (the "Loan") on --------, plus interest on the unpaid principal balance hereof from --------- at the annual rate of seven and a half percent (7.5%). Principal and interest shall be payable on the first, second, third, fourth, and fifth anniversary of the Loan commencing -------------.

Principal and interest on the Loan will be forgiven over a five-year period commencing on the first anniversary of the Loan as follows: On ------ of each of the years 20xx, 20xx, 20xx, 20xx, and 20xx, the Lender will forgive TEN THOUSAND DOLLARS ($10,000.00) of the Loan and any interest accrued to date; provided, that on each such date the Borrower shall be employed by the Lender or any one of its affiliates.

In the event the Borrower ceases to be employed by the Lender or any of its affiliates of his own volition, none of the remaining unpaid and unforgiven principal balance of the Loan, together with any accrued unforgiven and unpaid interest, shall be forgiven and the same shall become due and payable upon the 11th day following such date of termination. In the event the Borrower is terminated by the Lender or any of its affiliates for any reason other than for fraud, all of the remaining unpaid and unforgiven principal balance of the Loan, together with any accrued unforgiven and unpaid interest then due, shall be forgiven on the date of such termination. The state and federal income tax consequences of any principal and interest Loan forgiveness provided for herein shall be fully protected by the Lender in favor of the Borrower in any lawful manner which is permitted or authorized by local, state, or federal income tax laws including FICA, FUTA, and related employee tax deductions. Nothing herein is intended to create an employment agreement or to restrict the Lender's right to terminate the employment of the Borrower at any time.

The Borrower gives up the right to require that the Lender do the following: (a) demand payment (called "presentment"); (b) notify the Borrower of non-payment (called "protest"). The Lender may exercise any right under this Note, or any law, even if the Lender has delayed in exercising that right or has agreed in an earlier instance not to exercise that right. Lender does not waive its right to declare that Borrower is in default by making payments or incurring expenses on Borrowers' behalf.

The Loan (i) may not be assigned by the Borrower without the written consent of the Lender, (ii) is binding upon the Borrower's successors and heirs, and (iii) shall be governed by and construed in accordance with the laws of the state of Florida.

The Lender may, on notice to the Borrower, convey its interest on the Loan to any entity in which the Lender has an equity interest, in which case reference herein to "Lender" shall be deemed to refer to such entity.

IN WITNESS WHEREOF, the undersigned has executed this Note on the --- day of ----.

BORROWER

Typed Name:

State of --------------
County of -------------

Signed and sworn to before me, a notary public, this ---day of --------- 20xx

----
Notary

ACKNOWLEDGED AND AGREED:

Landstar System Holdings, Inc.

By: -----------------------
Name: Robert C. LaRose
Title: Vice President - Finance and Treasurer

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 30, 2000	December 25, 1999	December 26, 1998
Income from continuing operations	$ 45,194	$ 45,937	$ 34,481
Discontinued operations, net of income taxes			(22,589)
Net income	$ 45,194	$ 45,937	$ 11,892
Average number of common shares outstanding	8,781	9,982	11,022
Earnings per common share:			
Income from continuing operations	$ 5.15	$ 4.60	$ 3.13
Loss from discontinued operations			(2.05)
Earnings per common share	$ 5.15	$ 4.60	$ 1.08

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 30, 2000	Fiscal Years Ended December 25, 1999	Fiscal Years Ended December 26, 1998
Income from continuing operations	$ 45,194	$ 45,937	$ 34,481
Discontinued operations, net of income taxes			(22,589)
Net income	$ 45,194	$ 45,937	$ 11,892
Average number of common shares outstanding	8,781	9,982	11,022
Plus: Incremental shares from assumed exercise of stock options	200	120	101
Average number of common shares and incremental shares outstanding	8,981	10,102	11,123
Diluted earnings per share:			
Income from continuing operations	$ 5.03	$ 4.55	$ 3.10
Loss from discontinued operations			(2.03)
Diluted earnings per share	$ 5.03	$ 4.55	$ 1.07

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 and dedicated power-only truck capacity. The carrier segment markets its services primarily through independent commission sales agents and utilizes tractors provided by independent contractors. The nature of the carrier segment's business is such that a significant portion of its operating costs varies directly with revenue. The carrier segment historically has contributed approximately 80% of Landstar's consolidated revenue.

The multimodal segment is comprised of Landstar Logistics, Inc. and Landstar Express America, Inc. ("Landstar Express America"). Transportation services provided by the multimodal segment include the arrangement of intermodal moves, contract logistics, truck brokerage and emergency and expedited air freight. The multimodal segment markets its services through independent commission sales agents and utilizes capacity provided by independent contractors, including railroads and air cargo carriers. The nature of the multimodal segment's business is such that a significant portion of its operating costs also varies directly with revenue. The multimodal segment historically has contributed approximately 18% 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 historically has contributed approximately 2% of Landstar's consolidated revenue.

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

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

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

Potential liability associated with accidents in the trucking industry is severe and occurrences are unpredictable. A material increase in the frequency or severity of accidents or workers' compensation claims or the unfavorable development of existing claims can be expected to adversely affect Landstar's operating income.

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

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

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

	Fiscal Years		
	2000	1999	1998
Revenue	100.0%	100.0%	100.0%
Investment income	0.3	0.2	0.1
Costs and expenses:			
Purchased transportation	73.8	73.6	74.0
Commissions to agents	8.0	8.0	7.9
Other operating costs	2.1	2.2	2.1
Insurance and claims	2.2	2.5	3.1
Selling, general and administrative	7.1	7.2	7.4
Depreciation and amortization	0.9	0.8	0.8
Non-recurring costs	0.4		
Total costs and expenses	94.5	94.3	95.3
Operating income	5.8	5.9	4.8
Interest and debt expense	0.6	0.3	0.3
Income from continuing operations before income taxes	5.2	5.6	4.5
Income taxes	2.0	2.3	1.8
Income from continuing operations	3.2	3.3	2.7
Discontinued operations, net of income taxes			(1.8)
Net income	3.2%	3.3%	0.9%

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 decreased revenue of $1,413,000 at the insurance segment. Overall, revenue per revenue mile (price) increased approximately 3%, partially offset by decreased revenue miles (volume) 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 fuel costs incurred by its capacity providers. 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 overall 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.

Approximately 100 Landstar Ranger drivers are represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participate 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 have 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 amount of $2,230,000 for the estimated cost of withdrawal from the Fund. Management estimates the elimination of the requirement to make contributions for more than the actual number of unionized drivers will result in annual savings of approximately $800,000.

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. Management anticipates future savings of selling, general and administrative costs as a result of this restructuring to approximate $1,000,000 per annum.

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 state income tax planning strategies. At December 30, 2000, the valuation allowance of $615,000 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 $587,000 when realization of deferred state income tax benefits becomes likely. The Company believes that deferred income tax benefits, net of the valuation allowance, are more likely than not to be realized because of the Company's ability to generate future taxable earnings.

Net income was $45,194,000, 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.

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

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

Purchased transportation was 73.6% of revenue in 1999 compared with 74.0% in 1998. The decrease in purchased transportation as a percentage of revenue was primarily attributable to reduced intermodal and air freight revenue which tend to have a higher cost of purchased transportation and increased utilization of company-owned or leased trailers as opposed to those supplied by independent contractors. Commissions to agents were 8.0% of revenue in 1999 compared with 7.9% in 1998 primarily due to an increase in the percentage of revenue generated through independent commission sales agents which reflected the conversion of company-owned sales locations to independent commission sales agent locations. Other operating costs were 2.2% of revenue in 1999 compared with 2.1% in 1998. The increase in other operating costs as a percentage of revenue was primarily attributable to a higher provision for contractor bad debts, higher net trailer costs and increased contractor recruiting costs, partially offset by a one-time reduction in the cost of fuel taxes which resulted from a favorable fuel tax audit. Insurance and claims were 2.5% of revenue in 1999 compared with 3.1% in 1998 primarily due to the favorable development of prior year claims in 1999. Selling, general and administrative costs were 7.2% of revenue in 1999 and 7.4% in 1998. The decrease in selling, general and administrative costs as a percentage of revenue was due to the

effect of the increase in revenue, a decrease in the provision for customer bad debts and one-time costs of $560,000 attributable to the relocation in 1998 of Landstar Express America from Charlotte, North Carolina to Jacksonville, Florida, partially offset by increased wages and benefits, increased information services costs and a higher provision for bonuses under the Company's incentive compensation plan.

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

The provisions for income taxes from continuing operations for the 1999 and 1998 fiscal years were based on an effective income tax rate of 40.5%, which is higher than the statutory federal income tax rate primarily as a result of state income taxes, amortization of certain goodwill and the meals and entertainment exclusion.

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

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

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

CAPITAL RESOURCES AND LIQUIDITY

On October 10, 1997, Landstar renegotiated its existing Credit Agreement with a syndicate of banks and The Chase Manhattan Bank, as administrative agent (the "Second Amended and Restated Credit Agreement"). The Second Amended and Restated Credit Agreement provides $200,000,000 of borrowing capacity, consisting of $150,000,000 of revolving credit (the "Working Capital Facility") and $50,000,000 of revolving credit available to finance acquisitions (the "Acquisition Facility"). $50,000,000 of the total borrowing capacity under the Working Capital Facility may be utilized in the form of letter of credit guarantees. At December 30, 2000, Landstar had commitments for letters of credit outstanding in the amount of $20,452,000, primarily as collateral for estimated insurance claims, $10,080,000 of which were supported by the Second Amended and Restated Credit Agreement and $10,372,000 secured by assets deposited with a financial institution. The Second Amended and Restated Credit Agreement expires on October 10, 2002.

Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 30, 2000, the margin was equal to 37.5/100 of 1%. The unused portion

of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Leverage Ratio, as therein defined. As of December 30, 2000, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.125%. At December 30, 2000, the weighted average interest rate on borrowings outstanding under the Second Amended and Restated Credit Agreement was 7.06%.

The Second Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by $11,019,000 at December 30, 2000.

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

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

Shareholders' equity was $107,859,000, or 53% of total capitalization, at December 30, 2000, compared with $106,884,000, or 61% of total capitalization, at December 25, 1999. The reduction in shareholders' equity as a percentage of total capitalization was primarily a result of the purchase of 864,000 shares of the Company's common stock at a total cost of $46,185,000, partially offset by fiscal year's 2000 net income. As of December 30, 2000, the Company may purchase an additional 500,000 shares of its common stock under its authorized stock repurchase program. Long-term debt including current maturities was $94,643,000 at December 30, 2000, $27,345,000 higher than at December 25, 1999, primarily as a result of financing a portion of the stock repurchase program with borrowings under the Second Amended and Restated Credit Agreement. Working capital and the ratio of current assets to current liabilities were $94,718,000 and 1.61 to 1, respectively, at December 30, 2000, compared with $81,589,000 and 1.48 to 1, respectively, at December 25, 1999. Landstar has historically operated with current ratios approximating 1.5 to 1. Cash provided by operating activities was $54,047,000 in 2000 compared with $43,582,000 in 1999. The increase in cash provided by operating activities was attributable to the timing of collection of accounts receivable. During the 2000 fiscal year, Landstar purchased $7,305,000 of operating property and acquired $18,448,000 of revenue equipment by entering into capital leases. Landstar anticipates it will acquire approximately $12,000,000 of operating property during fiscal year 2001 either by purchase or by lease financing.

Landstar is involved in certain claims and pending litigation arising from the normal conduct of business. Based on the knowledge of the facts and, in certain cases, opinions of outside counsel, management believes that adequate

provisions have been made for probable losses with respect to the resolution of all claims and pending litigation and that the ultimate outcome, after provisions thereof, will not have a material adverse effect on the financial condition of Landstar, but could have a material effect on the results of operations in a given quarter or year.

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

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

FORWARD-LOOKING STATEMENTS

The 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 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 Securities and Exchange Commission filings from time to time. These risks and uncertainties could cause actual results or events to differ materially from historical results or those anticipated. Investors should not place undue reliance on such forward-looking statements, and the Company undertakes no obligation to publicly update or revise any forward-looking statements.

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 30, 2000	December 25, 1999
ASSETS		
Current assets:		
Cash	$ 32,926	$ 23,721
Short-term investments	1,500	1,000
Trade accounts receivable, less allowance of $4,450 and $4,002	195,398	207,024

Other receivables, including advances to independent contractors, less allowance of $5,089 and $5,033	13,122	14,318
Prepaid expenses and other current assets	6,062	6,190
Total current assets	249,008	252,253
Operating property, less accumulated depreciation and amortization of $37,497 and $34,283	76,049	63,797
Goodwill, less accumulated amortization of $8,993 and $7,777	32,474	33,733
Deferred income taxes and other assets	12,831	15,658
Total assets	$370,362	$365,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Cash overdraft	$ 17,496	$ 19,471
Accounts payable	63,002	67,322
Current maturities of long-term debt	9,766	6,769
Insurance claims	23,364	27,207
Accrued compensation	8,277	12,113
Other current liabilities	32,385	37,782
Total current liabilities	154,290	170,664
Long-term debt, excluding current maturities	84,877	60,529
Insurance claims	23,336	27,364
Shareholders' equity:		
Common stock, $.01 par value, authorized 20,000,000 shares, issued 13,233,874 and 13,063,974 shares	132	131
Additional paid-in capital	71,325	65,833
Retained earnings	215,368	170,174
Cost of 4,741,841 and 3,909,041 shares of common stock in treasury	(172,727)	(127,560)
Notes receivable arising from exercise of stock options	(6,239)	(1,694)
Total shareholders' equity	107,859	106,884
Total liabilities and shareholders' equity	$370,362	$365,441

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 30, 2000	December 25, 1999	December 26, 1998
Revenue	$ 1,418,492	$ 1,388,083	$ 1,283,607
Investment income	4,317	2,502	1,689
Costs and expenses:			
Purchased transportation	1,046,183	1,022,203	950,343
Commissions to agents	113,721	111,666	101,409
Other operating costs	29,568	30,000	27,516
Insurance and claims	31,935	34,064	39,388
Selling, general and administrative	100,516	99,240	95,028
Depreciation and amortization	13,003	11,698	10,158
Non-recurring costs	5,270		
Total costs and expenses	1,340,196	1,308,871	1,223,842
Operating income	82,613	81,714	61,454
Interest and debt expense	9,127	4,509	3,503
Income from continuing operations before income taxes	73,486	77,205	57,951

Income taxes	28,292	31,268	23,470
Income from continuing operations	45,194	45,937	34,481
Discontinued operations, net of income taxes			(22,589)
Net income	$ 45,194	$ 45,937	$ 11,892
Earnings per common share:			
Income from continuing operations	$ 5.15	$ 4.60	$ 3.13
Loss from discontinued operations			(2.05)
Earnings per common share	$ 5.15	$ 4.60	$ 1.08
Diluted earnings per share:			
Income from continuing operations	$ 5.03	$ 4.55	$ 3.10
Loss from discontinued operations			(2.03)
Diluted earnings per share	$ 5.03	$ 4.55	$ 1.07
Average number of shares outstanding:			
Earnings per common share	8,781,000	9,982,000	11,022,000
Diluted earnings per share	8,981,000	10,102,000	11,123,000

See accompanying notes to consolidated financial statements.

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

(Dollars in thousands)	Fiscal Years Ended December 30, 2000	December 25, 1999	December 26, 1998
OPERATING ACTIVITIES OF CONTINUING OPERATIONS			
Net income	$ 45,194	$ 45,937	$ 11,892
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Discontinued operations			22,589
Depreciation and amortization of operating property	11,787	10,482	8,892
Amortization of goodwill and non-competition agreements	1,216	1,216	1,266
Non-cash interest charges	324	324	324
Provisions for losses on trade and other receivables	4,592	2,643	4,276
Losses (gains) on sales of operating property	(244)	708	(253)
Deferred income taxes, net	3,911	1,788	(423)
Non-cash charge in lieu of income taxes	43		52
Changes in operating assets and liabilities, net of discontinued operations:			
Decrease (increase) in trade and other accounts receivable	8,230	(37,534)	(7,167)
Increase in prepaid expenses and other assets	(1,405)	(1,329)	(2,066)
Increase (decrease) in accounts payable	(4,320)	16,698	2,482
Increase (decrease) in insurance claims	(7,871)	(4,497)	4,531
Increase (decrease) in other liabilities	(7,410)	7,146	7,094
NET CASH PROVIDED BY OPERATING ACTIVITIES OF CONTINUING OPERATIONS	54,047	43,582	53,489
INVESTING ACTIVITIES			
Purchases of investments	(1,435)	(5,005)	
Maturities of short-term investments	1,060		3,012
Purchases of operating property	(7,305)	(12,716)	(7,185)
Proceeds from sales of operating property	1,958	2,132	2,716
Proceeds from sale of discontinued operations			40,435
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,722)	(15,589)	38,978
FINANCING ACTIVITIES OF CONTINUING OPERATIONS			
Increase (decrease) in cash overdraft	(1,975)	4,725	2,598
Borrowings on revolving credit facility	27,500	21,500	15,000

Principal payments on long-term debt and capital lease obligations	(18,603)	(6,087)	(23,040)
Proceeds from exercise of stock options	143	293	1,363
Purchases of common stock	(46,185)	(51,384)	(53,229)
NET CASH USED BY FINANCING ACTIVITIES OF CONTINUING OPERATIONS	(39,120)	(30,953)	(57,308)
NET CASH USED BY DISCONTINUED OPERATIONS			(26,472)
Increase (decrease) in cash	9,205	(2,960)	8,687
Cash at beginning of period	23,721	26,681	17,994
Cash at end of period	$ 32,926	$ 23,721	$ 26,681

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 30, 2000, December 25, 1999 and December 26, 1998
(Dollars in thousands)

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

See accompanying notes to consolidated financial statements.

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

(1) Significant Accounting Policies

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

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

Revenue Recognition
Revenue and the related direct freight expenses are recognized upon completion of freight delivery.

Insurance Claim Costs
Landstar provides, on an actuarially determined basis, for the estimated costs of cargo, property, casualty, general liability and workers' compensation claims both reported and for claims incurred but not reported. Landstar retains liability up to $1,000,000 for each individual property, casualty and general liability claim, $250,000 for each workers' compensation claim and $100,000 for each cargo claim.

Tires
Tires purchased as part of trailers 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 three years and are carried at amortized cost, which approximates fair value. Short-term investments represent the current portion of these bonds. There are $3,877,000 and $4,002,000 of these bonds included in other assets at December 30, 2000 and December 25, 1999, 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. Trailers are being depreciated over 7 years.

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

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

Stock-based Compensation
Compensation cost for the Company's stock options is measured as the excess,

if any, of the quoted market price of the Company's stock at the date of grant over the exercise price of the stock option.

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

(2) Non-recurring Costs

Approximately 100 Landstar Ranger, Inc. ("Landstar Ranger") drivers are represented by the International Brotherhood of Teamsters (the "Teamsters"). The vast majority of these unionized drivers participate 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 have 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 its estimated 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) Discontinued Operations

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

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

The company-owned tractor segment had revenue of $58,715,000 in 1998.

(4) Income Taxes

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

	Fiscal Years		
	2000	1999	1998
Current:			
Federal	$21,525	$24,931	$21,185
State	2,813	4,549	2,656
	24,338	29,480	23,841
Deferred:			
Federal	4,208	1,019	(1,268)
State	(297)	769	845
	3,911	1,788	(423)
Non-cash charge in lieu of income taxes	43		52
Income taxes	$28,292	$31,268	$23,470

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

	Dec. 30, 2000	Dec. 25, 1999
Deferred tax assets:		
Receivable valuations	$ 4,221	$ 3,759
Deferred state income tax benefits	1,587	1,665
State net operating loss carryforwards	1,885	1,439
Self insured claims	4,881	8,044
Other	3,530	3,281
	16,104	18,188
Valuation allowance	(615)	(658)
	$ 15,489	$ 17,530
Deferred tax liabilities:		
Operating property	$ 9,731	$ 7,321
Other	5,634	6,174
	$ 15,365	$ 13,495

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

At December 30, 2000, the valuation allowance of $615,000 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 $587,000 when realization of deferred state income tax benefits becomes likely.

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

	Fiscal Years		
	2000	1999	1998
Income taxes at federal income tax rate	$25,720	$27,022	$20,283
State income taxes, net of federal income tax benefit	1,635	3,457	2,309
Amortization of goodwill	258	258	258
Meals and entertainment exclusion	597	472	470
Other, net	82	59	150
Income taxes	$28,292	$31,268	$23,470

Landstar paid income taxes of $25,089,000 in 2000, $28,659,000 in 1999 and $26,110,000 in 1998.

(5) Operating Property

Operating property is summarized as follows (in thousands):

	Dec. 30, 2000	Dec. 25, 1999
Land	$ 2,097	$ 2,280
Leasehold improvements	8,199	5,817
Buildings and improvements	8,105	8,638
Trailers	72,257	56,966
Other equipment	22,888	24,379
	113,546	98,080
Less accumulated depreciation and amortization	37,497	34,283
	$ 76,049	$ 63,797

Included above is $60,811,000 in 2000 and $50,899,000 in 1999 of operating property under capital leases, $44,458,000 and $35,153,000, respectively, net of accumulated amortization. Landstar acquired operating property by entering into capital leases in the amount of $18,448,000 in 2000, $17,445,000 in 1999 and $12,902,000 in 1998.

(6) Pension Plans

Landstar sponsors an Internal Revenue Code section 401(k) defined contribution plan for the benefit of full-time employees who have completed one year of service. Eligible employees make voluntary contributions up to 16% of their base salary, subject to certain limitations. Landstar contributes an amount equal to 100% of the first 3% and 50% of the next 2% of such contributions, subject to certain limitations.

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 from continuing operations for the Company sponsored defined contribution plan and for union sponsored plans, excluding the estimated cost of withdrawal (see note 2), was $1,105,000 and $935,000 in 2000, respectively, $1,082,000 and $1,351,000 in 1999, respectively, and $624,000 and $1,265,000 in 1998, respectively.

(7) Debt

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

	Dec. 30, 2000	Dec. 25, 1999
Capital leases	$37,143	$27,298
Working Capital Facility	39,000	21,500
Acquisition Facility	18,500	18,500
	94,643	67,298
Less current maturities	9,766	6,769
Total long-term debt	$84,877	$60,529

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

Borrowings under the Second Amended and Restated Credit Agreement bear interest at rates equal to, at the option of Landstar, either (i) the greatest of (a) the prime rate as publicly announced from time to time by The Chase Manhattan Bank, (b) the three month CD rate adjusted for statutory reserves and FDIC assessment costs plus 1% and (c) the federal funds effective rate plus 1/2%, or, (ii) the rate at the time offered to The Chase Manhattan Bank in the Eurodollar market for amounts and periods comparable to the relevant loan plus a margin that is determined based on the level of the Company's Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement. As of December 30, 2000, the margin was equal to 37.5/100 of 1%. The unused portion of the Second Amended and Restated Credit Agreement carries a commitment fee determined based on the level of the Company's Leverage Ratio, as therein defined. As of December 30, 2000, the commitment fee for the unused portion of the Second Amended and Restated Credit Agreement was 0.125%. At December 30, 2000, the weighted average interest rate on borrowings outstanding under the

Second Amended and Restated Credit Agreement was 7.06%. Based on the borrowing rates in the Second Amended and Restated Credit Agreement and the repayment terms, the fair value of the outstanding borrowings under the Second Amended and Restated Credit Agreement was estimated to approximate carrying value.

The Second Amended and Restated Credit Agreement contains a number of covenants that limit, among other things, the incurrence of additional indebtedness, the incurrence of operating or capital lease obligations and the purchase of operating property. The Second Amended and Restated Credit Agreement also requires Landstar to meet certain financial tests. Landstar is required to, among other things, maintain minimum levels of Net Worth, as defined in the Second Amended and Restated Credit Agreement, and Interest and Fixed Charge Coverages, as therein defined. Under the most restrictive covenant, Landstar exceeded the required Interest Coverage level by approximately $11,019,000 at December 30, 2000.

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

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

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

Landstar paid interest of $9,658,000 in 2000, $4,484,000 in 1999 and $4,159,000 in 1998. Included in interest paid in 1998 was $695,000 related to discontinued operations.

(8) Leases

The future minimum lease payments under all noncancelable leases at December 30, 2000, principally for trailers and the Company's headquarters facility in Jacksonville, Florida, are shown in the following table (in thousands):

	Capital Leases	Operating Leases
2001	$12,139	$ 2,671
2002	11,455	2,262
2003	10,144	1,784
2004	6,881	1,681
2005	2,122	1,827
Thereafter		17,242
	42,741	$ 27,467
Less amount representing interest (5.9% to 8.3%)	5,598	
Present value of minimum lease payments	$37,143	

Total rent expense from continuing operations, net of sublease income, was $19,620,000 in 2000, $19,322,000 in 1999 and $20,548,000 in 1998.

(9) Stock Option Plans

The Company maintains two stock option plans. Under the 1993 Stock Option Plan, as amended, (the "Plan"), the Compensation Committee of the Board of Directors may grant options to Company employees for up to 1,115,000 shares of common stock. Under the 1994 Directors Stock Option Plan, 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.

Options granted become exercisable in five equal annual installments under the Plan and three equal annual installments under the DSOP, commencing on the first anniversary of the date of grant, subject to acceleration in certain circumstances, and expire on the tenth anniversary of the date of grant. Under the plans, the exercise price of each option equals the market price of the Company's stock on the date of grant. At December 30, 2000, there were 962,800 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 27, 1997	481,500	$ 25.01	276,800	$ 23.90
Granted	219,300	$ 35.02		
Exercised	(140,600)	$ 20.66		
Forfeited	(39,900)	$ 27.36		
Options at December 26, 1998	520,300	$ 30.25	203,900	$ 26.40
Granted	71,600	$ 36.33		
Exercised	(22,400)	$ 19.88		
Forfeited	(300)	$ 25.50		
Options at December 25, 1999	569,200	$ 31.42	286,520	$ 28.53
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

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 2000, 1999 and 1998: risk free interest rate of 6.0% in 2000 and 1999 and 5.0% in 1998, expected lives of 5 years and no dividend yield. The expected volatility used in calculating the fair market value of stock options granted was 41% in 2000, 38% in 1999 and 40% in 1998. The weighted average grant date fair value of stock options granted was $21.61, $15.71 and $15.02 per share in 2000, 1999 and 1998, respectively.

The following table summarizes stock options outstanding at December 30, 2000:

	Options Outstanding		
Range of Exercise Prices Per Share	Number Outstanding Dec. 30, 2000	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price Per Share
$22.531 - $33.800	198,800	6.0	$ 28.17
$33.801 - $45.538	198,700	8.0	$ 38.01
$45.539 - $56.891	107,400	9.1	$ 47.79
$22.531 - $56.891	504,900	7.5	$ 36.21

	Options Exercisable	
Range of Exercise Prices Per Share	Number Exercisable Dec. 30, 2000	Weighted Average Exercise Price Per Share
$22.531 - $33.800	146,900	$ 28.00
$33.801 - $40.500	65,160	$ 38.38
$22.531 - $40.500	212,060	$ 31.19

The Company accounts for its stock option plans using the intrinsic value method as prescribed in Accounting Principal Board Opinion No. 25, "Accounting for Stock Issued to Employees." Had compensation cost for the Company's stock option plans been determined using the fair value at grant date method as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," the effect on net income and earnings per common share for the fiscal year would have been $1,145,000, or $0.13 per common share, in 2000, $966,000, or $0.10 per common share, in 1999 and $484,000, or $0.04 per common share, in 1998.

(10) Shareholders' Equity

During 2000, Landstar purchased 864,000 shares of its common stock at a total cost of $46,185,000 pursuant to previously announced stock repurchase programs. As of December 30, 2000, Landstar may purchase an additional 500,000 shares of its common stock under its authorized stock repurchase program.

During 1998, the Company established an employee stock option loan program. Under the terms of the program, the Company will provide employees financing in order for them to exercise fully vested stock options. The loans are full recourse with the principal repayable in lump sum on the fifth anniversary of the loan. During 2000, 1999 and 1998, $4,596,000, $384,000 and $1,541,000 of such loans were issued, respectively.

The Company has 2,000,000 shares of preferred stock authorized and unissued. Under the terms of a Shareholder Rights Agreement (the "Agreement"), 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.

(11) Segment Information

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

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

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

No single customer accounts for more than 10% of consolidated revenue. However, during 2000 approximately 16% 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 30, 2000, December 25, 1999 and December 26, 1998 (in thousands):

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

1998

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

(12) Commitments and Contingencies

At December 30, 2000, Landstar had commitments for letters of credit outstanding in the amount of $20,452,000, primarily as collateral for estimated insurance claims, $10,080,000 of which were supported by the Second Amended and Restated Credit Agreement and $10,372,000 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 30, 2000 and December 25, 1999, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the fiscal years ended December 30, 2000, December 25, 1999 and December 26, 1998. 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 30, 2000 and December 25, 1999, and the results of their operations and their cash flows for the fiscal years ended December 30, 2000, December 25, 1999 and December 26, 1998 in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Stamford, Connecticut
February 6, 2001

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

	Fourth Quarter 2000	Third Quarter 2000 (1)	Second Quarter 2000 (1)	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 (2)	$ 1.89	$ 1.33	$ 1.06	$ 0.91
Diluted earnings per share (2)	$ 1.85	$ 1.30	$ 1.04	$ 0.89

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

	Fourth Quarter 1999	Third Quarter 1999	Second Quarter 1999	First Quarter 1999
Revenue	$ 380,124	$ 351,460	$ 345,064	$ 311,435
Operating income	$ 27,800	$ 21,616	$ 18,995	$ 13,303
Income before income taxes	$ 26,272	$ 20,295	$ 18,074	$ 12,564
Income taxes	10,639	8,221	7,319	5,089
Net income	$ 15,633	$ 12,074	$ 10,755	$ 7,475
Earnings per common share (2)	$ 1.65	$ 1.21	$ 1.06	$ 0.72
Diluted earnings per share (2)	$ 1.63	$ 1.20	$ 1.05	$ 0.71

(1) Includes a pre-tax charge for the withdrawal from a union-sponsored pension plan of $2,230 in the third quarter and pre-tax restructuring costs of $3,040 in the second quarter. After deducting related income tax benefits of $880 and $1,225 in the third and second quarters, respectively, the pension plan withdrawal costs reduced net income by $1,350, or $0.16 per common share ($0.15 per diluted share), in the 2000 third quarter and the restructuring costs reduced net income by $1,815, or $0.20 per common share ($0.20 per diluted share), in the 2000 second quarter.

(2) 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 2000	1999	1998	1997	1996
Income Statement Data:					
Revenue	$1,418,492	$1,388,083	$1,283,607	$1,219,311	$1,129,856
Investment income	4,317	2,502	1,689		
Costs and expenses:					
Purchased transportation	1,046,183	1,022,203	950,343	898,746	826,822
Commissions to agents	113,721	111,666	101,409	98,425	84,768
Other operating costs	29,568	30,000	27,516	32,747	51,385
Insurance and claims	31,935	34,064	39,388	42,885	29,774
Selling, general and administrative	100,516	99,240	95,028	85,586	79,002
Depreciation and amortization	13,003	11,698	10,158	11,354	13,814
Non-recurring costs	5,270			3,247	5,937
Total costs and expenses	1,340,196	1,308,871	1,223,842	1,172,990	1,091,502
Operating income	82,613	81,714	61,454	46,321	38,354
Interest and debt expense	9,127	4,509	3,503	2,705	5,032
Income from continuing operations before income taxes	73,486	77,205	57,951	43,616	33,322
Income taxes	28,292	31,268	23,470	18,188	13,675
Income from continuing operations	45,194	45,937	34,481	25,428(2)	19,647(3)
Discontinued operations, net of income taxes			(22,589)	(738)	(722)
Net income	$ 45,194(1)	$ 45,937	$ 11,892	$ 24,690	$ 18,925
Earnings per common share:					
Income from continuing operations	$ 5.15	$ 4.60	$ 3.13	$ 2.03(2)	$ 1.54(3)
Loss from discontinued operations			(2.05)	(0.06)	(0.06)
Earnings per common share	$ 5.15(1)	$ 4.60	$ 1.08	$ 1.97	$ 1.48
Diluted earnings per share:					
Income from continuing operations	$ 5.03	$ 4.55	$ 3.10	$ 2.02(2)	$ 1.53(3)
Loss from discontinued operations			(2.03)	(0.06)	(0.06)
Diluted earnings per share	$ 5.03(1)	$ 4.55	$ 1.07	$ 1.96	$ 1.47

	Dec. 30, 2000	Dec. 25, 1999	Dec. 26, 1998	Dec. 27, 1997	Dec. 28, 1996
Balance Sheet Data:					
Total assets	$ 370,362	$ 365,441	$ 313,665	$ 357,179	$ 370,801
Long-term debt, including current maturities	94,643	67,298	34,440	50,446	90,396
Shareholders' equity	107,859	106,884	111,848	151,696	147,557

(1) After deducting related income tax benefits of $2,105, non-recurring costs reduced net income by $3,165, or $0.36 per common share ($0.35 per diluted share).

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

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

EXHIBIT 21.1

LIST OF SUBSIDIARY CORPORATIONS OF LANDSTAR SYSTEM, INC.

Name	Jurisdiction of Incorporation	% of Voting Securities Owned
Subsidiary of Landstar System, Inc.:		
Landstar System Holdings, Inc.	Delaware	100
Subsidiaries of Landstar System Holdings, Inc.:		
Landstar Express America, Inc.	Delaware	100
Landstar Inway, Inc. Also d/b/a Inway Nationwide Transportation Services Also d/b/a Independent Freightways, Inc.	Delaware	100
Landstar Logistics, Inc.	Delaware	100
Landstar Ligon, Inc. Also d/b/a Ligon Contract Services in Kentucky	Delaware	100
Landstar Poole, Inc.	Alabama	100
Landstar Ranger, Inc. Also d/b/a Ranger/Landstar, Inc. in South Carolina	Delaware	100
Risk Management Claim Services, Inc. Also d/b/a RMCS, Inc. in Alabama and California	Kentucky	100
Landstar Contractor Financing, Inc.	Delaware	100
Landstar Gemini, Inc. Also d/b/a Gemini Transportation Services of	Delaware	100

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

Landstar Capacity Services, Inc.	Delaware	100
Signature Insurance Company	Cayman Islands, BWI	100
Signature Technology Services, Inc.	Delaware	100

Subsidiary of Landstar Gemini, Landstar Inway,
Landstar Ligon, Landstar Poole and Landstar Ranger:

Landstar Corporate Services, Inc.	Delaware	100

Subsidiary of Landstar Inway, Inc.

Landstar T.L.C., Inc.	Delaware	100

Exhibit 23.1

Independent Auditors' Consent

The Board of Directors
Landstar System, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-76340 and No 33-94304) on Form S-8 of Landstar System, Inc. of our reports dated February 6, 2001, relating to the consolidated balance sheets of Landstar System, Inc. and subsidiary as of December 30, 2000 and December 25, 1999, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the fiscal years ended December 30, 2000, December 25, 1999, and December 26, 1998, and all related schedules, which reports appear in the December 30, 2000 annual report on Form 10-K of Landstar System, Inc.

KPMG LLP

Stamford, Connecticut
March 21, 2001

Exhibit 24.1

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/00

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2000, 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 7, 2001

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/00

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2000, and file the same with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission (the "SEC") pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Act"), and any and all other instruments which either of said attorneys-in-fact and agents deems necessary or advisable to enable the Company to comply with the Act, the rules, regulations and requirements of the SEC in respect thereof, giving and granting to each of said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing whatsoever necessary or appropriate to be done in and about the premises as fully to all intents as he might or could do if personally present at the doing thereof, with full power of substitution and resubstitution, hereby ratifying and confirming all that his said attorneys-in-fact and agents or substitutes may or shall lawfully do or cause to be done by virtue hereof.

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

Ronald W. Drucker

Ronald W. Drucker

DATED: February 7, 2001

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/00

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

William S. Elston

William S. Elston

DATED: February 7, 2001

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/00

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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 7, 2001

POWER OF ATTORNEY

Landstar System, Inc.
Annual Report on Form 10-K
for fiscal year ended 12/30/00

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby make, constitute and appoint Henry H. Gerkens, and Michael L. Harvey, and each of them, with full power in each to act without the other, his true and lawful attorney-in-fact and agent, in his name, place and stead to execute on his behalf, as an officer and/or director of Landstar System, Inc. (the "Company"), the Annual Report on Form 10-K of the Company for the fiscal year ended December 30, 2000, 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 7, 2001