Florida East Coast Railway, L.L.C.

Reports Required by
Government Auditing Standards,
the Florida Single Audit Act, and
Schedule of Expenditures
of State Financial Assistance
Year Ended December 31, 2019

Florida East Coast Railway, L.L.C.

Reports Required by *Government Auditing Standards*,
the Florida Single Audit Act, and Schedule of Expenditures
of State Financial Assistance
Year Ended December 31, 2019

Florida East Coast Railway, L.L.C.

Contents

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Independent Auditor's Report

The Stockholders
Florida East Coast Railway, L.L.C.
Jacksonville, Florida

Report on Schedule of Expenditures of State Financial Assistance

We have audited the accompanying schedule of expenditures of state financial assistance of Florida East Coast Railway, L.L.C. for the year ended December 31, 2019, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, *Rules of the Florida Auditor General* (the Rules). Those standards and the Rules require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 on the effectiveness of the entity's internal control. 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of state financial assistance of Florida East Coast Railway, L.L.C. for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Certified Public Accountants
August 25, 2020

Florida East Coast Railway, L.L.C.

Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2019

Year ended December 31, 2019

State Awarding Agency/Project Title	State CFSA Number	Contract Number	Provided to Subrecipients	Total State Expenditures
Florida Department of Transportation				
Rail Programs: Passenger Development, Capacity or Crossing	55.021	G0J21	$ -	$ 150,009
Rail Programs: Passenger Development, Capacity or Crossing	55.021	G0W55	-	892,078
Rail Programs: Passenger Development, Capacity or Crossing	55.021	G1719	-	300,589
Total Expenditures of State Financial Assistance			$ -	$ 1,342,676

The accompanying notes are an integral part of this schedule.

Florida East Coast Railway, L.L.C.

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state award activity of Florida East Coast Railway, L.L.C. (the Company) for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*. Because the Schedule only presents a selected portion of the operations of the Company, it is not intended to and does not present the financial position, income, or cash flows of the Company.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Section 215.97, *Florida Statutes*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. 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.

4. Relationship to State Financial Reports

The regulations and guidelines governing the preparation of state financial reports vary by state agency and among programs administered by the same agency. Accordingly, the amounts reported in the state financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared as explained in Notes 1 and 2 above.

5. Federal Expenditures

The Company expended $459,151 in federal awards passed through the Florida Department of Transportation during the year ended December 31, 2019.

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Independent Auditor's Report on Compliance for a State Project and Report on Internal Control Over Compliance Required by Chapter 10.650, *Rules of the Auditor General of the State of Florida*

The Stockholders
Florida East Coast Railway, L.L.C.
Jacksonville, Florida

Report on Compliance for Rail Programs: Passenger Development, Capacity or Crossing

We have audited Florida East Coast Railway, L.L.C.'s (the Company) compliance with the types of compliance requirements described in the Department of Financial Services State Projects Compliance Supplement of the State of Florida that could have a direct and material effect on its major state project for the year ended December 31, 2019.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of state awards applicable to Rail Programs: Passenger Development, Capacity or Crossing.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Company's Rail Programs: Passenger Development, Capacity or Crossing 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.650, *Rules of the Florida Auditor General* (the Rules). Those standards and the Rules 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 Rail Programs: Passenger Development, Capacity or Crossing 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 the Company's Rail Programs: Passenger Development, Capacity or Crossing. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on Compliance for Rail Programs: Passenger Development, Capacity or Crossing

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Rail Programs: Passenger Development, Capacity or Crossing for the year ended December 31, 2019.

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 its Rail Programs: Passenger Development, Capacity or Crossing to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its Rail Programs: Passenger Development, Capacity or Crossing and to test and report on internal control over compliance in accordance with the Rules, 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 project 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 project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project 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 the Rules. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Certified Public Accountants
August 25, 2020

Florida East Coast Railway, L.L.C.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

State Awards

Internal control over major state projects:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Type of auditor's report issued on compliance for major state projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Rule 10.654(1)(h)4?	☐ Yes	☒ No

Identification of major state projects:

CSFA Number	Name of State Project
55.021	Rail Programs: Passenger Development, Capacity or Crossing

Dollar threshold used to distinguish between Type A and Type B programs:	$402,803
Auditee qualified as low-risk auditee?	☐ Yes ☒ No

Section II. Financial Statement Findings

No matters were reported.

Section III. State Award Findings and Questioned Costs

No matters were reported.

Section IV. Summary Schedule of Prior Audit Findings

Questioned Program and Project

National Infrastructure Investments, 20.933, Contracts G0061 and G0063; Rail Programs: Passenger Development, Capacity or Crossing, 55.021, Contracts G0J21 and G0W55

2018-001 & 2018-002

Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance

Prior Year Finding

Expenditures related to Contracts G0061 and G0063 were related to a federal award. On the unadjusted schedule of expenditures of federal awards and state financial assistance prepared by management for the year ended December 31, 2018, we noted that expenditures for Contracts G0061 and G0063 were improperly classified as expenditures of state financial assistance rather than expenditures of federal awards. We also noted that total expenditures of state financial assistance improperly included matching amounts for Contracts G0J21 and G0W55.

Current Year Status

This finding has been corrected in the current year.

Section V. State of Florida Management Letter

No items related to state financial assistance were required to be reported in a management letter pursuant to Section 215.97, *Florida Statutes*, for the current year.

Florida East Coast Holdings Corp. and Affiliates

COMBINED FINANCIAL STATEMENTS

As of and for the year ended December 31, 2019

Florida East Coast Holdings Corp. and Affiliates

Combined Financial Statements

Contents: **Page**

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INDEPENDENT AUDITORS' REPORT

To the Stockholder of
Florida East Coast Holdings Corp. and Affiliates
Jacksonville, Florida

We have audited the accompanying combined financial statements of Florida East Coast Holdings Corp. and subsidiaries, FEC ROW, LLC and FEC Real Estate Services, LLC, all of which are under common ownership and common management, which comprise the combined balance sheet as of December 31, 2019, and the related combined statements of income and comprehensive income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 companies' 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 companies' 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.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Florida East Coast Holdings Corp. and subsidiaries, FEC ROW, LLC and FEC Real Estate Services, LLC as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 5, 2020

FLORIDA EAST COAST HOLDINGS CORP.
COMBINED BALANCE SHEET
(in thousands except for share and per share amounts)

	As of December 31, 2019
ASSETS	
Current assets:	
Cash and cash equivalents	$ 47,644
Accounts receivable, net of allowance for doubtful accounts $6,414	76,485
Materials and supplies	9,210
Prepaid and other current assets	5,900
Total current assets	139,239
Noncurrent assets:	
Property, plant and equipment, less accumulated depreciation	1,223,429
Intangible assets, less accumulated amortization	4,161
Goodwill	16,861
Restricted cash	455
Other assets	2,197
Total noncurrent assets	1,247,103
Total assets	$ 1,386,342
LIABILITIES AND STOCKHOLDER'S EQUITY	
Current liabilities:	
Accounts payable and accrued expenses	$ 38,333
Taxes payable	1,428
Short-term debt	19,371
Deferred revenue	8,806
Other current liabilities	1,441
Total current liabilities	69,379
Long-term liabilities:	
Deferred income taxes	39,941
Long-term debt	44,302
Other long-term liabilities	43,612
Total long-term liabilities	127,855
Total liabilities	197,234
Stockholder's equity:	
Common stock, $0.01 par value, 1,000,000 shares authorized; 250,000 shares issued and outstanding as of December 31, 2019	3
Additional paid-in capital	1,136,217
Retained earnings	53,546
Accumulated other comprehensive loss	(658)
Total stockholder's equity	1,189,108
Total liabilities and stockholder's equity	$ 1,386,342

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

FLORIDA EAST COAST HOLDINGS CORP.
COMBINED STATEMENT OF INCOME AND COMPREHENSIVE INCOME
(in thousands)

	Year Ended December 31, 2019
Operating revenues:	
Freight	$ 382,223
Right-of-way	27,014
Non-freight	16,306
Total operating revenues	425,543
Operating expenses:	
Labor and benefits	89,878
Purchased services	80,905
Diesel fuel and truck fuel	43,054
Depreciation and amortization	50,554
Equipment rents	16,682
Other expenses	31,630
Total operating expenses	312,703
Operating income	112,840
Interest expense, net	(2,421)
Other income	10,656
Income before income taxes	121,075
Provision for income taxes	24,067
Net income	$ 97,008
Other comprehensive income:	
Actuarial gain associated with pension plan, net of tax	230
Comprehensive income	$ 97,238

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

FLORIDA EAST COAST HOLDINGS CORP.
COMBINED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
(in thousands, except for share amounts)

	Number of Common Shares Issued	Par Value	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance as of January 1, 2019	250,000	$ 3	$ 1,233,482	$ (43,436)	$ (888)	$ 1,189,161
Net income	—	—	—	97,008	—	97,008
Other comprehensive income	—	—	—	—	230	230
Purchase of common shares	(303)	—	—	—	—	—
Issuance of common shares	303	—	—	—	—	—
Distribution of capital	—	—	(97,500)	—	—	(97,500)
Tax provision of consolidated variable interest entity	—	—	235	(26)	—	209
Balance as of December 31, 2019	250,000	$ 3	$ 1,136,217	$ 53,546	$ (658)	$ 1,189,108

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

FLORIDA EAST COAST HOLDINGS CORP.
COMBINED STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 97,008
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	50,100
Amortization	454
Deferred taxes	24,111
Net gain on sale of property, plant and equipment	760
Changes in operating assets and liabilities:	
Decrease in accounts receivable, net	10,399
Increase in prepaid and other current assets	(184)
Decrease in materials and supplies	2,026
Decrease in other assets and investments	170
Decrease in accounts payable and accrued expenses	(2,802)
Decrease in taxes payable	(56)
Increase in deferred revenue	107
Decrease in other current liabilities	(842)
Decrease in other long-term liabilities	(2,468)
Net cash provided by operating activities	178,783
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant and equipment	(37,432)
Proceeds from sale of property, plant and equipment	344
Net cash used in investing activities	(37,088)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distribution to shareholders	(97,500)
Payment on long-term debt	(15,549)
Net cash used in financing activities	(113,049)
Net increase in cash, cash equivalents, and restricted cash	28,646
Cash, cash equivalents, and restricted cash at beginning of period	19,453
Cash, cash equivalents, and restricted cash at end of period	$ 48,099
Supplemental cash flow information:	
Interest paid	$ 2,529
Income taxes paid	47
Non-cash investing and financing activities:	
Assets acquired through capital leases	1,598
Assets acquired through accounts payable and accrued expenses	994

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

1. Description of the Business and Basis of Presentation

The accompanying Combined Financial Statements of Florida East Coast Holdings Corp., its subsidiaries, and its combined entities (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"). FECR 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, FECR owns and operates approximately 270 miles of branch, switching and other secondary track and 120 miles of yard track, all within Florida. FECR 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 provides FECR with a unique opportunity to expand market reach and increase market share of rail transportation in Florida through a high quality, complimentary regional trucking operation.

These statements include the non-rail revenue derived from fiber optics, pipe and wire crossings, land leases, advertising structures and other uses on the approximately 100-foot wide right-of-way rail corridor that runs from Miami to Jacksonville. This business is conducted through the commonly controlled entities, FEC ROW, LLC and FEC Real Estate Services, LLC ("ROW").

During 2017, GMexico Transportes, S.A. de C.V., the Transportation Division of Grupo Mexico ("GMXT"), through its subsidiary GMXT US Inc., acquired all of the shares of Florida East Coast Holdings Corp., and subsidiaries, FEC Row, LLC and FEC Real Estate Services, LLC.

Before closing the transactions, GMXT obtained the approvals required from all of the regulatory agencies in the United States, including the Committee on Foreign Investment in the United States, the Surface Transportation Board and the Federal Communications Commission.

2. Summary of Significant Accounting Policies

Principles of Combined Financial Statements

The accompanying Combined Financial Statements of the Company include all wholly owned subsidiaries, certain combined entities, and those entities in which the Company has a variable interest and is the primary beneficiary. All intercompany balances and transactions have been eliminated in combination.

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. Therefore, the activity of RTC has been included in the Combined Financial Statements.

Use of Estimates

The preparation of the Combined 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 may 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 insurance policies.

Accounts Receivable

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 Company records receivables for construction performed on behalf of third parties (referred to as "recollectible receivables") that will be settled in cash when billed. The Company records unbilled receivables for accrued revenue that will be settled in cash when billed. The carrying value of all receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value. The Company does not charge interest on past due trade receivables.

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.

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 net 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 items with similar characteristics, use and expected lives are grouped together in asset classes and are depreciated using composite depreciation rates applied to the respective gross investment. The Company periodically reevaluates the useful lives of its track and related assets and establishes new depreciable lives based on life studies for reasonableness based on the results of such life studies.

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. 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. There were no such life studies or prospective adjustments in 2019.

b) Rolling Stock

For rolling stock (such as locomotives and freight cars), assets are specifically identified, and the Company utilizes straight-line depreciation methods on a per asset category basis.

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 and useful lives are periodically reviewed for resaonablness based on life studies.

d) Right-of-Way, Hialeah rail yard and other Real Estate

Property, plant, and equipment includes construction in progress, land and land improvements, buildings and building improvements, equipment, and other assets stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over estimated asset lives of 3 to 50 years. The Company capitalizes the costs of major additions and improvements and expenses the costs for maintenance and repairs that do not extend the life of the asset greater than one year. The Company evaluates the estimated useful life of the assets each reporting period and accounts for changes, if any, over the revised estimated useful life.

Capital Expenditures

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 units of its rolling stock. In addition to direct labor and material, certain indirect overhead 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.

Disposals and Retirements

Railroad Properties

Under the group method of depreciation, 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.

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.

Non-Rail Assets

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.

Impairment of Long-Lived Assets

The Company reviews the carrying value of its long-lived assets 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. There were no impairments recorded during the year ended December 31, 2019.

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. In 2018, the Company elected to early adopt Accounting Standards Update ("ASU") 2017-04 *Intangibles – Goodwill and Other* (Topic 350). The ASU allows companies to simplify the subsequent measurement of the goodwill impairment test by eliminating Step 2. The Company still has the option to perform the qualitative assessment to determine if the quantitative impairment test is necessary. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that each reporting unit's fair value is less than its carrying amount. The qualitative assessment as of December 31, 2019 did identify one circumstance that would indicate that it is more likely than not that the fair value of any reporting unit is less than its carrying amount. The Company went on to perform a quantitative assessment for that reporting unit but determined no impairment exists as of December 31, 2019. Goodwill is valued at $16.9 million as of December 31, 2019. There are no accumulated impairment losses reflected in goodwill and there were no changes in the balance of goodwill during 2019.

Intangible Assets, Net

Intangible assets are stated at cost less accumulated amortization and consist of customer relationship and trade names and are amortized over their estimated useful lives.

Accumulated Other Comprehensive Loss

Comprehensive loss is the changes in equity of an enterprise except those resulting from shareholder transactions. As of December 31, 2019, accumulated other comprehensive loss was $0.7 million, related to the Company's pension plans.

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 Accounting Standards Codification ("ASC") 718, *Compensation—Stock Compensation*. 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 income taxes are classified as noncurrent in accordance with current accounting guidance. 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. The Company establishes reserves for uncertain tax positions, when despite its belief that its tax return positions are fully supportable, the Company believes that certain tax positions may be challenged and potentially disallowed. When facts and circumstances change, the Company adjusts these reserves through its provision for income taxes. To the extent interest and penalties may be assessed by taxing authorities on any underpayment of income tax, such amounts have been accrued and are classified as a component of tax expense in the combined statements of operations. The ROW companies are pass through entities for tax purposes and therefore, have no tax implications.

Revenue Recognition

Freight Revenue

The Company recognizes freight revenue after the freight has been moved from origin to destination (completion of the move), 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.

Non-Freight

Non-freight revenue is recognized at the time of billing and includes accessorial charges and car hire. Accessorial charges are additional fees charged to the shipper for services performed beyond the standard pick-up and delivery operation designated at the time a shipment is tendered (storage, demurrage, and other charges). Car hire is a charge for the use of a railcar.

Right-of-Way and Land Use Revenue

The Company recognizes right-of-way and land use revenue from the grant of licenses and leases to use property and the right-of-way for: (i) fiber optic conduits by telecommunication companies; (ii) lateral crossings of wires and pipes by municipalities and telecommunication companies; (iii) various land leases; and, (iv) outdoor advertising. The Company uses the straight-line method to record right-of-way and land use or rental income revenue over the life of the contract. Right-of-way revenue is typically billed on a periodic basis (annually, semi-annually, quarterly, etc.) and is recorded as deferred revenue when received and recorded as income over the respective term of the contract. These contracts, in which the Company is the lessor, fall under the guidance of ASC 840 – Leases, since these are agreements conveying the right to use property (land and/or depreciable assets) usually for a stated period of time.

Customers

The Company provides rail and logistics solutions to meet the transportation needs of domestic and international intermodal and carload customers. The Company's partnerships with PortMiami, Port Everglades (Fort Lauderdale), Port of Palm Beach and motor carriers lets us move freight within Florida and beyond via trucks and rail. Our top

customers include national and international transportation companies.

Performance obligation

Freight revenue is primarily generated from one or two performance obligation: Transportation Services. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account for revenue recognition under the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Company's promise to transfer Transportation Services is separately identifiable from other promises in its contracts with customers.

Transaction price

The Company determines the transaction price based on our standard charges for services adjusted for accessorial charges, trucking fees, and discounts. The Company determines its estimate of these adjustments based on historical experience. In accordance with Topic 606, the Company when estimating the amount of non-freight variable consideration, utilizes the most likely amount, which is the single most likely amount in a range of possible consideration amounts that is, the single most likely outcome of the contract. This estimate is done at contract inception and revenue is adjusted based on the actual payment received.

Allocation of transaction price to performance obligations

Under Topic 606 in order to allocate the transaction price on a relative standalone selling price basis, an entity must first determine the standalone selling price of the distinct good or service underlying each performance obligation. The transaction price is the price at which an entity would sell a good or service on a standalone (or separate) basis at contract inception and the observable price of a good or service sold separately provides the best evidence of standalone selling price. The Company's contracts consist of one performance obligation: Transportation Services. Therefore, the allocation guidance is not applicable to the Company's contracts

Revenue recognition

Under Topic 606, the Company recognizes revenue when the customer obtains control of promised services (the performance obligation) in an amount that reflects the consideration the Company expects to receive in exchange for those services (the transaction price). The Company's performance obligations under Topic 606 are satisfied over time and measured using the output method (i.e., distance shipped for transportation and time elapsed for storage). This measure of progress is used to recognize revenue as it appropriately depicts the Company's performance in transferring control of services promised to a customer. This did not result in a material change from the Company's historical practice.

Costs to fulfill a contract

The Company has identified contract fulfillment costs applicable to some of its Raven Trucking customers for which they incur a fee with US Bank in order to process their transactions. These costs relate directly to a specifically identifiable contract and are costs that enhance resources of the Company used in satisfying the performance obligation and are costs expected to be recovered since they are built into the rates charged to these specific customers. As a result, these costs should be capitalized in accordance with ASC 340-40 Other Assets and Deferred Costs. However, as these costs would be amortized over the relatively short service period of the contract, they are expensed as incurred.

Contract balances

In accordance with Topic 606, contract assets are to be recognized when an entity has the right to receive consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. The Company has not recorded any contract assets or liabilities related to Topic 606. The deferred revenue on the balance sheet is all related to right-of-way revenue accounted for under Topic 840.

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, cash equivalents and restricted cash, as reflected in the combined balance sheets, approximate fair value because of the short-term maturity of these instruments (Level 1 inputs).
- Long-term debt: State Infrastructure Bank ("SIB") Loan fair value is based on a quoted price for a similar loan (Level 2 inputs).

The Company has no Financial Instruments with Level 3 inputs.

Environmental Remediation and Compliance

Costs associated with environmental compliance and preventing further 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 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, as discussed in Note 14.

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. Recent Accounting Pronouncements

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment,* which removes Step 2 from the goodwill impairment test and replaces the qualitative assessment. Impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. Under this revised guidance, failing Step 1 will always result in a goodwill impairment. The Company elected to early adopt this standard for the year ended December 31, 2018. There has been no impact to the Company's combined financial position or results of operations, as it was determined after a quantitative assessment that no impairment exists as of December 31, 2019.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, related to revenue recognition which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to

depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services in accordance with the five step model outlined in Topic 606: (i) identify the contract(s) with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) the performance obligations are satisfied. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting periods presented and the cumulative effect of applying the standard would be recognized at the earliest period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

Effective January 1, 2019, the Company adopted *Revenue from Contracts with Customers (Topic 606)* using the modified retrospective method, applied to those contracts which were not completed as of January 1, 2019. The Company determined key factors from the five-step model to recognize revenue as prescribed by the new standard that may be applicable to each of the Company's contract types. Significant customers and contracts were identified, and the Company reviewed these contracts. The Company completed the evaluation of the provisions of these contracts and compared the historical accounting policies and practices to the requirements of the new standard, including the related qualitative disclosures regarding the potential impact of the effects of the accounting policies and a comparison to the Company's previous revenue recognition policies. The adoption of the new revenue standard had no impact to opening retained earnings as the application of Topic 606 did not require a change in revenue recognition for the Company's contracts with customers. The Company has elected to provide the reduced nonpublic business entity disclosures. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts are not restated and continue to be reported in accordance with accounting standards in effect for that period. This did not result in a material change from the Company's historical practice.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* to increase transparency and comparability among organizations by recognizing rights and obligations resulting from leases as lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The update requires lessees to recognize for all leases with a term of 12 months or more at the commencement date: (a) a lease liability or a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset or a lessee's right to use or control the use of a specified asset for the lease term. Under the update, lessor accounting remains largely unchanged. The update requires a modified retrospective transition approach for leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements and do not require any transition accounting for leases that expire before the earliest comparative period presented. The update is effective retrospectively for annual reporting periods beginning after December 15, 2020, and interim periods beginning after December 15, 2021, with early adoption permitted. The Company is currently assessing the impact of the adoption of this guidance on the combined financial position, results of operations, and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payment.* This update reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, Statement of Cash Flows, including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This update clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. Both of these updates are effective for annual reporting periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019, with early adoption permitted. The Company elected to adopt both standards for the year ended December 31, 2019. Adoption of the guidance did not have an impact on the combined financial position, results of operations, or the statement of cash flows.

4. Fair Value of Financial Instruments

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

	December 31, 2019	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 47,644	$ 47,644
Restricted cash	455	455
SIB Loan	24,309	26,680

5. Intangible Assets, Net

The Company's intangible assets consist of the following (in thousands):

As of December 31, 2019 (in thousands)	Cost	Accumulated Amortization	Net Book Value	Estimated Useful Life
Customer Relationships	$ 4,800	$ 1,284	$ 3,516	19 years
Trade Name	1,200	555	645	11 years
Total	$ 6,000	$ 1,839	$ 4,161	

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

2020	$ 362
2021	362
2022	362
2023	362
2024	362
Thereafter	2,351
	$ 4,161

6. Related-Party Transactions

Administrative fees

The Company recorded $0.4 million of expense for administrative fees to Ferrocarril Mexicano, S.A. De C.V., a subsidiary of GMXT, for the year ended December 31, 2019. The net payable due to Ferrocarril Mexicano was zero million as of December 31, 2019.

Dispatch fees

Florida East Coast Railway, L.L.C. and Virgin Trains USA are equal parties in a joint venture known as Florida East Coast Dispatch LLC (Florida Dispatch Co).

The Company recorded $2.1 million of operating expense for dispatch services to Florida Dispatch Co, for the year ended December 31, 2019. The net payable due to Florida Dispatch Co was $0.4 million as of December 31, 2019. The Company billed $0.8 million of shared administrative services, building rent, and expense reimbursements to Florida Dispatch Co for the year ended December 31, 2019. The net receivable due from Florida Dispatch Co was zero as of December 31, 2019.

Payments to RTC

Effective January 1, 2015 the company entered into an amended agreement with RTC, the consolidated variable interest entity, whereby Raven will remit to RTC 1.4% of the transportation revenues billed by Raven or one million

dollars (the guaranteed minimum amount). Such amounts are due to the equity owner of RTC. The management agreement remains in effect until December 31, 2020; and includes a one-time additional 5-year term should either party agree to an extension. For the year ended December 31, 2019, this amount was $1 million, recorded in operating expenses as purchased services. The net payable due to RTC was $0.1 million as of December 31, 2019.

7. Property, Plant and Equipment

Property, plant and equipment for the Company consist of the following (in thousands):

As of December 31, 2019 (in thousands)	Cost	Accumulated Depreciation	Net Book Value	Estimated Useful Life (c)
Land and Rights of Way	$ 556,760	$ 341	$ 556,419	n/a
Road				
Rail & Other Track Material	194,845	71,262	123,583	10-45 years
Signals & Interlockers	101,530	61,801	39,729	6-38 years
Ties	114,277	23,271	91,006	20-60 years
Bridges & Culverts	106,783	23,399	83,384	12-61 years
Ballast	71,739	9,398	62,341	20-43 years
Other (a)	10,659	8,247	2,412	7-50 years
Total Road	599,833	197,378	402,455	
Locomotives, Transportation, and Other Equipment				
Freight Cars	56,581	16,965	39,616	3-55 years
Locomotives	105,052	27,950	77,102	5-60 years
Work Equipment and Other (b)	57,646	27,957	29,689	3-45 years
Trailers	52,652	29,734	22,918	3-20 years
Tractors	50,526	34,003	16,523	5 years
Total Locomotives, Transportation, and Other Equipment	322,457	136,609	185,848	
Buildings and Improvements	86,977	26,917	60,060	8-50 years
Construction-In-Progress	17,699	n/a	17,699	n/a
Dark Fiber	1,250	302	948	20 years
	$ 1,584,976	$ 361,547	$ 1,223,429	

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

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

(c) The estimated useful lives of the property, plant and equipment are derived from the most recent life studies performed.

In 2016, the Company and AAF Holdings, LLC, ("AAF") (formerly a related party), entered into an agreement whereby AAF would rehabilitate certain FECR assets in conjunction with their passenger rail operations. From 2016 through 2018 assets primarily consisting of rail, bridges and materials used to upgrade from freight rail to passenger rail were recorded, net of accumulated depreciation, for a total of $37.7 million in rehabilitated assets to date. In 2019, the Company recorded no additional rehabilitated assets. The Company recorded the corresponding right-to-use liability for $37.7 million for the rehabilitated assets in other long-term liabilities as of December 31, 2019.

8. 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:

	Year Ended December 31, 2019
	(in thousands)
Amount computed at statutory federal rate	$ 20,829
State taxes (net of federal benefit)	2,666
Rate change on deferreds	298
Other (net)	274
Provision for income taxes	$ 24,067

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, 2019
	(in thousands)
Deferred tax assets:	
Net operating loss carryforward	$ 55,686
Allowance for doubtful accounts	1,242
Deferred revenue	197
Accrued pension obligations	725
Tax benefit for deferred compensation	653
Accrued casualty and other liabilities	1,331
Tax credits carryforward	2,370
Lease liabilities	5,825
Other	281
Total deferred tax assets	68,310
Deferred tax liabilities:	
Property, plant and equipment	(107,225)
Other	(1,026)
Total deferred tax liabilities	(108,251)
Net deferred tax liabilities	$ (39,941)

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. In prior years, the Company established a valuation allowance because it was more likely than not that the deferred tax assets would not be realized. Beginning in 2017, the Company determined a valuation allowance was no longer necessary due to the changes in the Company's debt structure. Prior to 2017, net operating losses were primarily generated due to significant interest expenses, however after the GMXT transaction (see Note 1), the majority of debt was paid off and the remaining debt has relatively low interest expense requirements, increasing the profitability of the Company. Therefore, the Company believes it is more likely than not that it will be able to fully utilize the net operating loss carryforwards because of expected taxable income.

The Company has net operating loss carryforwards as of December 31, 2019, as follows:

- U. S.—$232.5 million (expiration periods: 2030—2036)
- Florida—$190.4 million (expiration periods: 2031—2037)

The Company had an immaterial amount accrued for uncertain tax positions in taxes payable as of December 31, 2019. As of December 31, 2019, the U.S. taxing jurisdiction remains open to examination for the years 2018, 2017, and 2016.

In February 2018, the FASB issued ASU 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02")" which allows for the election to reclassify the disproportionate income tax effects of the Tax Cuts and Jobs Act (the "TCJA") on the deferred tax balances that are recorded as a component of income tax expense in the period in which the law was enacted. The disproportionate income tax effect items are referred to as "stranded tax effects". The amendments within ASU 2018-02 is only related to the reclassification of the income tax effects of the TCJA. Also, the ASU 2018-02 require certain disclosures about stranded income tax effects. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption in any period is permitted. The Company has not adopted ASU 2018-02 and is not reclassifying the income tax effects of the TCJA from accumulated other comprehensive income to retained earnings.

9. Long-Term Debt

SIB Loan

On September 26, 2012, the Company entered into a SIB Loan with the Florida Department of Transportation. The SIB Loan provides for a loan of $30 million to fund, in part, the costs associated with the construction of a new Florida East Coast Intermodal Container Transfer Facility near Port Everglades, which serves the Company's domestic and international business.

Interest accrues on the advanced principal amount of the SIB Loan at the rate of 3.50% per annum, compounded annually. 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 commenced on the SIB Loan on October 1, 2015. The SIB Loan will be amortized over 20 years.

Debt for the Company consisted of the following as of December 31, 2019 (in thousands):

	2019
SIB Loan	$ 24,309
Less: Original issue discount and debt issuance costs classified as a reduction to long-term debt	(142)
Total debt	24,167
Less: Current maturities	1,260
Long-term debt, less current maturities	$ 22,907

The following table represents the minimum future payments on our debt as of December 31, 2019 (in thousands):

	2019
2020	$ 1,260
2021	1,304
2022	1,350
2023	1,397
2024	1,446
Thereafter	17,552
Total Minimum Payments	$ 24,309

Debt Guarantees

As of December 31, 2019, the Company guaranteed a ten-year unsecured bond issue for GMXT. The bonds will mature in September 2027. The aggregate amount of the outstanding debt was $13.5B MXP, or approximately $717.7 million. A default by GMXT under this debt obligation may expose the Company to liability under this guarantee, up to the amount of the outstanding principal.

As of December 31, 2019, the Company guaranteed a ten-year unsecured bond issue for GMXT. The bonds will mature in September 2029. The aggregate amount of the outstanding debt was $6.1B MXP, or approximately $322.4 million. A default by GMXT under this debt obligation may expose the Company to liability under this guarantee, up to the amount of the outstanding principal.

As of December 31, 2019, the Company guaranteed a five-year unsecured bond issue for GMXT. The bonds will mature in September 2023. The aggregate amount of the outstanding debt was $1.7B MXP, or approximately $91.5 million. A default by GMXT under this debt obligation may expose the Company to liability under this guarantee, up to the amount of the outstanding principal

As of December 31, 2019, the Company guaranteed a five-year unsecured bond issue for GMXT. The bonds will mature in September 2022. The aggregate amount of the outstanding debt was $1.5B MXP, or approximately $78.3 million. A default by GMXT under this debt obligation may expose the Company to liability under this guarantee, up to the amount of the outstanding principal.

10. Leases

Tractor and Trailer Capital Leases

The Company finances the majority of the tractor fleet through capital leases with various lending institutions. This results in frequent lease transactions to replace tractors coming off lease or to expand the fleet when necessary. Additionally, the Company purchases new and used trailers as needed, and will finance some of these purchases when appropriate. The remaining lease terms range from expiration in fiscal year 2020 through fiscal year 2025. Average interest is 3.21% for tractors and 2.67% for trailers. The gross amount of assets associated with tractor and trailers leases is $85.1 million, with $58.7 million in accumulated depreciation as of December 31, 2019.

Vehicle Capital Leases

Effective August 1, 2016, the Company amended their vehicle leases agreements to include a bargain purchase option. The amendment changed the classification of the leases from an operating lease to a capital lease. The remaining terms of these leases range from 4 to 24 months with an average interest rate of 2.37%. The Company leased additional vehicles with a bargain purchase option in the calendar years 2017 and 2018. Those leases have an average interest rate of 3.62% with remaining lease terms from 23 to 78 months. The gross amount of assets associated with vehicle leases is $14 million, with $6.6 million in accumulated depreciation as of December 31, 2019.

Container Lease

In April 2016, the Company entered into a capital lease for 300 containers for a term of seven years with total financing of $3.1 million. The interest rate for this financing arrangement is 4.3%.

In June 2018, the Company entered into a capital lease for 300 containers for a term of ten years with total financing of $3.2 million. The interest rate for this financing arrangement is 4.65%. The gross amount of assets associated with container leases is $6.5 million, with $1.6 million in accumulated depreciation as of December 31, 2019.

Capital Leases for the Company consist of the following as of December 31, 2019 (in thousands):

	2019
Tractor & Trailer Capital Leases	$ 26,106
Vehicle Capital Leases	8,675
Container Leases	4,725
Total Leases	39,506
Less: Current maturities	18,111
Long-term leases, less current maturities	$ 21,395

Operating Leases

The Company has operating leases related to various pieces of equipment, real property, and vehicles used in our operations. Operating lease rent payments totaled $3.09M in 2019. The leases have start dates beginning February 2013 and maturing in September 2024. Lease terms range from 36 to 60 months. There are no escalating payment terms.

The following table represents the future minimum payments on our leases as of December 31, 2019 (in thousands):

	Operating Leases	Capital Leases
2020	$ 2,894	$ 18,111
2021	2,265	11,904
2022	1,727	3,020
2023	1,254	2,777
2024	744	1,427
Thereafter	-	2,267
Total Minimum Lease Payments	$ 8,884	$ 39,506

11. 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 Internal Revenue Service ("IRS") ($19,000 for 2019), 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 Internal Revenue Code section 415(c) to $56,000 for 2019.

The 401(k) Plan for Salaried Employees — In accordance with the terms of the plan, and in order to maintain Qualified Automatic Contribution Arrangement 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 $0.5 million for the year ended December 31, 2019.

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 2019, 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 year ended December 31, 2019 was 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 contribution of $6,000 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 6% of annual wages. The matching contributions for the period ended December 31, 2019 was $0.2 million.

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 year ended December 31, 2019 (in thousands):

Balance obligation at beginning of period	$	2,586
Interest cost		130
Actuarial gain		(92)
Benefits paid		(280)
Benefit obligation at end of period	$	2,344
Discount rate assumed		2.50%

Of the total liability above, $2.0 million was classified in other long-term liabilities in the combined balance sheet as of December 31, 2019. The remaining balance of $0.2 million, for the year ended December 31, 2019, was presented as other current liabilities in the combined balance sheet. Assuming no change in participation, the Company expects to incur benefit payments of $0.2 million per year over the next five years.

12. Share-Based Compensation

The Company issued 303 shares of common stock for the year ended December 31, 2019 resulting from the vesting of restricted stock unit awards granted in previous fiscal years.

Share-based compensation expenses for the year ended December 31, 2019 was zero.

As part of the GMXT transaction (see Note 1), all restricted stock and restricted stock units were redeemed either in cash or as a payable to certain holders of these instruments and no longer outstanding. As of December 31, 2019, there were no outstanding restricted share benefits and the Company has a liability of $0.5 million in Other current liabilities and zero million in Other long-term liabilities related to the repurchase of such awards.

13. Concentration of Labor

As of December 31, 2019, the railroad had approximately 621 employees, of which approximately 426 employees are represented by three labor unions. At the end of 2019, three (3) collective bargaining agreements were under negotiations. The term of these 3 agreements, two (2) became amendable on December 31, 2017 and one (1) became amendable on December 31, 2019. During negotiations, the current language remains intact and binding on the parties. The Company does not expect any adverse effect from our negotiations and expects all to be completed by the end of 2020. Raven had approximately 428 employees, none of which were members of a union.

14. 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 Combined 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 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, 2019, the Company had accrued $0.1 million 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. The completed analysis on both sites has identified the concentration of contamination is higher on the Company's side. FDEP has approved the Remediation Action Plan with air sparging as the main treatment method. The treatment system has been operational for the past several years with excellent results in reducing the contaminants of concern at the immediate source area and noticeable influence on the outer distal areas of the primary plume area. The Company has moved the site into Natural Attenuation Monitoring ("NAM"). FDEP has approved the NAM Plan with the Temporary Point of Compliance sample sites on August 22, 2018. Monitoring is the only activity at this site.

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, and therefore has not accrued any amounts in the combined financial statements as of December 31, 2019 related to these sites.

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, within Accounts payable and accrued expenses and Other long-term liabilities, in the Combined Balance Sheet, approximately $0.2 million related to various other environmental incidents as of December 31, 2019. These liabilities are accrued when estimable and probable in accordance with the *Contingencies Topic* in the ASC 450. 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, they could have a material effect on the Company's financial condition, results of operations or liquidity in that particular period.

15. Customers

The Company's aggregate business represents approximately 15% of total revenues for the year ended December 31, 2019. The Railway's aggregate 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. No single customer represented more than 10% of total revenues for the year ended December 31, 2019.

16. Other Income

The Company received $10.6 million reported as other income for the year ended December 31, 2019. These payments were one-time incentives in settlement of track construction disputes and disputes related to the sale of the company in 2017.

17. Subsequent Events

The Company has evaluated all events or transactions that occurred after December 31, 2019 through June 4, 2020, the date these combined financial statements were available to be issued.

During February and May 2020, the Company paid $65 million of dividends.

On May 16, 2020, the Company ratified two of the three collective bargaining agreements that were under negotiation at December 31, 2019. There was no adverse impact to the Company as all amounts due and payable to covered employees had been accrued as of December 31, 2019.

Weaker global economic conditions, including the effects of the novel coronavirus ("COVID-19") global pandemic, have begun impacting the Company's results of operations. Demand for transportation services has been impacted by the disruption of global manufacturing, supply chains, and consumer spending. The ultimate magnitude of COVID-19's impact on the Company's financial and operating results, which could be material, will be determined by the length of time that the pandemic continues. Governmental regulations imposed in response to the pandemic could also impact demand for the Company's services. The Company will continue to adapt its business operations to ensure safety while providing efficient and reliable transportation services to keep supply chains fluid. A cross-functional group has been established to monitor and coordinate the Company's response to COVID-19. Policies and procedures have been established to protect the health and safety of employees, contractors, and customers and to safeguard the Company's operations. These procedures include rigorous cleaning of equipment and facilities, provision of sanitation supplies, distribution of disposable face coverings, facilitation of social distancing measures including remote work assignments where possible, and administration of temperature testing.