Florida East Coast Railway, L.L.C.

Financial Reporting Package

May 23, 2016

EY

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Report of Independent Certified Public Accountants

The Chief Executive Officer and Chief Financial Officer
Florida East Coast Holdings Corp.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Florida East Coast Holdings Corp. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Florida East Coast Holdings Corp. and Subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2016 on our consideration of Florida East Coast Holdings Corp. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Florida East Coast Holdings Corp. and Subsidiaries' internal control over financial reporting and compliance.

Ernst & Young LLP

March 29, 2016

FLORIDA EAST COAST HOLDINGS CORP.
CONSOLIDATED BALANCE SHEETS
(in thousands except for share amounts)

	December 31,	
	2015	**2014**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,051	$ 1,468
Restricted cash	242	152
Accounts receivable, net	55,130	51,742
Materials and supplies	7,025	6,479
Deferred income taxes	—	4,770
Prepaid and other current assets	3,975	3,723
Total current assets	71,423	68,334
Noncurrent assets:		
Property, plant and equipment, less accumulated depreciation	963,693	959,300
Investments in non-affiliates	74	74
Intangible assets, less accumulated amortization	22,861	21,161
Other assets	15,678	18,784
Total noncurrent assets	1,002,306	999,319
Total assets	$ 1,073,729	$ 1,067,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 47,127	$ 49,146
Taxes payable	2,603	417
Short term debt	19,938	24,576
Deferred revenue	779	681
Other current liabilities	583	2,160
Total current liabilities	71,030	76,980
Deferred income taxes	62,498	68,245
Long-term debt	812,537	811,097
Other long-term liabilities	24,823	5,808
Total liabilities	970,888	962,130
Stockholders' equity:		
Common stock, $0.01 par value, 1,000,000 shares authorized; 251,476 shares issued and outstanding as of December 31, 2015 and 251,807 shares issued and outstanding as of December 31, 2014	3	3
Additional paid-in capital	290,168	288,766
Accumulated deficit	(185,940)	(181,810)
Accumulated other comprehensive loss	(1,390)	(1,436)
Total stockholders' equity	102,841	105,523
Total liabilities and stockholders' equity	$ 1,073,729	$ 1,067,653

The accompanying notes are an integral part of the Consolidated Financial Statements.

FLORIDA EAST COAST HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands)

	Years Ended December 31,		
	2015	**2014**	**2013**
Operating revenue	$ 402,595	$ 317,530	$ 279,081
Operating expenses:			
Labor and benefits	101,338	65,873	55,381
Purchased services	80,995	70,513	54,422
Fuel	42,767	37,599	34,598
Depreciation and amortization	50,014	30,821	26,228
Equipment rents	17,422	17,638	16,430
Net (gain) loss on sale and impairment of assets	(250)	226	630
Other expenses	53,710	26,478	19,172
Total operating expenses	345,996	249,148	206,861
Operating income	56,599	68,382	72,220
Interest expense (net of interest income)	(61,238)	(57,891)	(60,135)
Loss on extinguishment of debt	—	(37,716)	—
Other (expense) income	(115)	53	61
(Loss) income before income taxes	(4,754)	(27,172)	12,146
(Benefit) provision for income taxes	(3,098)	27,578	12,138
Net (loss) income	$ (1,656)	$ (54,750)	$ 8
Other comprehensive loss:			
Actuarial gain (loss) associated with pension plan	46	(281)	(33)
Other comprehensive income (loss), net of tax	46	(281)	(33)
Comprehensive loss	(1,610)	$ (55,031)	$ (25)

The accompanying notes are an integral part of the Consolidated Financial Statements.

FLORIDA EAST COAST HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, except for share amounts)

	Number of Common Shares Issued	Par Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2012	252,106	$ 3	$ 286,085	$ (119,770)	$ (1,122)	$ 165,196
Net income	—	—	—	8	—	8
Other comprehensive loss	—	—	—	—	(33)	(33)
Purchase of common shares outstanding	(1,699)	—		(4,174)	—	(4,174)
Issuance of common shares outstanding	1,319	—	—	—	—	—
Share-based compensation	—	—	1,447	—	—	1,447
Balance as of December 31, 2013	**251,726**	**$ 3**	**$ 287,532**	**$ (123,936)**	**$ (1,155)**	**$ 162,444**
Net loss	—	—	—	(54,750)	—	(54,750)
Other comprehensive loss	—	—	—	—	(281)	(281)
Purchase of common shares outstanding	(864)	—	—	(3,124)	—	(3,124)
Issuance of common shares outstanding	945	—	—	—	—	—
Share-based compensation	—	—	1,234	—	—	1,234
Balance as of December 31, 2014	**251,807**	**$ 3**	**$ 288,766**	**$ (181,810)**	**$ (1,436)**	**$ 105,523**
Net loss	—	—	—	(1,656)	—	(1,656)
Other comprehensive income	—	—	—	—	46	46
Purchase of common shares outstanding	(694)	—	—	(2,474)	—	(2,474)
Issuance of common shares outstanding	363	—	—	—	—	—
Share-based compensation	—	—	1,402	—	—	1,402
Balance as of December 31, 2015	**251,476**	**$ 3**	**$ 290,168**	**$ (185,940)**	**$ (1,390)**	**$ 102,841**

The accompanying notes are an integral part of the Consolidated Financial Statements.

FLORIDA EAST COAST HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
CASH FLOW FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (1,656)	$ (54,750)	$ 8
Adjustments to reconcile net (loss) income to cash provided by operating activities:			
Depreciation and amortization	50,014	30,821	26,228
Amortization of debt fees and other	3,686	3,517	3,576
Share-based compensation costs	1,402	1,234	1,447
Deferred taxes	(3,107)	28,856	12,156
Interest paid in kind	—	9,076	8,592
Net (gain) loss on sale of assets	(250)	226	630
Loss on extinguishment of debt	—	37,716	—
Other	103	154	—
Changes in operating assets and liabilities:			
Restricted cash	(90)	(26)	—
Accounts receivable	(6,332)	5,611	(17,704)
Prepaid and other current assets	(255)	641	(423)
Materials and supplies	(546)	1,004	(3,196)
Other assets and deferred charges	(195)	6,447	(287)
Accounts payable and accrued expenses	(2,091)	(2,838)	5,491
Taxes payable	2,186	149	(58)
Deferred revenue	98	(196)	(29)
Other current liabilities	(1,577)	3,593	1,759
Other long-term liabilities	19,088	(8,328)	1,101
Net cash provided by operating activities	60,478	62,907	39,291
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of properties and equipment	(63,486)	(129,379)	(48,006)
Acquisition of business, net of cash acquired	—	(29,910)	—
Proceeds from disposition of assets	13,405	2,208	2,188
Net cash used in investing activities	(50,081)	(157,081)	(45,818)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of common stock outstanding	(2,474)	(3,124)	(4,174)
Proceeds from issuance of long-term debt	40,155	762,652	6,388
Payment on long-term debt	(44,114)	(681,770)	—
Financing costs	(381)	(18,203)	—
Net cash (used in) provided by financing activities	(6,814)	59,555	2,214
Net increase (decrease) in cash and cash equivalents	3,583	(34,619)	(4,313)
Cash and cash equivalents at beginning of period	1,468	36,087	40,400
Cash and cash equivalents at end of period	$ 5,051	$ 1,468	$ 36,087
Supplemental cash flow information*:			
Cash paid for interest	$ 56,388	$ 48,198	$ 47,064

* In fiscal year 2015, the Company recorded $2.9 million of a non-cash transaction with All Aboard Florida. See Note 5.

The accompanying notes are an integral part of the Consolidated Financial Statements.

FLORIDA EAST COAST HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the Business and Basis of Presentation

The accompanying Consolidated Financial Statements of Florida East Coast Holdings Corp. and its subsidiaries (the "Company" or "Holdings Corp.") have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The Company's rail transportation operations are conducted through its indirect wholly owned subsidiaries, Florida East Coast Railway Corp. ("FECR Corp."), Florida East Coast Railway, L.L.C. and FEC Highway Services, L.L.C. (collectively, the "FECR"). The Railway operates a premier Class II railroad along 351 miles of mainline track between Jacksonville and Miami, Florida, serving some of the most densely populated areas of Florida. Additionally, the Railway owns and operates approximately 270 miles of branch, switching and other secondary track and 120 miles of yard track, all within Florida. The Railway has the only private coastal right-of-way between Jacksonville and Miami and is the exclusive rail-service provider to the Port of Palm Beach, Port Everglades (Fort Lauderdale), and Port Miami.

Raven Transport Holding, Inc. ("Raven" or "RTH") is headquartered in Jacksonville, Florida and is a high quality service provider to large consumer products customers for truckload freight transported throughout the Southeastern United States. Raven represented a unique opportunity to expand the Company's market reach and increase its market share of rail transportation in Florida through high quality, complimentary regional trucking operation. Raven is considered a restricted subsidiary per the terms of the 6.75% Senior Secured Notes (the "Secured Notes"). For additional information on the acquisition of Raven in December 2014, see Note 3.

The following is a summary of entities included in the Consolidated Financial Statements:

- Florida East Coast Holdings Corp. (a wholly owned subsidiary of FECR Rail LLC)
- Florida East Coast Railway Corp. (also known as "Railway") (a wholly owned subsidiary of Florida East Coast Holdings Corp.):
    - Florida East Coast Railway, L.L.C., and its subsidiaries;
    - FEC Highway Services, L.L.C.;
    - Florida East Coast Railway Leasing, L.L.C.
    - Raven Transport Holding, Inc.

2. Summary of Significant Accounting Policies

Principles of Consolidated Financial Statements

The accompanying Consolidated Financial Statements of the Company include all wholly owned subsidiaries and those entities in which we have a variable interest and are the primary beneficiary. All significant intercompany balances and transactions have been eliminated in consolidation.

On December 4, 2014, the Company acquired all of the stock of Raven. The management agreement between Raven and Raven Transport Company, Inc. ("RTC") represents a variable interest in a variable interest entity. Raven is the primary beneficiary of RTC as it has the power to direct the activities that most significantly impact RTC's economic performance and the obligation to absorb losses or the right to receive benefits from RTC. See Note 3 for additional information.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents include cash on hand, bank demand accounts, money market accounts and overnight

repurchase agreements having original maturities of less than three months.

Restricted Cash

Restricted cash consists of cash that is held by the Company in interest reserve accounts as collateral for the Company's credit facility, and letters of credit.

Trade Receivables

The Company records trade receivables when billed or when services are performed, as they represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value.

Allowance for Doubtful Accounts

Allowance for doubtful accounts are recorded by management based on the Company's historical experience of bad debts to sales, analysis of accounts receivable aging, and specific identification of customers in financial distress, e.g., bankruptcy or poor payment record. Management reviews material past due balances on a monthly basis. Account balances are charged against the allowance when management determines it is probable that the receivable will not be recovered. As of December 31, 2015 and 2014, the balance in the allowance for doubtful accounts was $2.6 million and $1.8 million, respectively.

Materials and Supplies

Materials and supplies are stated principally at average cost, which is not in excess of replacement cost. Materials are stated at an amount that does not exceed estimated realizable value.

Property, Plant and Equipment

Railway Properties

Railway properties are stated at cost, and are depreciated and amortized on a straight-line method over the useful life.

The following describes the depreciation methodologies applied for the significant asset groups of the Company:

a) Track and Related Assets

For track and related assets, the Company uses the group method of depreciation under which a single depreciation rate is applied to the gross investment. The Company reevaluated the useful lives of its track and related assets and established new depreciable lives based on a life study performed by valuation experts (as further described below) during 2014 for ballast, rails and ties. Signals, interlockers and grade crossings were reviewed in 2007 in connection with the Fortress Acquisition.

b) Rolling Stock

For rolling stock (such as locomotives and freight cars), the Company uses the group method of depreciation. Assets are specifically identified and utilize straight-line depreciation methods on a per asset basis. The Company reevaluated the useful lives of its rolling stock and established new depreciable lives based on a life study performed by valuation experts during 2012 (see below for further discussion).

Under the group life method, the service lives and salvage values for each group of assets are determined by completing periodic life studies and applying management's assumptions regarding the service lives of its properties. A life study is the periodic review of asset lives for group assets conducted and analyzed by the Company's management with the assistance of a third-party expert. The results of the life study process determine the service lives for each asset group under the group method. There are several factors taken into account during the life study and they include statistical analysis of historical life, retirements and salvage data for each group of property, evaluation of current operations, review of the previous assessment of the condition of the assets and the outlook for their continued use, consideration of technological advances and maintenance schedules and comparison of asset groups to peer companies. The Company's policy is to perform life studies approximately every eight years. Changes in asset lives due to the results of the valuation studies are applied on a prospective basis and may impact future periods' depreciation expense, and thus, the Company's results of operations.

During 2014, the Company performed a life study of its ballast, rails and ties. The life study indicated that the actual lives of certain track assets were different than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, the Company changed its estimates of the useful lives of certain track assets to better reflect the estimated periods during which these assets will remain in service. The impact of this life study did not have a material impact on depreciation expense in the current

year. Likewise, the change in estimated lives will not have a material impact to future periods.

c) Bridges and Culverts

For bridges and culverts, the Company uses the straight-line method of depreciation. Assets are specifically identified on a per unit basis. During 2014, the Company performed a valuation study of its bridges and culverts. The valuation study indicated that the actual lives of bridges were different than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, the Company changed its estimates of the useful lives of bridges to better reflect the estimated periods during which these assets will remain in service. The effect of this change in estimate during the year ended December 31, 2014 was to increase depreciation expense by $0.9 million.

Real Estate Properties

Real estate properties are stated at historical cost (such as land, building and building improvements) and are specifically identified. The Company reevaluated the useful lives of its building and improvements and established new depreciable lives on reviews performed by valuation experts in connection with the acquisition by Fortress in 2007.

Capital Expenditures

Rail operations are capital intensive and the Company accounts for these costs in accordance with U.S. GAAP. Routine repairs and maintenance costs, for all asset categories, are expensed as incurred. The Company self-constructs portions of its track structure and rebuilds certain of its rolling stock. In addition to direct labor and material, certain indirect costs are capitalized. The Company defines capital projects as any purchase of an asset that has an expected useful life greater than one year. Additionally, any expenditure which significantly increases an asset's value or extends its useful life is capitalized.

The majority of the Company's capital expenditures are related to track and rolling stock. Annual program work for rail, turnouts, surfacing, undercutting, bridges, locomotive and freight car overhauls are capitalized. Normal repairs, inspections, and maintenance costs are expensed as incurred, which includes track inspections, locomotive running repairs, repair of broken rail, and rail grinding. The Company incurs certain direct labor, contract service and other costs associated with the development and installation of internal-use computer software. Costs for newly developed software or significant enhancements to existing software are capitalized. Research, preliminary project planning, operations, maintenance and training costs are charged to operating expense when the work is performed.

Disposals and Retirements

Railroad Properties

Upon normal sale or retirement of track assets and rolling stock, costs less net salvage value are charged to accumulated depreciation and no gain or loss is recognized. As part of the life studies performed, an assessment will be made of the recorded amount of accumulated depreciation. Any deficiency (or excess), including any deferred gains or losses, will be amortized as a component of depreciation expense over the remaining useful life of the asset group until the next required life study. Since the overall assumption with group life method is that the assets within the group on average have the same life and characteristics, it is therefore concluded that the deferred gains and losses offset over time.

The Company utilizes a first-in, first-out approach to track assets and related asset retirements. Generally, the Company estimates the historical cost of the replaced assets using historical accounting records and/or inflation indices published by the Bureau of Labor Statistics which are applied to the replacement value based on the age of the retired asset. These indices closely correlate with the major cost of the materials comprising the applicable road assets.

In the event that large groups of assets are removed from service as a result of unusual acts or sales, resulting gains and losses are recognized immediately. These acts are not considered to be in the normal course of business and are therefore recognized when incurred. Examples of such acts would be the major destruction of assets due to significant storm damage (e.g., major hurricanes) and the sale, disposal or abandonment of a rail line segment.

Real Estate Properties

Upon retirement or disposal of any of the land, land improvements, building and building improvements, and other fixed assets, resulting gains and losses are recognized in earnings.

Capital Leases

In conjunction with the acquisition of Raven, the Company has recorded capital leases for Raven's tractors and trailers. As of December 31, 2015, and 2014, the gross asset value of both the tractors and trailers was $78.1 million and $64.8 million, respectively. Depreciation expense for the period ended December 31, 2015 was approximately $18.4 million, of which $0.8 million relates to other

Raven fixed assets. The Company depreciates its tractors over a five year life and its trailers over a seven year life, which is consistent with the life of the respective leases. Depreciation expense was not material for the year-ended December 31, 2014.

Impairment of Long-Lived Assets

The Company reviews the carrying value of its property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or asset grouping may not be recoverable from the undiscounted future net cash flows expected to be generated over its remaining useful life. If impairment is identified, a loss would be reported to the extent that the carrying value of the related assets exceeds the fair value of those assets as determined by valuation techniques applicable in the circumstances. Losses from impairment of assets are charged to net loss on sale and impairment of assets within operating expenses.

Acquisitions

The Company recognizes assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities, based on fair values as of the date of acquisition. Any excess of purchase price over the fair value of the net assets acquired is recorded as goodwill.

Acquisition-date fair value estimates are revised as necessary and accounted for as an adjustment to income from operations if, and when, additional information becomes available to further define and quantify assets acquired and liabilities assumed. All acquisition-related transaction costs have been expensed as incurred.

Goodwill

Goodwill is the excess of the Company's purchase price over the fair value of the net identifiable assets of the acquired business. The Company does not amortize goodwill. Goodwill will be subject to at least an annual assessment for impairment by evaluating quantitative factors. The Company performs a quantitative assessment, or two-step impairment test, to determine whether goodwill is impaired at the reporting unit level. The Company compares the fair value with the carrying amount to determine if there is potential impairment of goodwill. If the carrying value exceeds estimated fair value, there is an indication of potential impairment and the second step is performed to measure the amount of impairment. Fair value is estimated using a combination of the income and market approach. Fair value computed via this method is arrived at using a number of factors, including projected future operating results, economic projections, anticipated future cash flows and comparable marketplace data. There are inherent uncertainties related to these factors and to the Company's judgment in applying them to this analysis. However, the Company believes that this method provides a reasonable approach to estimating the fair value of its reporting unit. The Company performs an annual assessment as of September 30 of each year. The Company recorded no goodwill impairment charge for 2015 and 2014. Goodwill is valued at $16.9 million and $7.1 million for the years-ended December 31, 2015 and 2014, respectively. All of the Company's goodwill is related to the Raven reporting unit.

Intangible Assets, Net

Intangible assets are stated at cost less accumulated amortization and consist of customer relationships, non-compete agreements, and trade names, and are amortized over their estimated useful lives. The carrying values of intangibles are periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. If the carrying value exceeds estimated fair value, an impairment charge would be recognized in the amount of the excess. In conjunction with the Raven acquisition, the Company recognized intangible assets related to customer relationships, non-compete agreements, and trade names that are valued at $4.5, $0.4, and $1.1 million, respectively, for the year ended December 31, 2015. The Company recognized approximately $0.5 million related to the amortization of intangibles for the year ended December 31, 2015.

The weighted average remaining life of the Company's intangible assets at December 31, 2015, is as follows: customer relationships – 18 years; non-compete agreements – 4 years; and trade names – 10 years.

Future amortization expense recorded on intangible assets for the year ending December 31 is estimated to be (in thousands):

2016	462
2017	462
2018	462
2019	453
2020	362
Thereafter	3,799
	$ 6,000

Accumulated Comprehensive Loss

Comprehensive loss is the changes in equity of an enterprise except those resulting from shareholder transactions. As of December 31, 2015 and 2014, accumulated other comprehensive loss was $1.4 million and $1.4 million, respectively.

Share-Based Compensation

Certain key employees and executives of the Company are the recipients of employment agreements that have restricted share benefits. Furthermore, the Company granted restricted share benefits to non-employee consultants to provide strategic consulting services to the Company. Share-based compensation is accounted for using the fair value based method prescribed by ASC 718, *Compensation—Stock Compensation*. Management determines fair value based on valuations performed by Fortress. Generally, the fair value of restricted shares is based on a valuation approach including the market-based approach using current market multiples as well as the income approach utilizing a discounted cash flow analysis, performed on a quarterly basis. For share-based awards issued to employees, a compensation charge is recorded against earnings based on the grant date fair value of the award. The Company uses a straight-line method of accounting for compensation costs related to share-based payment awards that contain pro rata vesting provisions. For transactions with consultants in which services are performed in exchange for the Company's common stock or other equity instruments, the transactions are recorded on the basis of the fair value of the service received or the fair value of the equity instruments issued, whichever is more readily measurable at the date performance is complete or service is provided.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes, as such, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits, such as net operating loss carry forwards and alternative minimum tax credit carry forwards, are recognized to the extent that realization of these benefits is considered to be more likely than not.

As of and during the period ended December 31, 2015, the Company had uncertain tax positions related to prior years of $0.3 million, recorded in accounts payable and accrued expenses, which includes the Company's best estimate of interest and penalties. For the years ended December 31, 2014 and 2013 the Company had uncertain tax positions related to prior years of $0.3 million and zero, respectively. As of December 31, 2015, the U.S. taxing jurisdiction remains open to examination for the years 2014, 2013, and 2012.

Revenue Recognition

The Company recognizes freight revenue after the freight has been moved from origin to destination, which is not materially different from the recognition of revenue as shipments progress due to the relatively short length of the Company's railroad and trucking operations. Other revenue, which includes car hire, storage fees, and fuel surcharge on dray moves, is recognized when the service is performed.

Disclosures about Fair Value of Financial Instruments

ASC 825, *Financial Instruments*, requires disclosure of the fair value of certain financial instruments. Various inputs are considered when determining the fair values of financial instruments. These inputs are summarized below:

- Level 1 — observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Company's own assumptions in determining the fair value of financial instruments)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments held by the Company:

- Current assets: cash and cash equivalents, as reflected in the consolidated balance sheets, approximate fair value because of the short-term maturity of these instruments (Level 1 inputs).

- Long-term debt: the fair value of the Company's Senior Secured Notes and Senior Unsecured Notes is based on secondary market indicators (quoted market prices) at the date of measurement (Level 2 inputs). The SIB Loan is based on observable market inputs (Level 1 inputs) due to the drawdown occurring within the year ended December 31, 2015. The fair value of the capital leases is based on the fair market value as determined as of the date of Raven acquisition (Level 1 inputs). The locomotive financing is based on quoted market prices (Level 1 inputs).

The carrying amounts and estimated fair values of the Company's financial instruments were as follows (in thousands):

	December 31, 2015	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 5,051	$ 5,051
Senior Secured Notes	525,000	480,375
Senior Unsecured Notes	165,000	112,200
Capital Leases	63,787	63,787
Locomotives	49,750	49,750
SIB Loan	28,938	28,938

The Company had no Level 3 inputs as of December 31, 2015.

Environmental Remediation and Compliance

Costs associated with environmental compliance and preventing future contamination that are estimable and probable are accrued and expensed, or capitalized as appropriate. Expected remediation and monitoring costs relating to the remediation of an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are accrued and expensed in the period that such costs become estimable. Liabilities are recognized for remedial activities when they are probable and the remediation cost can be reasonably estimated.

Contingencies

The Company's policy is to reserve for certain contingencies consisting primarily of various claims and lawsuits resulting from its operations in accordance with ASC 450, *Contingencies*. In the opinion of management, appropriate reserves have been made for the estimated liability that is probable of resulting from disposition of such matters. Management's opinion, and ultimately, the reserve recorded in the financial statements, is based on known facts and circumstances. In certain circumstances, management uses the services of outside counsel and experts to help evaluate the facts and circumstances and considers their professional judgment in establishing the appropriate reserve. The ultimate resolution of these contingencies may be for an amount greater or less than the amount estimated by management.

3. Acquisition

On December 4, 2014, the Company entered into a stock purchase agreement (the "Stock Purchase Agreement"), by and among FECR Corp, Raven Transport Holding, Inc., and certain individuals to the Stock Purchase Agreement who were shareholders of Raven. FECR Corp. agreed to purchase all of the issued and outstanding shares of common stock, par value $0.01 per share, of Raven. At closing, FECR Corp., paid the sellers an effective purchase price of $97.1 million. FECR Corp. used $30.0 million of cash on hand and assumed $67.1 million of liabilities, the majority of which were capital leases.

Raven is party to a management agreement between Raven and Raven Transport Company, Inc. ("RTC"), which represents a variable interest in a variable interest entity. Raven is the primary beneficiary of RTC as it has the power to direct the activities that most significantly impact RTC's economic performance and the obligation to absorb losses or the right to receive benefits from RTC. Raven provides substantially all the trucking and transportation management and operations services to RTC under a management agreement. Under the management agreement, Raven provides all management personnel, accounting, financial, and related support services to RTC. For this reason, the maximum exposure to loss as a result of the management agreement with RTC is not determinable. As a management fee, Raven is entitled to retain all net cash revenues of RTC after payment of most expenses. Effective January 1, 2015 the company entered into an amended agreement with RTC. RTC will retain 1.4% of the transportation revenues billed by Raven or one million dollars (the guaranteed minimum amount). The management agreement remains in effect until December 31, 2020; and includes a one-time additional 5-year term should the parties agree to an extension.

The preliminary allocation of the purchase price was as follows (in thousands):

	December 5, 2014
ASSETS	
Cash and cash equivalents	$ 34
Accounts receivable, net	5,949
Materials and supplies	110
Prepaid and other current assets	1,456
Total current assets	7,549
Noncurrent assets:	
Property, plant and equipment, less accumulated depreciation	69,802
Intangible assets	19,693
Total noncurrent assets	89,495
Total assets	$ 97,044
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	$ 4,217
Short term debt	19,368
Total current liabilities	23,585
Long-term debt	43,515
Total liabilities	67,100
Shareholders' equity:	
Paid-in capital	29,944
Total liabilities and stockholders' equity	$ 97,044

Subsequent to the date of acquisition, the Company obtained additional information regarding the fair value of assets and liabilities within the 12-month purchase accounting window. This information related to the Raven projections and the respective impact on the intangible assets recorded. The impact of obtaining the final projections caused a true-up of intangible assets (a reduction to the customer relationship and non-compete intangibles) of approximately $7.7 million, an increase in goodwill for approximately $5.0 million, a reduction of $3.5 million to deferred tax liabilities and deferred tax assets of $0.4 million. As of December 31, 2015, the net impact of the newly identified information was a reduction of capital lease liability of $0.2 million, a reduction in capital lease assets of $0.2 million, and an immaterial change in the balance of goodwill. The updated amounts are reflected in the consolidated balance sheet herein. As a result, as of December 31, 2015, the Company had the following, adjusted intangible assets recorded (in thousands):

Asset Description	Remaining Useful Live	Balance as at 12/31/15
Goodwill	N/A	$16.9
Customer Relationships	18	4.5
Non-Compete Agreements	4	0.4
Trade Names	10	1.1

The Company recognized approximately $0.5 million related to the amortization of intangibles for the year ended December 31, 2015. The amortization of intangibles for the year ended December 31, 2014 was not material.

4. Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, *Interest - Imputation of Interest*, which changes the financial statement presentation of debt issuance costs to be a direct reduction to long-term debt, rather than presented as a long-term asset. The amortization of debt issuance costs will continue to be included in interest expense. This standard is effective for annual reporting periods beginning after December 15, 2015 with early adoption permitted. The Company elected not to adopt the accounting standard for the year ended December 31, 2015.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, guidance which supersedes most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue

to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In July, 2015, the FASB approved a one-year deferral of the effective date. The guidance is effective for the Company beginning January 1, 2020. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company has not yet selected a transition method and is currently evaluating the impact of the amended guidance on its consolidated financial position, results of operations and related disclosures.

In August 2015, the FASB issued ASU No. 2015-15, *Interest - Imputation of Interest (Sub-Topic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. As with ASU No. 2015-03, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early application is permitted for financial statements that have not been previously issued. The Company elected not to adopt the accounting standard for the year ended December 31, 2015.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations*, which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts. The guidance is effective for private companies for fiscal years beginning after December 31, 2015, however early adoption is permitted. The Company has adopted the standard for the quarter ended September 30, 2015. See Note 3 for additional information.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that all deferred income taxes be classified as noncurrent on the balance sheet, rather than being separated into current and noncurrent amounts. The classification change for all deferred taxes as non-current simplifies entities' processes as it eliminates the need to separately identify the net current and net non-current deferred tax asset or liability in each jurisdiction and allocate valuation allowances. The guidance is effective for the Company beginning January 1, 2018 (early adoption is permitted). The Company has elected to adopt this standard for the year-ended December 31, 2015. Prior periods in the Consolidated Financial Statements were not retrospectively adjusted.

5. Related-Party Transactions

Management and facility and equipment rents

The Company incurred net charges of $0 million, $1.7 million, and $1.5 million for facility rents and management services to subsidiaries of Florida East Coast Industries, LLC, (FECI LLC), an entity owned by the Company's private equity owner, Fortress, for the years ended December 31, 2015, 2014, and 2013, respectively. As of December 31, 2015 and 2014, the Company did not have an outstanding net receivable or payable from or to FECI. In June 2014, FECI sold the Company's corporate headquarters to an unrelated party.

The Company incurred net charges of $0.2 million, $0.2 million, and $0.2 million for asset management services to Parallel Infrastructure, a wholly-owned subsidiary of FECI, for the years ended December 31, 2015, 2014, and 2013, respectively. As of December 31, 2015 and 2014, the Company did not have an outstanding net receivable or payable from or to Parallel.

The Company recorded $1.7 million, $1.7 million, and $0.4 million for flagging and other management service reimbursements from AAF Holdings, LLC, an affiliate of FECI for the years ending December 31, 2015, 2014, and 2013, respectively. In addition, the Company recorded $3.0 million of rehabilitated assets and a corresponding right to use liability for materials upgraded from freight rail to passenger rail in conjunction with the agreement between the Company and AAF. As of December 31, 2015 and 2014, the Company had an outstanding receivable of $0.5 million and $0.2 million, respectively.

The Company rents chassis equipment for ordinary business operations from TRAC Intermodal, an entity indirectly owned by funds managed by affiliates of Fortress. During the years ended December 31, 2015, 2014, and 2013, the Company incurred net charges of $2.4 million, $1.9 million, and $1.1 million, respectively. As of December 31, 2015 and 2014, the Company had an outstanding payable of $0.2 million and $0.2 million, respectively.

Lease of FECI's rail yard

On December 31, 2014, the Company entered into an amended and restated rail yard lease, which, among other things: extends the date to vacate to December 31, 2113; commencing on January 1, 2015, provides for an annual rental fee of $5.0 million a year (subject to a 2.5% annual increase); provides the Company the right to purchase certain land from FECI at a mutually determined fair market value.

In accordance with ASC 840, *Leases*, the Company straight lines the escalating rental terms over the ninety-nine year lease. For the years ended December 31, 2015, 2014 and 2013, the Company expensed $22.4 million, $5.1 million, and $5.1 million; however, the cash payments were $5.3 million, $5.2 million and $5.1 million, respectively.

Raven Management Fees

As described in Note 3, the Company pays a management fee to RTC. For the year ended December 31, 2015 and 2014, this amount was $1.0 million and $1.1 million, respectively. As of December 31, 2015, the Company had no outstanding payable.

The Company receives sales and marketing services from SilverSolutions, Inc., which is wholly owned by Stephen J. Silverman, a former shareholder of Raven Transport Holding, Inc. Charges for these services are one percent of the gross revenues of Raven Transport Company, Inc. For the year ended December 31, 2015 this amount was $0.8 million.

6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

As of December 31, 2015 (in thousands)	Cost	Accumulated Depreciation	Net Book Value	Estimated Useful Life (c)
Land and Rights of Way	$ 338,546	$ 221	$ 338,325	n/a
Road				
Rail & Other Track Material	148,922	49,663	99,259	10-45 years
Signals & Interlockers	92,263	39,672	52,591	6-38 years
Ties	93,097	15,127	77,970	20-60 years
Bridges & Culverts	89,883	16,935	72,948	12-61 years
Ballast	50,680	5,093	45,587	20-43 years
Other (a)	9,646	6,718	2,928	7-50 years
Total Road	484,491	133,208	351,283	
Locomotives, Transportation, and Other Equipment				
Freight Cars	35,132	7,728	27,404	3-55 years
Locomotives	92,023	14,596	77,427	5-60 years
Work Equipment and Other (b)	38,132	17,200	20,932	3-45 years
Trailers	44,482	6,827	37,655	3-20 years
Tractors	47,375	11,291	36,084	5 years
Total Locomotives, Transportation, and Other Equipment	257,144	57,642	199,502	
Buildings and Improvements	59,273	13,472	45,801	8-50 years
Leasehold Improvements	131	63	68	3 years
Construction-In-Progress	28,714	n/a	28,714	n/a
	$ 1,168,299	$ 204,606	$ 963,693	

(a) Includes Grade Crossings, Fences, and Signs.
(b) Includes Roadway Machines, Shop Machinery, Work Equipment, Computer Equipment, Cranes, Packers & Ramps, and Automobiles
(c) The estimated useful lives of the property, plant and equipment are derived from the most recent life studies performed (see Note 2). Additionally, it includes the truck assets acquired in 2014 in conjunction with the Raven acquisition (see Note 3).

As of December 31, 2014 (in thousands)	Cost	Accumulated Depreciation	Net Book Value	Estimated Useful Life (c)
Land and Rights of Way	$ 342,918	$ n/a	$ 342,918	n/a
Road				
Rail & Other Track Material	141,169	43,963	97,206	10-45 years
Signals & Interlockers	92,143	34,263	57,880	6-38 years
Ties	89,772	13,152	76,620	20-60 years
Bridges & Culverts	88,137	14,669	73,468	12-61 years
Ballast	45,240	4,263	40,977	20-43 years
Other (a)	9,571	6,087	3,484	7-50 years
Total Road	466,032	116,397	349,635	
Locomotives, Transportation, and Other Equipment				
Freight Cars	32,289	6,336	25,953	3-55 years
Locomotives	86,387	10,489	75,898	5-60 years
Work Equipment and Other (b)	33,420	15,867	17,553	3-45 years
Tractors	35,017	952	34,066	1-5 years
Trailers	37,755	2,575	35,180	3-20 years
Total Locomotives, Transportation, and Other Equipment	224,868	36,219	188,650	
Buildings and Improvements	52,912	10,334	42,578	8-50 years
Construction-In-Progress	35,519	n/a	35,519	n/a
	$ 1,122,249	$ 162,950	$ 959,300	

(a) Includes Grade Crossings, Fences, and Signs.

(b) Includes Roadway Machines, Shop Machinery, Work Equipment, Computer Equipment, Cranes, Packers & Ramps, and Automobiles.

(c) The estimated useful lives of the property, plant and equipment includes both the assets acquired at the Fortress acquisition and the assets purchased subsequently. The estimated lives are derived from the most recent life studies performed (see Note 2).

Depreciation and amortization expenses, including assets under capital leases, were $50.0 million, $30.8 million and $26.2 million, for the years ended December 31, 2015, 2014 and 2013, respectively.

7. Income Taxes

Income tax expenses differed from the amounts computed by applying the statutory federal income tax rate to pretax income as a result of the following:

	Years Ended December 31,		
	2015	2014	2013
		(in thousands)	
Amount computed at statutory federal rate	$ (1,651)	$ (9,423)	$ 4,251
State taxes (net of federal benefit)	(71)	(953)	434
Valuation allowance	(1,080)	37,970	7,295
Other (net)	461	(18)	176
	$ (2,341)	$ 27,576	$ 12,156

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities were as follows:

	December 31,	
	2015	2014
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforward	$ 121,502	$ 126,057
Allowance for doubtful accounts	984	692
Deferred revenue	290	263
Accrued pension obligations	1,210	1,160
Tax benefit for deferred compensation	3,305	2,690
Accrued casualty and other liabilities	1,040	1,927
Tax credits carryforward	2,468	2,468
Lease liabilities	18,877	18,901
Other	380	517
Total deferred tax assets	150,056	154,675
Valuation allowance	(92,951)	(89,437)
Net deferred tax assets	57,105	65,238
Deferred tax liabilities:		
Property, plant and equipment	117,376	123,219
Other	2,531	5,502
Total deferred tax liabilities	119,907	128,721
Net deferred tax liabilities	$ 62,802	$ 63,483

A valuation allowance against deferred tax assets is required if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company established a valuation allowance of $93.0 million, $89.4 million and $59.8 million as of December 31, 2015, 2014 and 2013, respectively. The increase from 2013 to 2014 is primarily attributed to the deferred tax liability related to the book-tax difference for the twenty-four locomotives that were purchased in 2014.

The Company has net operating loss carryforwards as of December 31, 2015, as follows:

- U. S.—$314.1 million (expiration periods: 2029—2034)
- Florida—$314.6 million (expiration periods: 2029—2034)

8. Long-Term Debt

Debt consisted of the following:

	December 31, 2015	2014
	(in thousands)	
Secured Notes	525,000	525,000
Unsecured Notes	165,000	165,000
Capital Leases	63,787	62,600
Locomotives	49,750	53,073
SIB Loan	28,938	30,000
Total debt	832,475	835,673
Less: Current maturities	19,938	24,576
Long-term debt, less current maturities	$ 812,537	$ 811,097

The following table represents the minimum future payments on our long-term debt and interest as of December 31, 2015 (in thousands):

	Total	2016-2017	2018-2019	2020	After 2020
Long-term debt	$ 769,058	$ 9,394	$ 534,554	$ 169,840	$ 55,270
Interest payments on long-term debt	225,982	109,864	91,262	10,689	14,167
Material purchase obligations	30,779	30,779	—	—	—
Total payments	1,025,819	$ 150,037	$ 625,816	$ 180,529	$ 69,437

In April 2014, the Company, along with another Fortress owned entity, Florida East Coast Industries, LLC ("FECI LLC"), collectively referred to as the "Issuers," issued $875.0 million 6.75% Senior Secured Notes (the "Secured Notes") and $275.0 million 9.75% Unsecured Notes (the "Unsecured Notes"). The Secured Notes are due in 2019, while the Unsecured Notes are due in 2020. The amount of outstanding debt noted above represents the Company's pro-rata portion of the combined debt. The Company's pro-rata share was 60% of the total of each issuance based on use of debt proceeds.

The Secured Notes will mature on May 1, 2019 and the Unsecured Notes will mature on May 1, 2020. The notes will pay interest semi-annually in cash in arrears on May 1 and November 1 of each year, beginning on November 1, 2014.

The proceeds from the debt offering were used to refinance existing indebtedness of the Company, including the 8 1/8% Senior Secured Notes and the Senior PIK Toggle Notes, and to make contributions to subsidiaries of FECI LLC and for general corporate purposes.

The Secured Notes and the guarantees thereof are secured by first-priority liens on substantially all of the Company's and the guarantors' assets, subject to certain exceptions and permitted liens.

The Issuers may redeem some or all of the Secured Notes at any time before May 1, 2016, and some or all of the Unsecured Notes at any time before November 1, 2016, in each case at a price equal to 100% of the aggregate principal amount thereof plus the applicable make-whole premium. At any time until May 1, 2016, the Issuers may also redeem up to 40% of the aggregate principal amount of the Secured Notes using the proceeds of certain equity offerings at a price equal to 106.750% of the aggregate principal amount thereof. At any time until November 1, 2016, the Issuers may also redeem up to 40% of the aggregate principal amount of the Unsecured Notes using the proceeds of certain equity offerings at a rate of 109.750% of the aggregate principal amount thereof.

Interest expense was $35.4 million on the Senior Secured Notes and $16.1 million on the Unsecured Notes for the year ended December 31, 2015. Interest expense was $24.4 million on the Senior Secured Notes and $11.1 million on the Unsecured Notes for the year ended December 31, 2014.

Effective June 30, 2014, the Company entered into an Asset-Based Lending ("ABL") Facility that matures on December 31, 2018. The terms of the new ABL provide for $35.0 million available for cash withdrawal, plus an additional $3.0 million standby letter of credit. In addition, Raven has an additional standby letter of credit of $2.0 million that is collateralized by the Company's ABL

facility.
The indentures governing the Secured and Unsecured Notes and the Company's ABL Facility contain certain covenants that limit and restrict it, and its restricted subsidiaries' ability to, among other things, incur additional indebtedness; issue preferred and disqualified stock; purchase or redeem capital stock; make certain investments; pay dividends or make other payments on loans or transfer property; sell assets; enter into certain types of transactions with affiliates involving consideration in excess of $5.0 million; create liens on certain assets; and sell all, or substantially all, of the Company's assets or merge with or into another company. In addition, if availability under the ABL Facility is below $8.0 million for three (3) calendar days or $6.5 million during any future period, the Company will be subject to a minimum fixed charge coverage ratio (as defined in the ABL Facility) of 1.1 to 1.0. As of December 31, 2015, the Company was in compliance with all debt covenants.

State Infrastructure Bank Loan

On September 26, 2012, the Company entered into a State Infrastructure Bank Loan (the "SIB Loan") with the Florida Department of Transportation ("FDOT"). The SIB Loan provides for a loan of $30.0 million to fund, in part, the costs associated with the construction of a new Florida East Coast Intermodal Container Transfer Facility (the "ICTF") near Port Everglades, which serves the Company's domestic and international business. The total construction cost of the ICTF construction project was approximately $54.0 million, $30.0 million of which was funded through the SIB Loan, $18.7 million of which came from a FDOT grant (the "FDOT Grant") and the balance of $5.3 million from the Company's capital budget.

Interest will accrue on the advanced principal amount of the SIB Loan at the rate of 3.50% per annum, compounded annually, using an actual-days-elapsed/365 day counting convention. Both principal and interest payments are payable in annual installments as follows: interest payments commenced on the SIB Loan on October 1, 2013, and principal repayments commence on the SIB Loan on October 1, 2015. The SIB Loan will be amortized over 20 years.

The SIB Loan is fully and unconditionally guaranteed by the Florida East Coast Railway, L.L.C. In addition, as a condition to making the SIB Loan, FDOT required a first priority lien on certain fixtures (including rail trackage) and equipment included in the collateral securing the Secured Notes. The SIB Loan specifically excludes land, rail equipment and motor vehicles from its lien. As a condition to FDOT making the first loan disbursement under the SIB Loan, FEC was required to post as additional collateral through July 1, 2017, a standby letter of credit in the amount of $3.0 million payable to FDOT, as beneficiary (the "Standby Letter of Credit Collateral"). The SIB Loan permits FEC, in lieu of posting the Standby Letter of Credit Collateral, at any time upon prior notice, to either pay down the principal of the SIB Loan by $3.0 million or substitute cash collateral.

Locomotive Lease Agreement and Financing

On October 10, 2014, a master net locomotive lease was executed between Florida East Coast Railway Leasing, L.L.C. (lessor) and Florida East Coast Railway, L.L.C. (lessee). Under the terms of the agreement, the lessee agrees to lease from the lessor twenty-four locomotives.

The lessor entered into a credit agreement with a lendor to obtain financing for 95% of the lesser of (1) the initial fair market value for such locomotives and (2) the purchase price for such locomotives. As of December 31, 2015, the Company borrowed $49.8 million. The interest rate is fixed at 5.08% for a 15-year term.

Raven Tractors and Trailers

The Company entered into two material capital lease agreements to acquire new tractors and trailers. On April 29, 2015, the Company entered into a five-year agreement to lease 115 LNG tractors with total financing of $19.3 million. The Company has taken delivery of all tractors as of December 31, 2015. The interest rate for this financing ranges from 2.168% to 2.233%. In addition, the Company entered into a capital lease financing arrangement to acquire 80 trailers for a ten-year term. The trailer lease is for approximately $2.3 million and interest will accrue at a rate of 2.510%. As of December 31, 2015, the Company has taken delivery of all 80 trailers.

Capital Leases

In conjunction with the application of purchase accounting guidance as found in the *ASC 805 – Business Combinations,* ASC 805 specifies that lease contracts assumed by an acquirer in a business combination should be classified on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the acquisition date). As such, consideration was given to the original contractual terms of the lease arrangement to determine whether the lease should be classified as an operating lease or a capital lease based on the criterion in *ASC 840 - Leases*. Upon evaluating the terms of Raven's leases, the Company identified that Raven's revenue equipment leases (tractors and trailers), were capital leases. As such, it was necessary to assess the fair value of both the lease asset and liability. Based on the Company's analysis, a capital lease liability was recorded in the amount of $63.8 million as of December 31, 2015. The liability is recorded with approximately $15.3 million in short term and $48.5 million in long term. This balance will be amortized over the remaining lease terms which range from expiration in fiscal year 2015 through fiscal year 2025.

9. Pension and other Benefit Programs

The Company sponsors three 401(k) plans, which are available to the Company's employees. Contributions are at the employee's discretion, subject to maximum limits imposed by the IRS (generally, $18,000 for 2015, $17,500 for 2014 and $17,000 for 2013), and an additional contribution up to 10% of after-tax compensation, also subject to maximum limits imposed by the IRS. Total contributions, including the Company's match if any, were limited by IRS regulations to $53,000 per participant for 2015, $52,000 per participant for 2014, and $51,000 per participant for 2013.

The 401(k) Plan for Salaried Employees — In accordance with the terms of the plan, and in order to maintain Qualified Automatic Contribution Arrangement ("QACA") status, the Company makes a safe harbor matching contribution equal to 100% of the employee's elective deferrals that do not exceed 1% of the employee's compensation plus 50% of the employee's elective deferrals between 1% and 6% of the employee's compensation. This safe harbor matching contribution is 100% vested. For purposes of calculating the safe harbor matching contribution, the employee's compensation and deferrals will be determined on a payroll period basis. The amounts of matching contributions by the Company were $0.6 million, $0.5 million, and $0.4 million, for the years ended December 31, 2015, 2014, and 2013, respectively.

401(k) Plan for Hourly Wage Employees and/or Employees Covered by Collective Bargaining Agreement —This is a limited contributory plan that was instituted in April 1995. As of 2009, all hourly wage employees covered by collective bargaining agreements are eligible for a Company matching contribution of $0.50 for every $1.00 of employee contributions up to $300 annually. The amounts of matching contributions for the years ended December 31, 2015, 2014, and 2013 were immaterial.

The 401(k) Plan for Raven's Employees – Raven has a 401(k) plan to provide retirement and incidental benefits for its employees. Employees may contribute a portion of their compensation, limited to the maximum amount as determined by the IRS, plus an elective catch-up combination of $5,500 for participants over the age of 50. Raven may make a matching contribution on behalf of each participant, after one year of service. The Company currently matches 50% of employee contributions at up to 3% of annual wages. The matching contributions for the period after the acquisition were $0.2 million for the year ended December 31, 2015.

Pension Plan —The Company adopted an unfunded defined benefit plan covering previous officers of the Company in 1998. The benefits are based on years of service and the employee's compensation during the five years before retirement. The Company curtailed this plan in 1999, causing no additional benefits to accrue to covered officers. The following chart summarizes the benefit obligations and includes rate assumptions associated with the defined benefit plan for the years ended December 31, 2015, 2014, and 2013:

	Years Ended December 31,		
	2015	2014	2013
		(in thousands)	
Balance obligation at beginning of period	$ 3,530	$ 3,450	$ 3,666
Interest cost	177	144	167
Actuarial (gain) loss	(46)	282	33
Benefits paid	(335)	(346)	(416)
Benefit obligation at end of period	$ 3,326	$ 3,530	$ 3,450
Discount rate assumed	3.25%	3.0%	3.5%

Of the total liability above, $3.0 million and $3.2 million were classified in other long-term liabilities in the consolidated balance sheet as of December 31, 2015 and 2014, respectively. The remaining balance of $0.3 million and $0.3 million, for the years ended December 31, 2015 and 2014, respectively, was presented as other current liabilities in the consolidated balance sheet. As of December 31, 2015 and 2014, accumulated other comprehensive loss included $1.4 million and $1.4 million, respectively, of unrealized losses related to the benefit plan. Assuming no change in participation, the Company expects to incur benefit payments of $0.2 million per year over the next five years.

10. Preferred Stock

The Company has 24,151 shares of Series A Redeemable Preferred Stock (the "preferred shares") issued and outstanding as of December 31, 2015 and 2014. These preferred shares are held by FECR Rail LLC. Dividends accumulate at the rate of 15% per annum, subject to limitations on distributions by the Company imposed by the terms of certain financing agreements. As of December 31, 2015 and 2014, the total unpaid preferred yield was $24.0 million and $17.7 million, respectively.

11. Share-Based Compensation

A summary of the fair value of nonvested shares of common stock is as follows:

	Shares of Common Stock	Weighted-average fair value per share at grant date	Fair value of nonvested shares at grant date (in thousands}
Outstanding as of December 31, 2012	**2,318**	**$ 835.84**	**$ 1,937.5**
Granted	237	2,072.63	491.2
Vested	(1,448)	963.91	(1,395.7)
Cancelled	(58)	1,411.46	(81.9)
Outstanding as of December 31, 2013	**1,049**	**$ 906.65**	**$ 951.1**
Granted	551	2,862.12	1,577.0
Vested	(1,192)	1,290.61	(1,538.4)
Cancelled	—	—	—
Outstanding as of December 31, 2014	**408**	**$ 2,425.74**	**$ 989.7**
Granted	624	2,960.99	1,847.6
Vested	(439)	2,568.60	(1,127.6)
Cancelled	—	—	—
Outstanding as of December 31, 2015	**593**	**$ 2,883.21**	**$ 1,709.7**

Share-based compensation expenses related to restricted stock grants for the years ended December 31, 2015, 2014, and 2013, were $1.4 million, $1.2 million, $1.4 million, respectively.

During 2013 the Company added a retirement eligible clause that permits restricted stock grants to vest immediately once the grantee reaches age 60.

As of December 31, 2015, there was $1.0 million of unrecognized compensation expense related to unvested restricted share compensation arrangements, which is expected to be recognized over a weighted average period of 0.8 years. The total fair value of shares vested during the years December 31, 2015, 2014, and 2013 was $1.1 million, $1.5 million, and $1.4 million, respectively.

12. Commitments and Contingencies

The Company is the defendant and plaintiff in various lawsuits resulting from its operations. In the opinion of management, appropriate provisions have been made in the Consolidated Financial Statements for the estimated liability that is probable from disposition of such matters. The Company maintains comprehensive liability insurance for bodily injury and property claims, but is self-insured or maintains a significant self-insured retention for these exposures.

In September 2006, the Florida Department of Environmental Protection ("FDEP") notified the Company and an adjacent property owner that they had been identified as potentially responsible parties ("PRPs") as a result of an investigation into contaminated groundwater in Fort Pierce, Florida. As of December 31, 2015 and 2014, the Company had accrued $0.7 million and $1.1 million, respectively, related to the alleged contamination. FDEP and the Company agreed in April 2012 that the Company's scope of testing is complete and the Company can initiate a pilot remediation of the property. The Company's contractor initiated the pilot in early 2013. The pilot remediation is providing effective results in reducing contaminates in the groundwater. Further assessment of the primary source is planned by the Company to refine the treatment strategy and establish an updated accrual estimate for remediating the site. The Company has been granted access to an adjacent property to determine if it is the source of the contamination. Upon completion of the analysis of the adjacent property, the Company will determine next steps necessary to proceed with the remediation.

In addition to the above site, the Company monitors a small number of other sites leased to others, or acquired by the Company or its

subsidiaries. Based on management's ongoing review and monitoring of these sites, and the ability to seek contribution or indemnification from the PRPs, the Company does not expect to incur material additional costs.

It is difficult to quantify future environmental costs as many issues relate to actions by third parties or changes in environmental regulations. However, based on information presently available, management believes that the ultimate disposition of currently known matters will not have a material effect on the financial position, liquidity, or results of operations of the Company.

In addition, the Company had accrued approximately $0.2 million and $0.2 million related to various other environmental incidents as of December 31, 2015 and December 31, 2014, respectively.

These liabilities are accrued when estimable and probable in accordance with the *Contingencies Topic* in the ASC. Actual settlements and claims received could differ. The final outcome of these matters cannot be predicted with certainty. Considering the legal defenses currently available, the liabilities that have been recorded and other factors, it is the opinion of management that none of these items individually, when finally resolved, will have a material effect on the Company's financial condition, results of operations or liquidity. Should a number of these items occur in the same period, however, they could have a material effect on the Company's financial condition, results of operations or liquidity in that particular period.

The Company is obligated under several noncancellable operating leases covering its Hialeah Yard Lease, and other facilities and equipment (primarily trailers, and office and computer equipment). The lease terms are from one to ninety-nine years. The Company incurred operating lease expenses for the years ended December 31, 2015, 2014 and 2013, in the amount of $40.0 million, $22.7 million and $21.5 million, respectively. The $40.0 million incurred for the year ended December 31, 2015 included additional straight line expense of $17.0 million related to a related party lease agreement for Hialeah yard.

Future minimum payments under the leases, including applicable sales tax, are as follows (in thousands):

2016	$ 27,385
2017	24,264
2018	21,003
2019	15,126
2020	13,698
Thereafter	2,275,321
	2,376,797

13. Customers

The Company's intermodal and aggregate business represents approximately 59% and 13% of total revenues, respectively for the year ended December 31, 2015. The Railway's revenues are affected by the demand for aggregate material, primarily in Florida, and the ability of these customers to supply, efficiently and effectively, this natural raw material. In addition, no single customer represented more than 9% of total revenues for the years ended December 31, 2015, 2014, and 2013.

14. Track Maintenance Agreement

The Company entered into a Track Maintenance Agreement with an unrelated third-party customer (the "Shipper"). Under the agreement, the Shipper paid for qualified railroad track maintenance expenditures during the fiscal year in exchange for the assignment of railroad track miles, which permits the Shipper to claim certain tax credits pursuant to Section 45G of the Internal Revenue Code. The track maintenance tax credit was renewed in December 2015 for fiscal year 2015 and 2016. For the year ended December 31, 2015 and 2014, the Company has recorded maintenance expenditures of $2.5 million and $2.5 million, respectively. This amount is included in other expenses as a reduction to operating expense in the Consolidated Statements of Operations and Comprehensive Loss.

15. Port Activity

In October 2010, Miami-Dade County, owner of the Port of Miami, was awarded a $22.8 million federal grant under the U.S. Department of Transportation's Transportation Investment Generating Economic Recovery II ("TIGER") program to rehabilitate the port's rail bridge and construct new rail facilities on port property ("on-port project"). In addition to the $22.8 million TIGER grant, an additional $2.3 million will be funded by Port Miami. These projects will enable cargo to be moved directly from the port's facility to an inland distribution center and alleviate traffic congestion in and around the port.

The TIGER grant also includes funding for the Port Rail Intermodal Apron ("apron"). This consists of construction of an intermodal apron running parallel to the full length of the tracks at Port Miami. The apron will include securing fencing, a radiation portal and inspection infrastructure, and crossing improvements. The Company will be reimbursed for all of the costs incurred. For the years ended December 31, 2015 and 2014, the Company incurred costs of $0 and $11.0 million, respectively. As of December 31, 2015, the Company had an outstanding receivable of $0.4 million.

On March 15, 2011, the Company entered into an Assumption Agreement with Miami-Dade County. Under the agreement, the Company will perform track improvements in the Hialeah Yard to better accommodate current and future customers to include double stack containers coming from the Port of Miami. The Company will be reimbursed for all of the costs incurred. For the years ended December 31, 2015 and 2014, the Company incurred costs of $0 and $0.1 million, respectively. As of December 31, 2015, the Company had no outstanding receivable.

On January 31, 2012, the Company entered into a Port Everglades Intermodal Container Transfer Facility Lease and Operating Agreement with Broward County. The agreement was ratified by Broward County on March 20, 2012. The term of the agreement is 30 years with two 10-year options. The Agreement provides the Company the land needed to construct an intermodal facility to serve domestic and international lines of business. The total construction cost was approximately $54.0 million, which was funded through the SIB loan, FDOT grant and the Company's capital budget. For the years ended December 31, 2015 and 2014, the Company has incurred gross costs, before consideration of reimbursement, of $0 and $30.7 million, respectively. As of December 31, 2015, the Company had no outstanding receivable. The Facility opened July, 2014.

On June 12, 2014, the Company entered into a Joint Participation Agreement with the State of Florida, Department of Transportation, whereby the Company will construct a new "Set Out Track" with self restoring switches, to improve the Port of Palm Beach switching operations and minimize the congestion and delays at the railroad crossing. The Company will be reimbursed for all of the costs incurred. For the years ended December 31, 2015 and 2014, the Company incurred costs of $3.2 million and zero, respectively. As of December 31, 2015 and December 31, 2014, the Company had an outstanding receivable of $2.2 million and zero, respectively.

16. Concentration of Labor

As of December 31, 2015, the railroad had approximately 698 employees, of which approximately 441 employees are represented by three labor unions. At the end of 2015, all nine (9) collective bargaining agreements involving the three different labor organizations are current, and have been signed by the Parties. Raven had approximately 522 employees, none of which were members of a union.

17. Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2015 through March 29, 2016, the date these consolidated financial statements were available to be issued.

Supplements

Supplementary Information

Florida East Coast Railway, L.L.C.

Schedule of Expenditures of State Financial Assistance

Year Ended December 31, 2015

Grantor Agency/Project Title	State CSFA Number	Contract No.	State Financial Assistance Expenditures
Florida Department of Transportation:			
Rail Development Grants	55.021	ARK54	$ 2,253,607
Total expenditures of state financial assistance			$ 2,253,607

The accompanying notes are an integral part of the Schedule of Expenditures of State Financial Assistance.

Florida East Coast Railway, L.L.C.

Notes to Schedule of Expenditures of State Financial Assistance

December 31, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of Florida East Coast Railway, L.LC. (the Company) for the year ended December 31, 2015, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

2. Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the Company. In the opinion of management, all grant expenditures are in material compliance with the terms of the grant agreements and applicable state laws and regulations.

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Report of Independent Certified Public Accountants on Compliance for Each Major State Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of State Financial Assistance, Required by Section 215.97, *Florida Statutes*

Chief Executive Officer and Chief Financial Officer
Florida East Coast Railway, L.L.C.

Report on Compliance for Each Major State Program

We have audited Florida East Coast Railway L.L.C (the "Company")'s compliance with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement that could have a direct and material effect on the Company's major state program for the year ended December 31, 2014. The Company's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Company's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Section 215.97, Florida Statutes (Section 215.97). Those standards and Section 215.97 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Company's compliance.

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Opinion on Each Major State Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Section 215.97, Florida Statutes, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Section 215.97, Florida Statutes. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of State Financial Assistance Required by Section 215.97, *Florida Statutes*

We have audited the financial statements of the Company as of and for the year ended December 31, 2015 and have issued our report thereon dated March 29, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Ernst & Young LLP

May 23, 2016

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

The Chief Executive Officer and Chief Financial Officer
Florida East Coast Railway, L.L.C.

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida East Coast Railway LLC, which comprise the consolidated statement of financial position as of December 31, 2015; and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Florida East Coast Railway LLC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida East Coast Railway LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of Florida East Coast Railway LLC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

March 29, 2016

Florida East Coast Railway, L.L.C.

Schedule of Findings and Questioned Costs

for the Year Ended December 31, 2015

Section I—Summary of Auditor's Results

Financial statements section

Type of auditor's report issued (unmodified, qualified, adverse or disclaimer):	Unmodified

Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Noncompliance material to financial statements noted?		yes	X	no

State financial assistance

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified?		yes	X	none reported
Type of auditor's report issued on compliance for major state programs (unmodified, qualified, adverse or disclaimer):	Unmodified			

Any audit findings disclosed that are required to be reported in accordance with section 215.97, Florida Statutes?		yes	X	no

Identification of major programs:	
CSFA number(s)	Name of state financial assistance program
55.021	Rail Development Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000

Florida East Coast Railway, L.L.C.

Schedule of Findings and Questioned Costs (continued)

for the Year Ended December 31, 2015

Section II—Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the consolidated financial statements for which *Government Auditing Standards* require reporting in a Section 215.97, *Florida Statutes*, audit.

No findings.

Section III—State Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Section 215.97, *Florida Statutes* (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving state financial assistance programs that are material to a major program.

No findings.