Florida East Coast
INDUSTRIES

FLORIDA EAST COAST INDUSTRIES, INC. PROFILE

TRANSPORTATION—FLORIDA EAST COAST RAILWAY, L.L.C. (FEC) AND FLORIDA EXPRESS CARRIERS, INC. (FLX) FEC operates a 351-mile rail corridor between Jacksonville and Miami, serving densely populated coastal areas of Florida and is the exclusive rail service provider to the ports of Palm Beach, Port Everglades (Ft. Lauderdale) and Miami. FLX is a common and contract motor carrier with Southeast focused business operations. Together, these companies' operations are allied to offer complete intermodal transportation solutions for the movement of freight to and from Florida.

REAL ESTATE—FLAGLER DEVELOPMENT COMPANY (FLAGLER) Flagler owns, operates, and leases commercial and industrial properties primarily in Jacksonville, Orlando, Ft. Lauderdale and Miami. At the end of 2000, it owned and operated 51 buildings with 5.3 million square feet of rentable commercial/industrial space, 638,000 square feet of additional space in a joint venture with Duke Weeks Realty Corporation, owned over 16,000 acres of strategically located developable land, and over 700 acres of land with entitlements to build 13.6 million square feet.

TELECOMMUNICATIONS—EPIK COMMUNICATIONS INCORPORATED (EPIK) EPIK is a provider of wholesale carrier services including bandwidth (private lines), wave services, collocation and dark fiber to long distance carriers, international carriers, wireless and cellular carriers, Internet Service Providers (ISPs) and Competitive Local Exchange Carriers (CLECs). In addition to the basic services described above, EPIK provides an integrated portfolio of en*light*ened IP services℠ including Dedicated Internet Access and Ethernet Transport. EPIK's Southeast regional long-haul network delivers OC-192 capacity to 12 metro areas from Atlanta to South Florida. EPIK is also developing metro networks in Miami, Orlando, Jacksonville, Tampa and Atlanta. EPIK's dark fiber footprint now spans over 10,000 total route miles.

Business Performance Measures	Years Ended December 31		
(in thousands, unaudited)	2000	1999	1998
Railway Segment EBITDA	$ 58,529	$ 54,624†	$ 52,085
Flagler Operating Properties EBITDA	$ 36,279	$ 32,391	$ 27,090
Flagler Real Estate Sales EBITDA	$ 7,762	$ 20,959	$ 5,054
EPIK Revenue Backlog	$184,800	$ 19,000	—
FLX-FECR Units Interchanged	15.7	13.9	13.5

†Excluding Special Charges of $5,476

Consolidated Income Statement Data	Years Ended December 31		
(in thousands except per share amounts)	2000	1999	1998
Operating Revenues	$276,276	$323,887	$246,812
Operating Profit	$ 35,184	$ 61,024	$ 56,873
Net Income	$ 25,758	$ 40,779	$ 43,621
Diluted Earnings Per Share	$ 0.70	$ 1.12	$ 1.20

Balance Sheet Data	at December 31		
(in thousands)	2000	1999	1998
Cash, Equivalents & Investments	$ 32,690	$102,552	$ 85,423
Property, Plant & Equipment	$989,283	$742,176	$720,891
Long Term Debt	$ 88,000	—	—
Shareholders' Equity	$748,104	$724,441	$686,831

A Year of Accomplishment

Florida East Coast Industries (FECI) presides over an extraordinary group of assets, and in 2000, we made impressive progress enhancing their value and potential. Our most important accomplishments included:

FECI logged impressive accomplishments in the last two years, but we believe we have just completed the foundation.

- Through tight, efficient management, Florida East Coast Railway overcame flat revenue and higher fuel prices to deliver an operating ratio and return on invested capital that are among the best in the industry.

- Our trucking company, Florida Express Carriers, was completely rebranded and restructured with new management to become an important developer of an intermodal franchise.

- Flagler Development, owner of one of Florida's premiere commercial and industrial realty portfolios sharply improved occupancy while growing rental revenues and EBITDA from operating properties by 12 percent.

- EPIK Communications grew at a remarkable rate, adding 1,150 lighted route miles (bringing the total to 1,500) and 10,000 route miles of dark fiber, while expanding the organization from 12 people to 200. Revenue backlog improved from $19 million to $185 million.

Perhaps most importantly, in October 2000, we completed the spin-off from The St. Joe Company. This critical transaction allows us to enhance shareholder value in ways that were not possible while we remained controlled by another corporation. We can now reshape the Company's capital structure to accelerate growth.

FECI entered 2001 with strong management teams at each of its lines of business, with programs in place to bring out the strategic value of long-held core assets, and with the resources and willingness to invest in these assets with the intention of producing substantial growth and value for shareholders.

We greet the new year with independence, enthusiasm and energy.

Transportation Power

The Railway has many strategic advantages and an exceptional operational efficiency in comparison with other North American rail carriers. In 2000, John McPherson's team lowered the operating ratio to 73.5 percent and would have taken it to 70.5 percent had it not been for a sharp fuel price increase. In the fourth quarter, the railroad's operating ratio was below 70 percent, at 69.8 percent, clearly among the best performances in the industry.

These improvements were accomplished through discipline and focus on asset utilization and velocity. For example, the railroad became a net recipient of equipment per diem charges late in the fourth quarter, compared with paying out $1.4 million as recently as 1998. Meanwhile, investments in materials and supplies inventories continued to fall, dropping to $2.7 million in 2000, from $9.7 million in 1998. All of this resulted in substantial improvements in return on net assets, and FEC's return is substantially better than the industry average.

These results were achieved despite disappointing revenue results in 2000. Weakness in the economy manifested itself in the fourth quarter and continues into the new year. The revenue results also were a consequence of declining intermodal traffic, which occurred because of the operational inefficiency of our connecting carriers in the aftermath of their acquisition of Conrail. We are determined to restore our intermodal revenue stream by sharpening our marketing focus and reaching beyond Jacksonville with Florida Express Carriers.

An Intermodal Team

We refocused on competing more effectively against long haul trucks, taking advantage of the high-growth Florida market. We hired Tom Connard and a new management team at our trucking company to focus on developing intermodal business in concert with the Railway. We put in place systems that will allow FLX to provide excellent service to this service-sensitive customer base. This required an investment that has already begun to bear fruit. Interchange between FLX and the railroad was up 29percent in the fourth quarter as compared to prior year.

For 2001 we have set ambitious targets for top-line growth and operating profit in our transportation business, including improvements to intermodal revenue.

Initiatives in Real Estate

FECI has owned extensive real estate holdings for decades. As an integral part of the spin-off transaction, we built an entirely new, rebranded organization. Today, Flagler Development Company, led by Bob MacSwain and John Carey, has a team of 25 experienced real estate people and expects to grow the team to 35 by the end of 2001.

By focusing more actively on our realty assets, we have been able to improve overall occupancy from 85 percent at the end of 1999 to 93 percent at the end of 2000. We carved out excess holdings, resulting in sales proceeds of $15.5 million. The team will continue to dispose of properties when value is best realized by a sale.

Also in 2000, we continued our strategy of building in high-growth markets, completing approximately 509,000 square feet of space. We anticipate that in normal Florida real estate markets, our team will continue to grow top-line real estate rental revenue and operating property rental EBITDA at double-digit rates. We also will continue investing in our core real estate markets in Jacksonville, Orlando, Fort Lauderdale and Miami, provided these markets remain strong, while pursuing entry

into additional high-growth Florida markets. Over the three-year period from 1999 through 2001, we anticipate investing nearly a quarter billion dollars of new capital into Flagler's portfolio, producing excellent returns for FECI shareholders.

Finally, we expect to "right-size" Flagler's capital structure during 2001 by incurring a prudent level of non-recourse debt, a course that is now open to us as a result of the spin-off.

A Strong Regional Telecom Player with National Reach

The telecommunications part of our business was extraordinarily dynamic in 2000. We recruited a broad, experienced and accomplished team led by John McClellan that has taken our core Southeast network and created a strategic opportunity to develop a national network.

Southeast Network
In 2000, we completed construction of 1,150 new, state-of-the-art lighted route miles, bringing the total lighted network to 1,500 miles at year-end. Another 350 route miles are anticipated by mid-year 2001, bringing the lighted network to a total of 1,850 route miles. We began construction of metro rings, which will encompass nearly 400 route miles in our five principal cities, as well as collocation space to accommodate our substantial backlog of collocation customers. Importantly, we also began to develop advanced services beginning with a suite of en*light*ened Internet Protocol (IP) services℠.

EPIK's revenue progress also was substantial in 2000, moving to $3.4 million in 2000 from essentially zero revenue in 1999. EPIK's revenue backlog stood at $185 million at year-end. We expect EPIK revenues in 2001 to ramp up significantly. This business provides FECI shareholders with a superb opportunity for substantial growth from its strategic base.

National Network
By utilizing our strategic location in Florida, we have swapped for 10,000 route miles of dark fiber, which extends our reach from coast to coast and "exports" our cost advantage in Florida to the entire country. Acquired through cost-effective swaps of strategically overbuilt infrastructure in our Southeast core, our national network

affords us the opportunity to light portions of the network, perhaps with partners who have similar interests. We are exploring these options as we evaluate market needs.

Ambitious Goals

FECI logged impressive accomplishments in the last two years, but we believe we have just completed the foundation. We will continue investing this year with the objective of producing substantial top-line growth in transportation, real estate and telecom. Since the end of 1998 our investments in property, plant and equipment have increased from $721 million to $989 million, and in 2001 we expect our capital investments to total approximately $350 to $375 million. We make these investments because we foresee excellent returns for shareholders. In support of them, we will put in place a prudent debt structure, which was not available to us before the spin-off. We recently completed a $375 million revolving line of credit with a group of 11 banks, and we will put in place non-recourse debt at Flagler, secured by a portion of its building portfolio. We anticipate that leverage of this type will provide us with the capital needed for expansion at relatively low cost.

During 2000, we carefully restructured the annual incentive program to better align employee compensation in each of our businesses with performance measures and goals at each unit that we believe will drive FECI shareholder value and stock price.

In short, we are ready to grow.

Board of Directors

The year 2000 marked the passing of one of FECI's longest-serving directors, Jacob C. Belin, who served the Company or its predecessor on our Board for nearly 30 years. Jake was an important figure in the economic history of Florida as well as that of FECI. We benefited enormously from Jake's wisdom and perspective, and he will be greatly missed.

As planned, with the completion of the spin-off, Peter Rummell, a director for more than three years, stepped down from the Board as St. Joe relinquished its interest in FECI. We thank Peter for his advice and counsel and wish him and St. Joe well. During the year, we also added four distinguished new directors, David Foster, Gilbert Lamphere, Joseph Nemec and Herbert Peyton. Their insights and experience have served the shareholders well and they joined an outstanding group of directors who are committed to creating additional shareholder value. All our directors and senior managers participated in a stock purchase plan put in place at the end of 2000. Pursuant to the plan, they committed substantial personal capital to the purchase of common equity of FECI.

In Conclusion

FECI is a company rich in assets, financial stability and talent. We face 2001 from a position of strength with confidence and conviction, and we look forward to the challenges and opportunities that lie ahead.

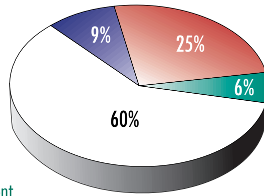
I would like to thank our shareholders, employees and customers for their continued support.

Robert W. Anestis
Chairman, President and CEO

FECI's legacy company, FEC Railway, continued to leverage its unique railroad franchise in 2000 with a combination of traditional operating discipline and modern transportation service.

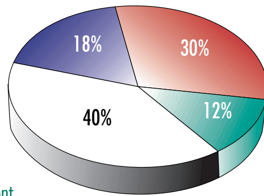
Providing the most-direct rail service from Jacksonville to Miami, the FEC built upon its century-old legacy as the railroad that pioneered the Florida frontier. The FEC's 350-mile route connects every major east coast city in the state and provides exclusive service to the ports of West Palm Beach, Port Everglades (Fort Lauderdale) and Miami.

Units



60% Intermodal
25% Aggregate
9% Other
6% Vehicles & Equipment

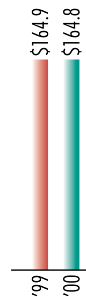
Revenues



40% Intermodal
30% Aggregate
18% Other
12% Vehicles & Equipment

Service velocity and consistency were the primary areas of focus for the railroad in 2000, and it achieved significant success on both fronts. Supported by an excellent physical plant that includes 132-pound welded rail and concrete crossties along its entire mainline, the FEC maintained exceptional on-time performance. In an industry where scheduled service is still uncommon, the FEC consistently provided daily scheduled service for

FECR Operating Revenues
($ in millions)



time-sensitive freight such as automobiles and intermodal shipments. The railroad's emphasis on rapid service enabled it to handle a much higher percentage of time-sensitive traffic, in relation to its overall business, compared to other railroads.

With its emphasis on fast, reliable service and its

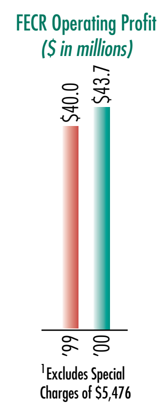
proximity to Interstate 95, the FEC continued to strengthen its highly competitive position with other transportation modes in 2000. It completed its second consecutive peak season of failure-free deliveries for United Parcel Service, and early in 2001 set a record for the longest consecutive failure-free service to UPS worldwide.

FEC also provides innovative transportation solutions to the carload sector. The Railway has transload and distribution centers along its route that allow it to provide more complete service to Florida's industry. For example, FEC transports lumber and aggregate for road building and construction and products like orange juice, corn syrup and hay to support farming and agriculture.

"Meet-me" trains are a recent innovation on the FEC made possible by scheduled service. Crews operating trains in opposite directions meet at a prearranged location to swap trains and return to their home terminals, thus saving lodging expenses and allowing crews to spend more time at home.

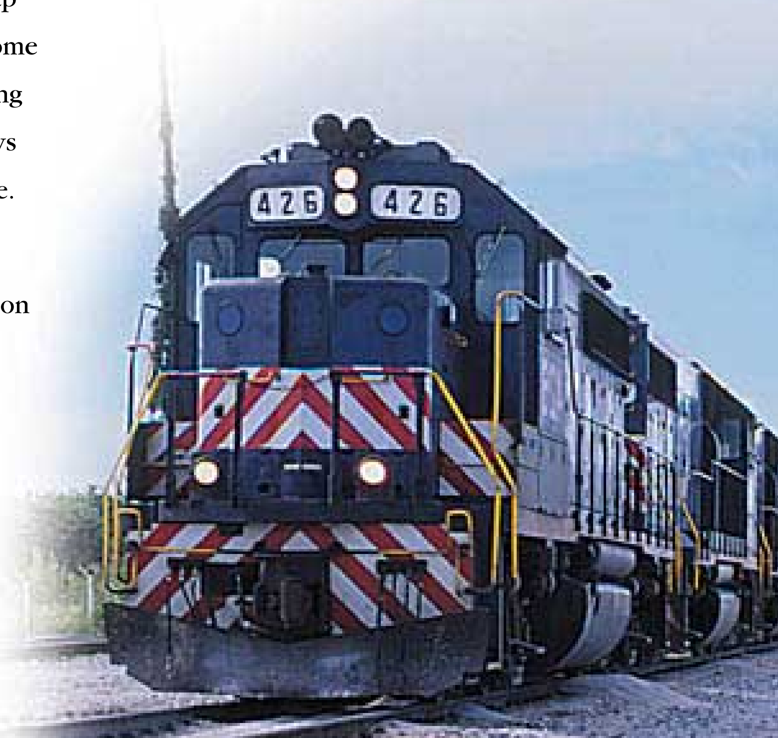
In 2001, the FEC will focus on growth through innovation and customer service. The railway expects to increase

FECR Operating Profit
($ in millions)



[1] Excludes Special Charges of $5,476

intermodal volumes through partnership service with its sister trucking company, Florida Express Carriers, and FEC also will work with connecting rail carriers to create new service packages. In addition, the railroad is well positioned to create complete intermodal solutions for incoming cargo at south Florida's port gateways to Latin America and the Caribbean.



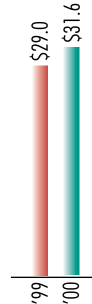
A NEW NAME, NEW HEADQUARTERS AND NEW MARKET FOCUS were the major milestones of a reinvention year for Florida Express Carriers (FLX), FECI's trucking company.

60 percent of freight entering Florida is destined for the consumer-rich southern portion of the state, and 70 percent originates from the Southeast.

Market research indicated that FLX, formerly International Transit, Inc., could increase its value by expanding its presence in Florida, a unique, fast-growing market that is underserved by the intermodal industry and sharpening its focus on trade between the Southeast states and south Florida. In response, FLX moved its main offices from Cincinnati to Jacksonville and assembled an experienced, first-rate management team. The restructuring and transition costs, which were vitally necessary to position FLX for future growth, were reflected in the Company's 2000 financial results.

The cornerstone of FLX's strategy is to extract additional value from FECI's transportation expertise, rail franchise and first-hand knowledge of the Florida markets. FLX capitalized on the competitive advantage offered by its relationship with the FEC Railway by focusing on freight moving from points throughout the Southeast to the FEC Railway at Jacksonville for expedited, economical service to south Florida. This service offers customers a combination

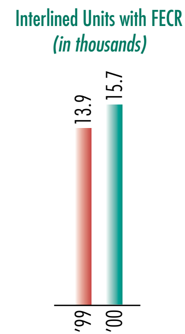
FLX Operating Revenues
($ in millions)

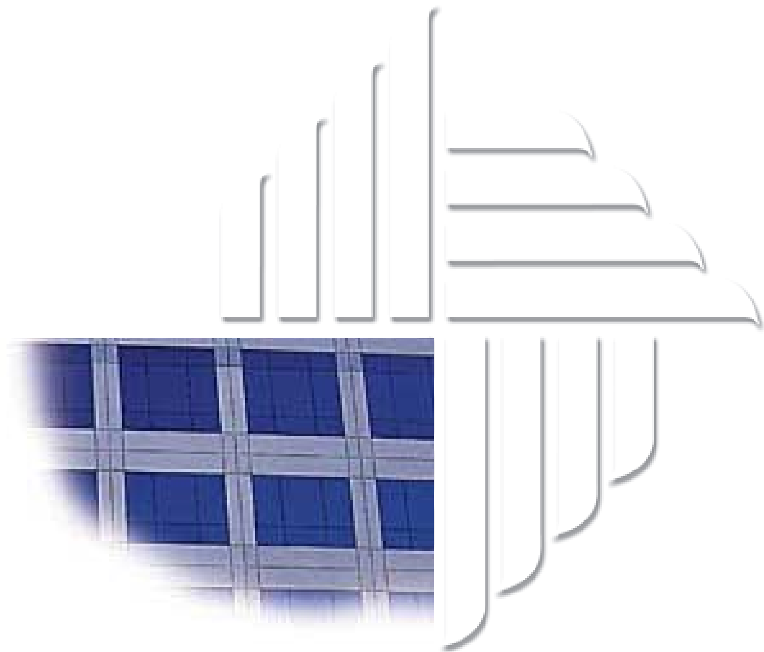


a combination of the efficiency of trucking and the economies of shipping by rail. The trucking company also focused on serving other markets in Florida through its intrastate operation. This strategy was supported by the fact that 60 percent of freight entering Florida is destined for the consumer-rich southern portion of the state, and 70 percent originates from the Southeast. FLX has also implemented strategic initiatives to expand its customer base through agency contracts designed to grow top line revenue and increase operating profit with minimal capital commitments.

FLX's newly assembled veteran management team also instituted other changes to consolidate its vision for the future. It centralized backshop operations such as billing, load planning and dispatching in Jacksonville, and it invested in technology systems to provide real-time information on driver status and shipment tracking. At the same time, the new technology automated a number of data reporting functions and allowed customers to access shipment information via the Internet, while providing enough capacity for substantial future growth.

Another FLX initiative in 2000 was an emphasis on establishing an employee-friendly environment to enhance the Company's business plan to provide superior, customized, on-time delivery. The Company is continuing to enhance compensation and benefit packages and other quality of life issues to attract and retain both employee drivers and independent owner operators.

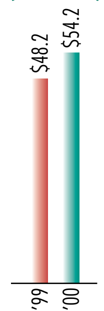




FLAGLER DEVELOPMENT COMPANY IS FECI'S COMMERCIAL REAL ESTATE SUBSIDIARY, formerly called Gran Central Corporation. FECI changed the name in 2000 to increase recognition of its subsidiary's role and ownership. The new name is drawn from the Company's roots established by Henry Flagler, founder of the FEC Railway, who pioneered the development of Florida's east coast.

In 2000, Flagler's rental EBITDA increased by 12 percent and the overall occupancy rate at year-end for operating properties was 93 percent.

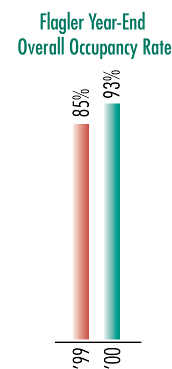
At year-end, Flagler owned one of Florida's largest real estate portfolios, containing nearly 6 million square feet of finished, stabilized Class A office and industrial space, most less than 5 years old (including 638,000 square feet in a joint venture with Duke-Weeks Realty Corporation). The Company also had 1.8 million square feet in various stages of development.



In addition, the active, hands-on management of Flagler's highly experienced team resulted in a 12.5 percent increase in rental revenue and 12 percent increase in rental operating EBITDA. Overall occupancy for operating properties rose to 93 percent from 85 percent at the beginning of the year. The sharp increases

and Miami markets. These entitlements represent a significant strategic advantage allowing Flagler to respond immediately to market demand. In 2000, Flagler took control of a 97-acre parcel strategically located adjacent to Port Everglades, the Hollywood/Ft. Lauderdale International Airport, major highways and FEC's rail line. The Company also owns 16,000 acres of raw, unentitled land and will seek new acquisition and development opportunities within Florida.

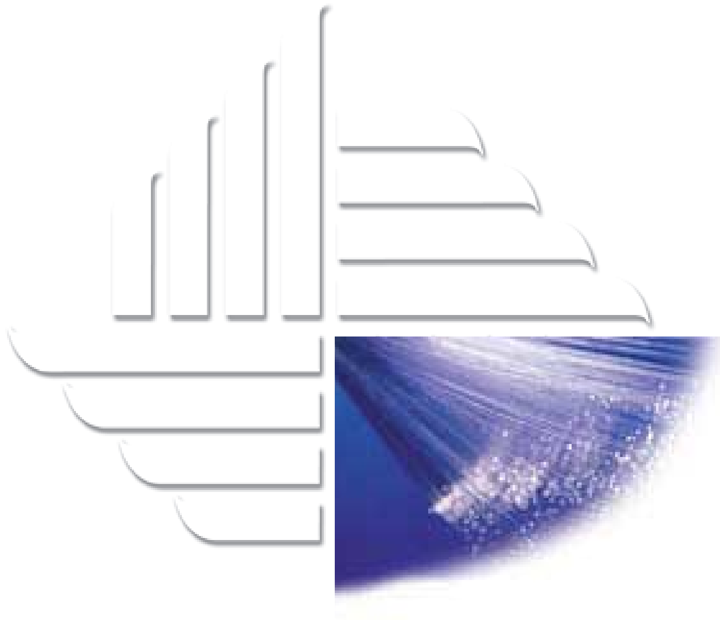
Plans for 2001 call for $92 million in capital expenditures for new buildings and infrastructure. Flagler will complete a 300,000 square-foot build-to-suit "high throughput" distribution facility in Miami that represents the prototype for e-commerce distribution facilities near airports and seaports.



Although Florida continues to grow at a faster pace than the broader economy, Flagler will adjust its strategies in response to the national economic downturn by concentrating on build-to-suits and pre-leasing rather than speculative development. Flagler is also focusing on realizing the maximum value of its raw land portfolio by strategically identifying parcels for disposition, entitlement or development. In addition, the Company intends to apply prudent leverage to its real estate portfolio to improve returns on equity.

also are a reflection of the positive results generated by FECI's investment of more than $130 million in new development for Flagler in 1999 and 2000. In 2000, Flagler also generated $7.8 million in profits from property sales, including the sale of 46 acres, at $237,000 per acre, of industrial land with 900,000 square feet of industrial entitlements at the Company's Beacon Station property near Miami.

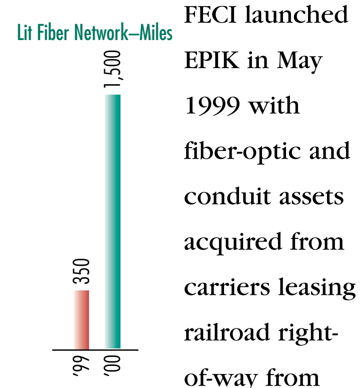
Flagler is well positioned to continue its strong performance in the future, with entitlements to develop an additional 13.6 million square feet, primarily in the suburban Jacksonville, Orlando, Fort Lauderdale



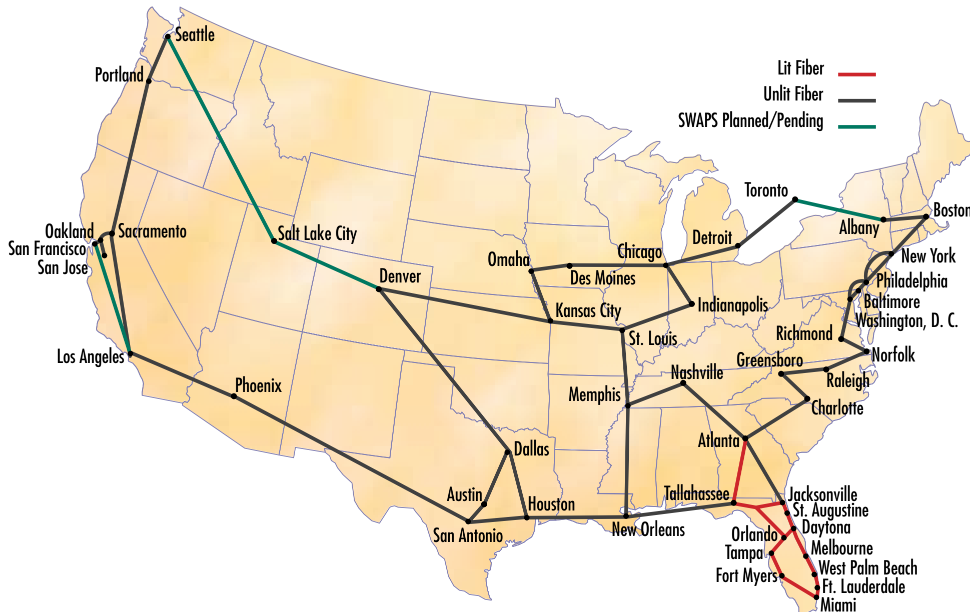
In its first full year of existence, EPIK Communications generated explosive growth as it implemented its strategy to build an extensive regional communications network and position itself with a national fiber network.

By the end of the year, EPIK's Southeastern lit network extended 1,500 miles, reaching 12 key markets with 75 percent of the region's population.

EPIK is a provider of wholesale carrier services that include bandwidth (private lines), wave services, Internet Protocol (IP) services, collocation and dark fiber. Its customers include long distance carriers, international carriers, wireless and cellular carriers, Internet Service Providers (ISPs) and Competitive Local Exchange Carriers (CLECs).



FECI launched EPIK in May 1999 with fiber-optic and conduit assets acquired from carriers leasing railroad right-of-way from FEC Railway. By overbuilding its fiber-optic network on the 350-mile rail right-of-way, EPIK positioned itself to create a national telecom network through strategic swapping. EPIK executed this swapping strategy in 2000, which led to nearly 12,000 route miles under contract, including its "lit," or active, Southeast footprint.



In 2000, EPIK aggressively pursued a three-pronged strategy to create long-term sustainable growth:

- Depth of Network—Creating Metro rings in major cities and connecting to international cable landings to create competitive fiber routes that take EPIK's carrier customers closer to their final customers.
- Reach of Network—Expanding nationally and internationally through strategic swaps.
- Value-added Services—Developing an advanced services suite; deploying an OC-192 Internet Protocol backbone (the highest bandwidth capacity available in today's market); and spearheading the creation of the NAP of the Americas consortium.

The Company posted outstanding progress in all areas. By the end of the year, EPIK's Southeastern lit network extended 1,500 miles, reaching 12 key markets with 75 percent of the region's population. In addition, the Company began construction of Metro and Express rings in Miami, Orlando, Jacksonville, Tampa and Atlanta to reach central office switches and major telecom hotels, enabling service providers to connect easily to their end-users. At the same time, it began expansion of secure collocation facilities for customer equipment.

EPIK is developing advanced services, beginning with an integrated portfolio of en*light*ened IP services℠. Dedicated Internet Access and Ethernet Transport will be supplemented with advanced services such as IP Virtual Private Network (IP VPN). This will complement other next-generation services like wavelength services based on dense wave division multiplexing technology that dramatically expands the amount of bandwidth available on a given fiber strand.

Another important initiative in 2000 was the formation of a consortium, including more than 100 telecommunications companies, to create the nation's fifth Tier-1 Network Access Point (NAP), a major high-speed Internet data exchange and connection facility. EPIK spearheaded the initiative to develop the NAP of the Americas (NOTA), owned and operated by Terremark Worldwide, Inc., in Miami to route Internet traffic throughout North America, Latin America, the Caribbean and Europe. NOTA will provide EPIK with access to strategic international and domestic bandwidth traffic. NOTA is scheduled to open in June 2001.

The strong financial backing from FECI in 2000 allowed EPIK to complete its staffing plan, create a state-of-the-art Network Operations Center, bring in-house critical internal operational functions, including customer care and provisioning and implement the Southeast build-out. This enables EPIK to improve its time-to-market and service quality, enhancing its ability to differentiate itself from competitors.

With its core infrastructure in place and with a strong backlog of signed contracts, EPIK begins 2001 with excellent prospects for accelerating revenue and customer growth.

Forward Looking Statements

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include the Company's present expectations or beliefs concerning future events. The Company cautions that such statements are necessarily based on certain assumptions, which are subject to risks and uncertainties that could cause actual results to materially differ from those contained in these forward-looking statements. Important factors that could cause such differences include, but are not limited to, the ability of the Company to complete systems and expand its telecommunications network within currently estimated time frames and budgets; the ability to compete effectively in a rapidly evolving and price competitive marketplace and to respond to customer demands and industry changes; the ability to achieve revenues from products and services in the telecommunications business that are in the early stages of development or operation; the ability to manage growth; changes in the business strategy, legislative or regulatory changes; technological changes; volatility of fuel prices; changing general economic conditions (particularly in the State of Florida) as it relates to economically sensitive products in freight service and building rental activities; changes in contractual relationships; industry competition; natural events such as weather conditions, floods, earthquakes and forest fires; and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation. Further information on these risk factors is included in the Company's filings with the Securities and Exchange Commission, including the Company's most recently filed Forms 10K and 10Q. The Company assumes no obligation to update the information contained in this report which speaks only as of the date of its publication.

Executive Officers

Robert W. Anestis
Chairman, President and Chief Executive Officer

Robert F. MacSwain
Vice Chairman

John D. McPherson
Executive Vice President; President, Florida East Coast Railway, L.L.C.

Richard G. Smith
Executive Vice President and Chief Financial Officer

Heidi J. Eddins
Executive Vice President, Secretary and General Counsel

Board of Directors

Robert W. Anestis
Chairman, President and Chief Executive Officer Florida East Coast Industries, Inc.

Richard S. Ellwood
President, R. S. Ellwood & Co., Incorporated, a real estate investment banking firm; Director, Apartment Investment and Management Company, FelCor Lodging Trust Incorporated.

J. Nelson Fairbanks
Retired President, Chief Executive Officer and Director, United States Sugar Corporation.

David M. Foster
Independent business consultant, Jacksonville, Florida; Director, SunTrust Bank/North Florida and Gate Petroleum Co. Previously attorney with law firm Rogers, Tower, Bailey, Jones & Gay, P.A.

Allen C. Harper
Chairman, President and Chief Executive Officer, First Reserve, Inc., real estate brokerage; Chairman and Chief Executive Officer, American Heritage Railway; President, Condotte America; Chairman and Director, Tri-County Railroad Authority.

Adolfo Henriques
President and Chief Executive Officer, Union Planters Bank-Florida.

Gilbert H. Lamphere
Managing Director, Lamphere Capital Management, an investment advisory firm; Director, Canadian National Railway.

Joseph Nemec
Senior Vice President, Booz Allen and Hamilton, consulting in strategic development in E-Business initiatives, telecommunications.

Herbert H. Peyton
President and Chief Executive Officer of Gate Petroleum; Trustee of Alfred I. duPont Testamentary Trust, Director of the Nemours Foundation; First National Bank and The St. Joe Company.

W. L. Thornton
Trustee, Alfred I. duPont Testamentary Trust; Director, The Nemours Foundation and The St. Joe Company; past Chairman, Chief Executive Officer and President, FECI.

Independent Accountants

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Certified Public Accountants
Post Office Box 190
Jacksonville, Fl 32201-0190

Registrar/Stock Transfer Agent

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Corporate Trust Client Services—NC-1153
1525 West W.T. Harris Blvd.-3C3
Charlotte, NC 28288-1153
(800) 829-8432

Collateral Trust 5% Bonds
The Bank of New York Trust Company of Florida, N.A.
Corporate Trust Division
Towermarc Plaza
10161 Centurion Parkway
Jacksonville, Fl 32256

Common Stock

Both classes of Florida East Coast Industries, Inc.'s common stock are listed on the New York Stock Exchange and trade under the symbols (Class A—FLA and Class B—FLA.b)

On March 15, 2001, the closing prices of FLA were $35.07 and FLA.b $34.15, and there were 16,908,981 shares of Class A and 19,609,216 shares of Class B common issued and outstanding

Investor Inquiries

Current and prospective investors can receive the Annual Report, proxy statement, Form 10-Q, Form 10-K (without exhibits), and corporate news releases at no charge. These items may be obtained through our web site at www.feci.com or requests for these items and other investor inquiries may be directed to (904) 829-3421

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(X) **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2000**

OR

( ) **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to______

Commission File No. 001-08723

FLORIDA EAST COAST INDUSTRIES, INC.
(Exact name of Registrant as specified in its charter)

Florida	**59-2349968**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Malaga Street, St. Augustine, Florida	**32084**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(904) 829-3421**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock-No par value (including rights attached thereto)	New York Stock Exchange
Class B Common Stock-No par value (including rights attached thereto)	New York Stock Exchange
Collateral Trust 5% Bonds	New York Stock Exchange

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

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

Based on the closing prices of March 15, 2001, the aggregate market value of both classes of common stock held by non-affiliates of the Registrant was approximately $1.262 billion.

The number of shares of the Registrant's common stock, no par value, is 37,317,281 shares issued and 36,518,197 shares outstanding at March 15, 2001, with 799,084 shares of treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 30, 2001 (the Proxy Statement) are incorporated in Part III of this Report by reference.

Forward-Looking Statements

This Form 10-K, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains certain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include the Company's present expectations or beliefs concerning future events. Such forward-looking information may include, without limitation, statements that the Company does not expect that lawsuits, environmental costs, commitments, contingent liabilities, labor negotiations or other matters will have a material adverse effect on its consolidated financial condition, results of operations or liquidity, other similar expressions concerning matters that are not historical facts and projections relating to the Company's financial results. These forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those anticipated in the statements. Important factors that could cause such differences include, but are not limited to, the ability of the Company to complete systems and expand and enhance its telecommunications network within currently estimated time frames and budgets; the ability to compete effectively in a rapidly evolving and price competitive marketplace and to respond to customer demands and industry changes; the ability to achieve revenues from products and services in the telecommunications business that are in the early stages of development or operation; the ability to manage growth; changes in the business strategy; legislative or regulatory changes; technological changes; volatility of fuel prices; changing general economic conditions (particularly in the state of Florida) as it relates to economically sensitive products in freight service and building rental activities; changes in contractual relationships; industry competition; natural events such as weather conditions, floods, earthquakes, and forest fires; and the ultimate outcome of environmental investigations or proceedings and other types of claims and litigation.

As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, financial condition, operating results and stock price.

Readers should not place undue reliance on forward-looking statements, which reflect management's view only as of the date hereof. The Company undertakes no obligation to publicly release revisions to these forward-looking statements that reflect events or circumstances after the date hereof or reflect the occurrence of unanticipated events.

PART I

As used throughout this Form 10-K Annual Report, the terms "FECI," the "Company" and "Registrant" mean Florida East Coast Industries, Inc. and its consolidated subsidiaries.

ITEM 1. *BUSINESS*

General

FECI is a holding company incorporated under the laws of the state of Florida in 1983, engaged, through four wholly owned subsidiaries, in rail and trucking operations, real estate (ownership, development and management) and telecommunications. The Company's rail operations connect many of the major population centers and port facilities of Florida, and provide efficient service for its customers through multiple competitive connections to the rest of North America. Florida East Coast Railway (FECR), FECI's rail subsidiary, carries construction aggregates (crushed stone and sand), automobiles and other rail carload commodities, as well as intermodal freight. Florida Express Carriers, Inc. (FLX) is a common and contract motor carrier operating with a concentration in the Southeast. FLX offers truckload over-the-road service, as well as intermodal drayage. FLX also offers transportation logistic services and maintains a brokerage operation. FLX generates revenues from trucking, brokerage and contract logistic services. The Company, through its real estate subsidiary, Flagler Development Company (Flagler), has extensive and valuable real estate holdings in Florida, totaling approximately 16,000 acres, including 5.3 million sq. ft. of commercial and industrial space in 51 buildings owned by the Company, 408,000-sq. ft. in lease-up, 532,000-sq. ft. under construction, and 883,000-sq. ft. in pre-development stages. The Company owns unimproved land, including certain land (773 acres) with relevant development permits authorizing the construction of 13.6 million sq. ft. of additional industrial and commercial space and raw land, which has yet to be entitled for development. EPIK Communications Incorporated (EPIK), a wholly owned subsidiary of FECI, is a new, rapidly growing provider of wholesale telecommunications private line services (bandwidth, wave services, IP, collocation and dark fiber) in the Southeast. Established in May 1999, EPIK has created a high-capacity fiber optic network along a densely populated corridor reaching 12 metropolitan areas within the Southeast that comprise nearly 75.0 percent of the region's population. EPIK's fiber runs along FECR's right-of-way and in conduits on other routes acquired through asset swaps. EPIK is also expanding its network nationally and is rapidly deploying next generation technologies that will meet the escalating demand for telecommunications bandwidth.

Florida East Coast Railway

FECR operates a Class II railroad along 351 miles of mainline track between Jacksonville and Miami, Florida, serving some of the most densely populated areas of the state. FECR also owns and operates approximately 276 miles of branch, switching and other secondary track and 159 miles of yard track, all wholly within Florida. FECR has the only 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 the Port of Miami.

The following table summarizes the Company's freight shipments by commodity group and as a percentage of rail freight revenues:

TRAFFIC

Year Ended December 31, 2000
(dollars and units in thousands)

Commodity	Units	Percentage (%)	Amt. of Revenue	Percentage (%)
Intermodal				
TOFC/COFC	269,337	60.4	62,822,775	39.8
Rail Carloads				
Crushed stone	111,921	25.1	47,876,909	30.4
Construction materials	5,974	1.4	3,699,384	2.3
Vehicles	24,579	5.5	18,921,192	12.0
Foodstuffs	7,920	1.8	6,121,285	3.9
Chemicals	4,014	0.9	4,360,357	2.8
Paper	8,610	1.9	8,026,432	5.1
Other	13,527	3.0	5,846,647	3.7
TOTAL	**445,882**	**100.0**	**157,674,981**	**100.0**

FECR connects with Norfolk Southern Railway Company (NS) and with CSX Transportation, Inc. (CSXT) at Jacksonville and is able to offer its customers competitive rail connections to the rest of North America. During 2000, approximately 46.0 percent of FECR's freight revenues were attributable to traffic that originated on other railroads; approximately 5.0 percent was attributable to traffic that originated on FECR but bound for other destinations, and 49.0 percent was attributable to traffic that both originated and terminated on FECR's system (local traffic). With the exception of haulage services provided for South Central Florida Express, Inc. (SCFE) described below, FECR does not receive traffic from one railroad to be passed over its track to another railroad.

Customers are generally given a "through freight" rate, a single figure encompassing the rail transportation of a commodity from point of origin to point of destination, regardless of the number of carriers that handles the car. Rates are developed by the carriers based on the commodity, volume, distance and competitive market considerations. The entire freight bill is either paid to the originating carrier (prepaid), or to the destination carrier (collect), and divided among all carriers which handle the move. The basis for the division varies and can be based on factors (or revenue requirements) independently established by each carrier which comprises the through rate, or on a percentage basis established by division agreements among the carriers. A carrier such as FECR, which actually places the car at the customer's location and attends to the customer's daily switching requirements, receives revenue greater than an amount based simply on mileage hauled.

FECR serves approximately 750 direct rail-served customers, as well as hundreds of other customers through the Company's intermodal operations. The Company's five largest customers accounted for approximately 45.0 percent of freight revenues in 2000. One customer accounted for approximately 18.0 percent of the Company's rail freight revenues in 2000.

FECR handles rail cars for SCFE between Fort Pierce and Jacksonville for interchange with CSXT or NS. SCFE is a short-line railroad operating under a twenty-year Trackage Rights Agreement over a branch line owned by FECR extending from Fort Pierce to Lake Harbor. A concurrent Car Haulage Agreement is in effect between Fort Pierce and Jacksonville.

As owner in fee simple of its railroad right-of-way extending along the East Coast from Jacksonville to Miami, FECR actively manages this and ancillary real estate assets owned by it to generate miscellaneous rents and right-of-way lease profits. FECR leases its right-of-way to various tenants for uses including utility company installations and telecommunications companies' fiber optics systems pursuant to long-term leases. These revenues are included in the telecommunications segment. In addition, FECR generates revenues from the grant of licenses and leases to use railroad property and rights-of-way for outdoor advertising, parking lots and lateral crossings of wires and pipes by utility companies. These miscellaneous rents are included in other income.

Real Estate

FECI owns 100.0 percent of the stock of Flagler. Flagler is engaged in the acquisition, development, leasing, management and sale of real estate.

Flagler owns, operates and leases commercial and industrial properties throughout Florida. Flagler owned and operated 51 buildings as of December 31, 2000, with approximately 5.3 million sq. ft. of rentable commercial/ industrial space on 431 acres of land. A schedule of these buildings is included in Part 1, Item 2 of this Report. At December 31, 2000, Flagler's operating properties were 93.0 percent occupied. Flagler's buildings are primarily Class "A" office space and high-quality commercial/industrial facilities constructed after 1987.

At December 31, 2000, Flagler had 408,000-sq. ft. in lease-up, 532,000-sq. ft. under construction, and 883,000-sq. ft. in pre-development, for a total of 1.8 million sq. ft., primarily located in the Jacksonville, Orlando and Miami areas. At the pre-development phase, Flagler has obtained the necessary permits and invested in engineering, architectural planning and design.

Flagler also owns approximately 14,000 acres of undeveloped land in inventory for potential future commercial and industrial development, primarily situated adjacent to FECR's rights-of-way along the eastern coast of Florida. Significant other holdings are in urban or suburban locations offering opportunities for development of business parks, office buildings, residential, warehouse and industrial facilities. The Company believes these holdings will provide significant growth opportunities.

Projects under Development

The primary focus of Flagler's development activities has been the Miami, Fort Lauderdale, Jacksonville and Orlando areas, all of which are highly active with local, regional and national development companies competing for land and tenants. The projects under development include:

- **Gran Park at SouthPark – Orlando, FL:** Located at the intersection of John Young Parkway and Beeline Expressway. Three buildings, totaling 429,000-sq. ft., have been completed. At December 31, 2000, three buildings, totaling 408,000-sq. ft., were under development, with completions scheduled for mid-2000. The park has entitlements for an additional 153,000-sq. ft. of office and call center space.

  In 1999, based on the success of SouthPark, Flagler acquired an additional 90 acres adjacent to the existing park. The land has entitlements for 1.8 million sq. ft. of office space and 9 acres of retail uses.

- **Beacon Station at Gran Park – Miami, FL:** Located northwest of Miami International Airport. Twenty-five buildings, totaling 2.5 million sq. ft., have been completed, including a 101,000-sq. ft. operations center for Union Planters Bank delivered in 2000. At December 31, 2000, a 300,000-sq. ft. industrial project for Caterpillar Logistics was under construction, with completion scheduled for late 2001.The park has entitlements for an additional 5.0 million sq. ft. of office, industrial and commercial space. Site preparation is currently underway for four industrial projects totaling 744,000-sq. ft. Flagler has also developed 540,000-sq. ft. of industrial space at Beacon Station in a 50/50 joint venture with Duke-Weeks Realty Corporation.

  Flagler owns 540 acres adjacent to this park for future development.

- **Beacon Pointe at Weston – Weston, FL:** Located in west Broward County at I-75 in Weston. In 1998, Flagler purchased 30 acres with entitlements for 375,000-sq. ft. of office space. Flagler intends to develop the project in a 50/50 joint venture with Duke-Weeks Realty Corporation. The first 100,000-sq. ft. office building was completed in 1999. The second 100,000-sq. ft. office building is currently under construction, with site preparation underway for the third 100,000-sq. ft. office building.

- **Gran Park at Deerwood – Jacksonville, FL:** Located in the most rapidly expanding area of Jacksonville. Five office buildings, totaling 653,000-sq. ft., have been completed. At December 31, 2000, one building, totaling 135,000-sq. ft., is under development, with completion scheduled for mid-2001. The park has entitlements for an additional 270,000-sq. ft. of office space.

The following is a summary of the Company's development activity as of December 31, 2000:

Status	Owner	Property Description	Net Rentable Square Feet	Start Date
Lease-up	Flagler	Gran Park at SouthPark	177,800	May 1999
Lease-up	Flagler	Gran Park at SouthPark	132,000	Aug.1999
Lease-up	Flagler	Gran Park at SouthPark	97,800	Oct. 1999
Under construction	Flagler	Gran Park at Deerwood North	135,000	June 2000
Under construction	Flagler/Duke-Weeks	Beacon Pointe at Weston	97,000	April 2000
Under construction	Flagler	Beacon Station at Gran Park	300,000	Dec. 2000
Pre-development	Flagler	Beacon Station at Gran Park	160,555	TBD
Pre-development	Flagler	Beacon Station at Gran Park	182,000	TBD
Pre-development	Flagler	Beacon Station at Gran Park	200,709	TBD
Pre-development	Flagler	Beacon Station at Gran Park	42,800	TBD
Pre-development	Flagler/Duke-Weeks	Beacon Pointe at Weston	97,000	TBD
Pre-development	Flagler	Beacon Station at Gran Park	200,360	Jan. 2001
		Total	**1,823,024**	

In addition, the rapidly growing area of E-Commerce has created a demand for "high throughput" distribution buildings located near airports and seaports. This major evolution in distribution patterns is expected to have a positive impact on the Company's industrial land holdings, particularly those around the Miami International Airport. Management is currently formulating a strategy to maximize the value of its holdings in view of these significant trends.

FECR owns approximately 1,200 acres of ancillary properties within the state of Florida. The Company continues to evaluate these holdings and, when appropriate, engages in activities (sales, development, etc.) that will extract/create value for the Company.

Telecommunications

EPIK, a wholly owned subsidiary of FECI, is a new, rapidly growing provider of wholesale telecommunications private line services (bandwidth, wave services, IP, collocation and dark fiber) in the Southeast. Established in May 1999, EPIK has created a high-capacity fiber optic network along a densely populated corridor reaching 12 metropolitan areas within the Southeast that comprise nearly 75.0 percent of the region's population. EPIK's fiber runs along FECR's right-of-way and in conduits on other routes acquired through asset swaps. EPIK is also expanding its network nationally and is rapidly deploying next generation technologies that will meet the escalating demand for telecommunications bandwidth.

When completed, EPIK's high-count fiber and OC-192 Southeast backbone from Atlanta to Miami will include 1,850 inter-city route miles comprising 255,000 fiber-strand miles. Through swap transactions completed as of December 31, 2000, 70,000 of the 255,000 fiber-strand miles had been used/committed to develop a long-haul national fiber footprint that covered over 10,000 route miles. This national fiber footprint will continue to expand through additional swap transactions, and will thus utilize more of the 255,000 fiber-strand miles in the Southeast. To complement its long-haul inter-city network, EPIK is constructing 394 route miles (12,000 fiber miles) of metropolitan networks in the Southeast with the development of routes in the greater Miami metropolitan area, Orlando, Jacksonville, Tampa and Atlanta. At December 31, 2000, 11,000 fiber miles were completed on the metro networks.

The Southeast backbone reaches 12 key markets in the Southeast that comprise nearly 75.0 percent of the region's population. At December 31, 2000, 1,500 route miles (180,000 fiber miles) were installed and active on the Southeast backbone with only the Jacksonville to Atlanta segment remaining under construction. EPIK's Southeast network is fully redundant, using both geodiverse fiber paths and SONET architecture to ensure high levels of reliability. EPIK's 12 long-haul points of presence (POPs) are equipped with Nortel Networks™ Optera™ OC-192 dense wavelength division multiplexing (DWDM) equipment to provide the

highest levels of capacity and rapid provisioning. The metropolitan networks will contain over 40 additional POPs, utilizing a combination of optical equipment from ONI, Cisco and Nortel. At December 31, 2000, EPIK had also begun deployment of Juniper Networks OC-192 routers to enable the provisioning of Internet Protocol services under the *enLIGHTened IP* service mark.

EPIK is a "carriers' carrier" providing wholesale bandwidth in the form of private line and wave services, Internet Protocol (IP) connectivity, collocation and dark fiber to competitive local exchange carriers (CLECs), Internet service providers (ISPs), long-distance companies (IXCs), wireless and international carriers.

Wholesale Services include:

Bandwidth – Private Line
- Transport speeds from DS-3 to OC-192 (the highest commercially available service speed)
- Accessible, centrally-located points of presence in major metropolitan areas
- 15-day on-net provisioning
- 4-hour mean time to repair
- Around-the-clock network operations center (NOC)
- Highly reliable geographically diverse SONET ring architecture

Bandwidth – Wave Services

EPIK offers wave-based, unprotected, capacity service delivered at OC-48 or OC-192 speeds. Leased-line wave services are targeted at data-centric service providers (e.g., ISPs) desiring unprotected connectivity.
- Reduced time and expense of deploying, managing and maintaining equipment
- Easily provision and expand service
- Transparent to customers' network management system
- Seamless integration of customers' equipment into existing network

Enlightened IP Services

Eliminating unnecessary layers of overhead, EPIK provides faster, more efficient core network capabilities.
- 10 GBPS backbone using best-in-class equipment
- Connectivity using Fast Ethernet (100Mbps), Gigabit Ethernet (1000 Mbps) and DS-3 to OC-192
- Aggressive SLAs
- Around-the-clock network operations center (NOC)
- Product Options: Dedicated Internet Access and IP Transit Services

Collocation

EPIK leases carrier grade collocation space in its points of presence (POP) and optical amplifier (OPAMP) locations to dark fiber and bandwidth customers.
- Rack and cage space
- Carrier class facilities
- Versatile AC and DC power options tailored to specific equipment needs
- 24 x 7 x 365 network operations center (NOC)

Dark Fiber
- EPIK leases and sells dark fiber on its network

The telecommunications segment of FECI also includes revenue from long-term right-of-way leases to other telecommunications carriers.

Trucking

FECI also owns 100.0 percent of the stock of Florida Express Carriers, Inc. (FLX), formerly International Transit, Inc. (ITI). FLX is a common and contract motor carrier operating throughout the U.S., with a concentration in the Southeast. FLX offers truckload over-the-road service, as well as intermodal drayage. FLX also offers transportation logistic services and maintains a brokerage operation. FLX generates revenues from trucking, brokerage and contract logistic services. Ownership of FLX enables the Company to provide coordinated motor/rail intermodal services with FECR to and from southeastern points.

During the third quarter, FLX restructured its operations. This restructuring accomplished the relocation of its corporate headquarters from Cincinnati, Ohio to Jacksonville, Florida, and consolidated certain functions (e.g., dispatching, billing, etc.) in the Jacksonville, Florida headquarters. Also, the restructuring realigned FLX's operations to a more Southeastern focused carrier. These accomplishments more closely align the management team and trucking operations with FECR, allowing FECR and FLX to provide an array of transportation alternatives to its freight customers.

During 2000 and 1999, FLX interlined 15,731 and 13,902 intermodal units (trailers and containers), respectively, with FECR's intermodal facility at Jacksonville.

Financial Information about FECI's Segments

The Company had total segment operating revenues of $281.8 million and an operating profit of $35.2 million in 2000. The Company's total railroad operating revenues were $164.8 million; real estate revenues were $75.0 million; telecommunications revenues were $10.4 million; and trucking revenues were $31.6 million. Segment operating profit (loss) for the railroad was $43.7 million; $21.0 million for the real estate business; ($14.2 million) for the telecommunications segment; and ($8.2 million) for trucking (see Note 9, Segment Information, of the Consolidated Financial Statements and supplementary data set forth in Part II, Item 8, of this Report on Form 10-K).

Sources and Availability of Raw Materials

All raw materials FECR, Flagler, EPIK and FLX use, including fuel, track materials and building and network construction materials, are available in adequate supply from multiple sources.

Seasonality

FECR's rail traffic is relatively stable throughout the year with heavier traffic ordinarily occurring during the first and last quarters of the year. The Company's real estate, telecommunications and trucking businesses are not generally seasonal.

Working Capital

At December 31, 2000, the Company's current liabilities exceeded current assets by $16.5 million. The Company maintains a revolving credit agreement (see Note 16 of the financial statements) with a borrowing capacity of $200.0 million. At December 31, 2000, $112.0 million was available on this facility to meet current obligations of the Company. On March 22, 2001, the revolving credit agreement was restructured into a secured facility with a borrowing capacity of $375.0 million. The December 31, 2000 current liabilities reflect approximately $44.0 million of accounts payable related to the build-out of EPIK's southeastern network.

Customers

Railway

One customer generated about 18.0 percent of the Company's rail revenues in 2000. The Company's business could be adversely affected if its large customers suffered significant reductions in their businesses, or reduced shipments of commodities transported by FECR.

Real Estate

The Company is not dependent on any significant customer in the real estate segment. Flagler's largest commercial tenant occupied approximately 4.0 percent of leased space in 2000.

Telecommunications

As a wholesale provider of communication services, EPIK targets other telecommunications carriers as its customers. In particular, EPIK's sales and marketing efforts are directed towards IXCs, CLECs, ISPs, and wireless communications companies such as cellular and PCS providers. EPIK has a limited number of customers at this time, given its limited history.

During the year 2000, EPIK signed collocation agreements with combined contract values of over $130 million and dark fiber, capacity and IP Service agreements with combined contract values of over $35 million. As of December 31, 2000, one customer represented 47.0 percent of the $131.2 million of collocation revenue backlog.

Trucking

The trucking operation is not dependent on any significant customer. No customer generates revenues, which exceeds 10.0 percent of the trucking operation's revenues. The top twenty-five shippers of the trucking operation's customer base accounts for approximately 70.0 percent of its revenues.

Competition

Railway

Although the Company's railroad is typically the only rail carrier directly serving its customers, the Company's railroad competes directly with other railroads that could potentially deliver freight to their markets and customers via different routes and use of multiple modes of transportation. FECR's primary rail competition is CSXT. FECR also competes directly with other modes of transportation, including motor carriers and, to a lesser extent, ships and barges. Competition is based primarily upon the rate charged and the transit time required, as well as the quality and reliability of the service provided. Any improvement in the cost or quality of these alternate modes of transportation could increase competition from these other modes of transportation and adversely affect the Company's business.

There is continuing strong competition among rail, water and highway carriers. Price is usually only one factor of importance as shippers and receivers choose a transport mode and a specific transportation company with which to do business. Inventory carrying costs, service reliability, ease of handling, and the desire to avoid loss and damage during transit are increasingly important considerations, especially for higher valued finished goods, machinery and consumer products. Users are increasingly sensitive to transport arrangements, which minimize problems at successive production stages, even for raw materials, semi-finished goods and work-in-process.

Service disruptions and changes in services offered by NS and CSXT as a result of their acquisition and division of Conrail continue to adversely affect FECR's intermodal business.

Real Estate

The real estate industry is generally characterized by significant competition. The Company plans to continue to expand through office and industrial developments in Florida where the acquisition and/or development of property would, in the opinion of management, result in a favorable risk-adjusted return on investment. There are a number of office and industrial developers and real estate companies that compete with the Company in seeking properties for acquisition, resources for development and prospective tenants. Competition from other real estate developments may adversely affect the Company's ability to attract and retain tenants, rental rates the Company can achieve, and the expenses of operation. The Company may compete with entities that have greater financial and other resources than the Company. There can be no assurance that the existence of such competition could not have a material adverse effect on the Company's business, operations and cash flow.

Telecommunications

The wholesale carriers' carrier business is highly competitive and subject to rapid change. Competition is primarily on the basis of availability, price and customer service. EPIK competes primarily on the basis of location of its network, rapid customer provisioning, transmission quality and reliability, highly responsive customer service and price. EPIK faces substantial competition from IXCs, other private wholesale carriers such as affiliates of energy utilities and railroads, Incumbent Local Exchange Carriers (ILECs) and CLECs. In addition to these entities, potential competitors capable of offering services similar to those offered by EPIK include microwave carriers, satellite carriers, wireless telephone system operators, and end-users with private communications networks. Many of EPIK's existing competitors are large, established companies with substantially greater financial resources. Major competitors include, but are not limited to, Level 3, Qwest, Williams, 360Networks, BellSouth, MCI, Worldcom and AT&T. Additionally, EPIK expects that competition will increase in the future as additional providers of fiber optic networks enter or expand in the market.

Trucking

The same competitive factors, as noted in Railway above, substantially affect the Company's trucking operations as well.

Regulation

Railway

FECR is subject to regulation by the Surface Transportation Board (STB) of the U.S. Department of Transportation, which succeeded the ICC on January 1, 1996. The STB has jurisdiction over some rates, routes, conditions of service and the extension or abandonment of rail lines. The STB also has jurisdiction over the consolidation, merger or acquisition of control of and by rail common carriers. The U.S. Department of Transportation, through the Federal Railroad Administration, regulates the safety of railroad operations, including certain track and mechanical equipment standards and certain human factor issues.

The relaxation of economic regulation of railroads, begun over a decade ago by the ICC under the Staggers Rail Act of 1980 (Staggers Act), has continued under the STB, and additional rail business could be exempted from regulation in the future. Significant exemptions are TOFC/COFC (i.e., piggyback) business, rail boxcar traffic, lumber, manufactured steel, automobiles and certain bulk commodities, such as sand, gravel, pulpwood and wood chips for paper manufacturing. Transportation contracts on regulated shipments, which no longer require regulatory approval, effectively remove those shipments from regulation as well. Over 95.0 percent of FECR's freight revenues come from either exempt traffic or traffic moving under transportation contracts.

Due, in part, to industry consolidation and certain service issues, efforts were made in 2000 to re-subject the rail industry to federal economic regulation. This pressure could continue during 2001. The Staggers Act encouraged and enabled rail carriers to innovate and to compete for business, thereby contributing to the economic health of the nation and to the revitalization of the industry. Accordingly, the nation's rail carriers can be expected to vigorously oppose these ongoing efforts to re-impose such economic regulation.

Railway and Trucking

The Company's transportation operations, both rail and trucking, are also subject to extensive environmental laws and regulations, including the federal Clean Air Act (CERCLA), and various other environmental laws and regulations. Violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damage claims, potential injunctions, cease and desist orders and criminal penalties. Some environmental statutes impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, the Company's present and historic ownership and operation of real property, including rail yards, in connection with its transportation operations involve the storage, use or disposal of hazardous substances that may have contaminated and may in the future contaminate the environment. The Company may also be liable for the costs of cleaning up a site at which it has disposed (intentionally or unintentionally of hazardous substances by virtue of, for example, an accident, derailment or leak), or to which it has transported hazardous substances it generated, such as waste oil.

The Company is currently involved in various remediations of properties relating to its transportation operations. In addition, FECR, along with many other companies, has been named a potentially responsible party in proceedings under Federal statutes for the clean up of designated Superfund sites (see Item 3, Legal Proceedings). Based on information presently available, the Company does not believe that the costs of addressing any known environmental issues relating to its transportation operations will be material. However, the future cost of complying with environmental laws and containing or remediating contamination cannot be predicted with any certainty, and there can be no assurances that such liabilities or costs would not have a material adverse effect on the Company in the future.

Real Estate

Development of real property in Florida entails an extensive approval process involving overlapping regulatory jurisdictions. Real estate projects must generally comply with the provisions of the Local Government Comprehensive Planning and Land Development Regulation Act (Growth Management Act). In addition, development projects that exceed certain specified regulatory thresholds require approval of a comprehensive Development of Regional Impact (DRI) application. Compliance with the Growth Management Act and the DRI process is usually lengthy and costly and can be expected to materially affect the Company's real estate development activities.

The Growth Management Act requires counties and cities to adopt comprehensive plans guiding and controlling future real property development in their respective jurisdictions. After a local government adopts its comprehensive plan, all development orders and development permits that it issues must be consistent with the plan. Each such plan must address such topics as future land use, capital improvements, traffic circulation, sanitation, sewerage, potable water, drainage and solid wastes. The local government's comprehensive plans must also establish "levels of service" with respect to certain specified public facilities and services to residents. Local governments are prohibited from issuing development orders or permits if facilities and services are not operating at established levels of service, or if the projects for which permits are requested will reduce the level of service for public facilities below the level of service established in the local government's comprehensive plan. If the proposed development would reduce the established level of services below the level set by the plan, the development order will require that at the outset of the project, the developer either sufficiently improve the services to meet the required level, or provide financial assurances that the additional services will be provided as the project progresses.

The Growth Management Act is, in some instances, significantly affecting the ability of developers to obtain local government approval in Florida. In many areas, infrastructure funding has not kept pace with growth. As a result, substandard facilities and services are delaying or preventing the issuance of permits. The Growth Management Act could adversely affect the ability of Florida developers, including Flagler, to develop real estate projects.

Continued growth and development of properties in Florida have prompted efforts to pass legislation to curtail or more intensely regulate such development and to amend the Growth Management Act.

The DRI review process includes an evaluation of the project's impact on the environment, infrastructure and government services, and requires the involvement of numerous federal, state and local governmental, zoning and community development agencies and authorities. Local government approval of any DRI is subject to appeal to the Governor and Cabinet by the Florida Department of Community Affairs, and adverse decisions by the Governor or Cabinet are subject to judicial appeal.

In addition, a substantial portion of the developable property in Florida, including certain of the Company's property, is raw land located in areas where its development may affect the natural habitats of various endangered or protected wildlife species or in sensitive environmental areas such as wetlands and coastal areas, which are subject to extensive and evolving federal, state and local regulation. Accordingly, federal, state and local wildlife protection, zoning and land use restrictions, as well as community development requirements, may become increasingly restrictive and, as a result, significant limitations may be imposed on the Company's ability to develop its real estate holdings in accordance with their most profitable uses.

The Company's ownership and development of real estate are subject to extensive and changing federal, state and local environmental laws, the provisions and enforcement of which may become more stringent in the future. Pursuant to those laws, the owner or operator of real estate may be required to perform remediation regardless of whether it caused the contamination. The sale or development of properties may also be restricted due to environmental concerns, the protection of endangered species, or the protection of wetlands. In addition, violations of various statutory and regulatory programs can result in civil penalties, remediation expenses, natural resource damages, potential injunctions, cease and desist orders and criminal penalties. The Company is not presently aware of any material contamination, or any material adverse environmental development issues relating to its real estate operations. However, there can be no assurance that environmental issues will not arise in the future relating to the real estate operations.

Telecommunications

EPIK does not believe that its telecommunications offerings are currently subject to federal or state regulation. Nonetheless, the telecommunications industry is highly regulated by federal, state, and local authorities, judicial and legislative actions may increase regulatory requirements, and the scope of services subject to regulation is not clearly defined and is subject to change. EPIK, therefore, cannot forecast whether it will be subject to regulation in the future and can make no assurance that future regulatory, judicial, or legislative action will not have a material adverse effect on EPIK.

Federal regulation. The Federal Communications Commission (FCC) regulates interstate telecommunications services. The Communications Act of 1934, as amended, defines "telecommunications service" to mean the "offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of the facilities used." The FCC has found that telecommunications services include only those services that are offered on a "common carrier" basis – that is, services that are provided pursuant to standard rates, terms and conditions to a broad customer base. In contrast, services that are offered on a "private carrier" basis are not subject to regulation as telecommunications services. EPIK believes that it acts as a private carrier because it provides service to a limited class of customers (e.g., other carriers) on the basis of individually negotiated terms and conditions and long-term service agreements. Nonetheless, EPIK has filed an FCC tariff containing rates, terms and conditions for certain services that EPIK may choose to offer on a common carrier basis in the future.

Although private carriers are generally unregulated, private carriers that serve end-user customers are required to contribute to the federal universal service fund. Accordingly, if EPIK offers services only to carriers, it would not have to contribute to the federal universal service fund. However, to the extent that EPIK serves non-carriers (e.g., ISPs), even as a private carrier, it will have to contribute a percentage of its end-user, interstate revenues to that fund.

If EPIK is found to be providing interstate telecommunications services (that is, to be acting as a common carrier), then several additional regulatory requirements could apply:

- EPIK would not require any prior FCC authorization to provide domestic, interstate service. It would, however, require prior FCC authorization to offer international services.

- EPIK would have to comply with various reporting requirements.

- EPIK would be required to contribute to other federal funds, including funds to support the provision of telecommunications relay services to individuals with hearing disabilities and the administration of telephone numbering resources.

- EPIK would be under general obligations to: (1) provide service upon reasonable request, (2) provide service at just, reasonable and non-discriminatory rates, terms and conditions, (3) interconnect directly or indirectly with the networks of other carriers, (4) assure that its services are accessible to and usable by persons with disabilities, (5) assure that its network complies with the requirements of the Communications Assistance for Law Enforcement Act, (6) limit its use of customer proprietary network information to provisioning of the services in connection with which that information was obtained, and (7) be subject to the FCC's complaint process.

Imposition of some or all of these requirements could materially increase EPIK's costs of doing business and limit its pricing flexibility, and its ability to respond promptly to customer demands. In addition, if some of EPIK's competitors remain unregulated, EPIK could be at a material competitive disadvantage.

State regulation. State public utility commissions (PUCs) regulate intrastate telecommunications services. EPIK does not believe it is subject to significant state PUC regulation because it acts as a private carrier. For example, Florida recognizes the private carrier concept. Some other states, however, may not recognize the private carrier concept or may nonetheless seek to subject EPIK to regulation. State regulation of intrastate telecommunications services is similar to FCC regulation of interstate telecommunications services, although the states vary considerably in the nature and extent of regulation imposed on regulated entities. For instance, while most states require service providers to obtain formal prior authorization before initiating service, some do not. Similarly, while most states require service providers to file tariffs, some do not. States also may impose universal service contribution requirements and other rules intended to protect public safety and welfare, ensure the continued quality of communications services, and safeguard the rights of consumers. The Company cannot predict whether application of state regulation of EPIK's services would have a material adverse effect.

Local regulation. Local governments exercise legal authority that may impact EPIK's business. As an example, local governments typically have the ability to license public rights-of-way, subject to the limitation that they may not prohibit the provision of telecommunications services. Regulation of the use of public rights-of-way may affect the timing in which EPIK is able to provide service and the costs of doing so.

Trucking

The Company's trucking operation is regulated by the United States Department of Transportation, including the Federal Highway Administration. This regulatory authority exercises broad powers, generally governing activities such as authorizations to engage in motor carrier operations, safety and certain mergers, consolidations and acquisitions.

Risks

Railway and Trucking

Market Risks. FECR's freight traffic is generally affected by overall economic conditions, especially those in the state of Florida. Also, the level of state and federal highway and other public projects can affect the amount of aggregate loadings FECR's customers request. There can be no assurance that the overall economy or that of Florida's will continue to experience higher than average national growth or rebound quickly from any slowdowns.

Fuel Price Risks. FECR's operations require significant amounts of diesel fuel. Prices of diesel fuel can vary greatly. Generally, the increases in fuel price are passed along to customers through a "fuel surcharge." However, there are no assurances that these surcharges will cover the entire fuel price increase for a given period, or that competitive market conditions will effectively allow freight providers the ability to pass along this cost.

Interchange Carrier Risks. Approximately 46.0 percent of FECR's traffic is interchanged from CSXT or NS. The ability of these carriers to market and service southbound traffic into the Florida market will affect the amount of traffic FECR moves.

Real Estate

Market Risks. There can be no assurance that the U.S. economy, in general, or the economy of the Southeast in particular, will continue to experience positive growth rates or that the United States, in general, or the Southeast in particular, will not be affected by a recession in the future. Certain significant expenditures associated with the development, management and servicing of real estate (such as real estate taxes, maintenance costs and debt payments, if any) would generally not be reduced if an economic downturn caused a reduction in revenues from the Company's properties.

Development Risks. The Company's real estate development activities require significant capital expenditures. The Company will be required to obtain funds for its capital expenditures and operating activities through cash flow from operations, property sales or financings. There can be no assurances that

funds available from cash flow, property sales and financings will be sufficient to fund the Company's required or desired capital expenditures for development. If the Company were unable to obtain sufficient funds, it might have to defer or otherwise limit certain development activities. Further, any new development, or any rehabilitation of older projects can require compliance with new building codes and other regulations. The Company cannot estimate the cost of complying with such codes and regulations, and such costs can make a new project, or some otherwise desirable uses of an existing project uneconomic.

Joint Venture Risks. The Company has entered into certain joint venture relationships and may initiate future joint venture projects as part of its overall development strategy. A joint venture may involve special risks associated with the possibility that (i) the venture partner at any time may have economic or business interests or goals that are inconsistent with those of the Company, (ii) the venture partner may take actions contrary to the instructions or requests of the Company, or contrary to the Company's policies or objectives with respect to its real estate investments, or (iii) the venture partner could experience financial difficulties. Actions by the Company's venture partners may have the result of subjecting property owned by the joint venture to liabilities in excess of those contemplated by the terms of the joint venture agreement or have other adverse consequences. In addition, the Company's joint venture partners may dedicate time and resources to existing commitments and responsibilities.

Telecommunications

Technological risks. The telecommunications industry is subject to rapid and significant changes in technology. For example, recent technological advances permit substantial increases in transmission capacity of both new and existing fiber. The introduction of new products and services, or the emergence of new technologies may reduce the cost, or increase the supply of certain services similar to those provided by EPIK, impairing the competitiveness of EPIK's offerings. EPIK cannot predict which of many possible future products and service offerings will be crucial to maintain its competitive position, or what expenditures will be required to develop profitably and to provide such products and services.

Competition-related risks. The telecommunications industry is highly competitive. EPIK faces substantial competition from IXCs, other private wholesale carriers such as affiliates of energy utilities and railroads, and CLECs. In addition to these entities, potential competitors capable of offering services similar to those offered by EPIK include microwave carriers, satellite carriers, wireless telephone system operators, and end-users with private communications networks. In the future, EPIK may be subject to more intense competition due to the development of new technologies, an increased supply of domestic and international transmission capacity, and consolidation among and between local and long distance carriers. In addition, as the regional Bell operating companies gain authority to enter into long distance service markets, they may rapidly be able to offer competitive services over region-wide fiber optic networks that already are in place.

Regulatory risks. Regulation of the telecommunications industry is changing rapidly. Existing and future federal, state, and local governmental regulations will greatly influence the viability of EPIK. Undesirable regulatory changes could adversely affect EPIK's business, financial condition, competitiveness and results of operations. For example, while EPIK does not believe that it is subject to federal or state regulation as a common carrier, EPIK cannot predict the future regulatory status of its business. The FCC has recognized a class of private, non-common carriers whose practice it is to make individualized decisions on what terms and with whom to deal, and EPIK believes it falls into this class. These carriers may be subject to the FCC's jurisdiction but are not currently extensively regulated. In addition, some states may not recognize the private carrier concept and, for this or other reasons, may seek to regulate EPIK's intrastate services. If EPIK becomes subject to the FCC's or state PUC's jurisdiction, it will be required to comply with a number of regulatory requirements including, but not limited to, rate regulation, prior authorization requirements, reporting requirements and special payments. Additionally, if EPIK offers services to non-carriers, it will have to contribute to the federal universal service fund. Compliance with these regulatory requirements may impose substantial administrative burdens on EPIK. Furthermore, CLECs, ILECs, and IXCs (which may be both customers and competitors of EPIK) are subject to various federal and state telecommunications laws and regulations. Changes in those laws and policies may affect EPIK's business by virtue of the interrelationships between EPIK and these regulated telecommunications companies. It is difficult for EPIK to forecast how these changes will affect EPIK.

EMPLOYEES

FECI employed 16 people; FECR employed 787; EPIK employed 180, and FLX employed 143 as of December 31, 2000. Approximately 612 of FECR's employees are represented by the following labor unions: United Transportation Union (UTU) (train and engine service employees), Brotherhood of Maintenance of Way Employees (BMWE) (track maintenance and structures) and International Brotherhood of Electrical Workers (IBEW) (seven crafts, including agents and clerical, carmen, maintenance of equipment foremen, roadway shop, signals and communications, train dispatchers, boilermakers, electricians, machinists, sheetmetal workers and shop laborers). The Company has recently completed negotiations regarding changes to labor agreements with all organizations. The Company considers its working relationship with its unions to be satisfactory.

As of December 31, 2000, Flagler had 22 employees, including a Chief Operating Officer and other key management members. During 2001, certain additional positions within Flagler will be filled to facilitate the transition of the real estate operation.

ITEM 2. ***PROPERTIES***

The Company's material physical properties at December 31, 2000 are listed below and are grouped by industry segment. All properties shown are owned in fee simple, except where otherwise indicated.

Railway

FECR owns three connected four-story buildings in St. Augustine, Florida, which are used by FECI and FECR as corporate headquarters. FECR also owns, in fee simple, a railroad right-of-way, generally 100 feet wide, along the East Coast of Florida extending for 351 miles used for its railroad operations and telecommunications facilities. FECR also owns and operates approximately 276 miles of branch, switching and other secondary track, and 159 miles of yard track, various rail car marshalling yards, trailer/container and automobile loading and unloading facilities, signaling system facilities and a number of operating offices, shops and service house buildings.

On March 2, 1998, FECR entered into a Trackage Agreement with SCFE providing for, among other things, the exclusive operation and maintenance of 56 miles of branch mainline.

Tracks, their bridges and the fixed property and signal improvements supporting the transportation effort are maintained to a level equaling the needs of service. The mainline and its passing tracks are, in general, constructed of 132-pound per yard continuous welded rail supported on concrete crossties. These facilities provide a reliable infrastructure for the conduct of a transportation service suited to the business demands of our customers, to include unrestricted movement of double-stacked containers, tri-level automobiles and heavier axle rail cars.

The branch mainlines, way switching and yard tracks are, for the most part, of 115-pound per yard materials supported by wood ties. These tracks and certain mainline yard tracks are of a lesser weight of rail supported on wood ties and, although in suitable condition, are to be improved by the installation of heavier materials. Programs designed to address this matter may be expected to extend over several future years.

FECR owns 75 diesel electric locomotives; 2,533 freight cars; 1,077 trailers for highway revenue service; numerous pieces of rail-mounted and non-rail-mounted work equipment, and numerous automobiles used in maintenance and transportation operations. All equipment owned is in good physical condition.

The Railway also owns lands outside of the right-of-way. These holdings include certain properties in downtown Miami and large rail yards in Jacksonville, Fort Pierce and Miami.

Real Estate

At year-end 2000, Flagler's commercial and industrial portfolio included 51 buildings aggregating 5.3 million rentable sq. ft. Flagler's income-producing properties are detailed below:

FLAGLER'S INCOME-PRODUCING PROJECTS
(at December 31, 2000)

Location	No. of Bldgs.	Type	Rentable Square Feet	Occupied Square Feet	% Occupied	Year Built
duPont Center Jacksonville, FL	2	Office Buildings	160,000	156,000	98	1987-88
Gran Park at Deerwood Jacksonville, FL	5	Office Buildings	653,000	622,000	95	1996-98
Gran Park at Jacksonville	1	Office Building	125,000	125,000	100	1999
Jacksonville, FL	4	Office/Showroom/Warehouses	441,000	384,000	87	1997-99
	1	Front Load Warehouse	99,000	46,000	46	1997
	1	Rail Warehouse	108,000	57,000	53	1997
Gran Park at the Avenues	3	Office Buildings	242,000	220,000	91	1992-95
Jacksonville, FL	3	Office/Showroom/Warehouses	173,000	125,000	72	1992-97
	2	Office Warehouses	302,000	284,000	94	1994-96
Gran Park at SouthPark	2	Office Buildings	292,000	273,000	93	1998-99
Orlando, FL	1	Office/Showroom/Warehouse	132,000	108,000	82	1998
Beacon Station at Gran Park	1	Office Building	101,000	101,000	100	2000
Miami, FL	5	Office/Showroom/ Warehouses	369,000	362,000	98	1988-94
	6	Office Warehouses	588,000	583,000	99	1990-97
	4	Rail Warehouses	397,000	397,000	100	1989-94
	7	Front Load Warehouses	790,000	790,000	100	1991-95
	1	Double Front Load Warehouse	239,000	225,000	94	1993
	1	Office Service Center	39,000	34,000	87	1994
Pompano Rail Building Pompano Beach, FL	1	Rail Warehouse	54,000	54,000	100	1987
Total-100% owned buildings	**51**		**5,304,000**	**4,946,000**	**93**	

Note: An additional 638,000-sq. ft. of rentable office and industrial product is owned in 50/50 partnerships with Duke-Weeks. These properties are located in Weston, Florida and Miami, Florida.

The Company periodically reviews its inventory of income-producing commercial and industrial properties and undeveloped properties to determine how best to maximize their value, including sales. The Company continues to invest in the development of additional leasable commercial and industrial space, and currently has 408,000-sq. ft. in lease-up, 532,000-sq. ft. under construction, and 883,000-sq. ft. in the pre-development stage, (see Part I, Item 1, Business, in this Report on Form 10-K).

Flagler's land portfolio includes the following major land holdings:

Ball Tract

A 2,150-acre tract located in northern St. Johns County along the growing US 1 corridor between Jacksonville and St. Augustine. The property fronts on US 1 to the west, the Intracoastal Waterway to the east, and lies between two large announced mixed-use residential and commercial communities not yet under development. Flagler expects this property to be developed also as a master planned community incorporating both residential and commercial uses, but must first seek and obtain various land use approvals from state, regional and local governmental entities.

Lemberg North

A 580-acre tract located in northern St. Johns County along the growing US 1 corridor between Jacksonville and St. Augustine. The property fronts along the western boundary of FECR's mainline which is immediately adjacent to US 1. Flagler expects to develop the property as a rail-oriented industrial park, but must first seek and obtain various approvals from state, regional and local governmental entities.

Lemberg South

A 520-acre tract located in northern St. Johns County just west of the growing US 1 corridor between Jacksonville and St. Augustine. Flagler expects to seek and obtain land use and development rights for the development of a planned residential community on the property.

Miller Shop

A 327-acre tract, partially owned by Flagler and FECR (Flagler, 70 acres; FECR, 257 acres), located in St. Johns County along US 1 at the northern end of the city of St. Augustine. The property fronts along US 1 on the east, and the San Sebastian River on the west. Flagler expects to master plan this property for a variety of mixed uses of commercial, industrial and residential. Additionally, Flagler has received entitlements for 150,000-sq. ft. of commercial development on 28 acres of the property.

National Gardens

A 5,900-acre tract located in Volusia and Flagler Counties divided by the intersection of I-95 and US 1. As demand develops, Flagler expects to master plan portions of the property for a mixed use of commercial, industrial and residential uses, but will need to first seek and obtain various land use approvals from state, regional and local governmental entities.

TICO Tract

A 1,700-acre tract located in northern unincorporated Brevard County just to the southwest of the city limits of Titusville. The property fronts along I-95, SR 405 and US 1 and surrounds the Space Coast Executive Airport on two sides. At such time that demand for industrial development dictates, Flagler expects to develop the property as a planned industrial park, but will need to first seek and obtain various approvals from state, regional and local governmental entities.

Fort Pierce K-4

A 565-acre tract located in St. Lucie County at the southeast quadrant of the intersection of I-95 and the Florida Turnpike. The land use designation for the property is for mixed-use development, with 160 acres of the property presently zoned for heavy industrial. The remainder is presently zoned for agriculture residential. When market analysis reflects the proper demand for industrial use, Flagler expects to develop the industrial zoned property for sale. Various approvals from state, regional and local governmental entities will be required.

107th Avenue Property (Section 8)

A 465-acre undeveloped tract located in west Dade County bounded by NW 107th Avenue (west), NW 90th Street (north), NW 74th Street (south) and NW 97th Avenue (east). The property is contiguous to the southeast corner of Beacon Station, Flagler's 500-acre master planned commercial and industrial development and plans are to develop the property in a similar manner.

Downtown Miami Lots

A 9-acre tract located in downtown Miami fronting on NW 1st Avenue adjacent to the Miami Arena and less than one block from an announced federal courthouse. The future land use designation and zoning of the property are for office/mixed-use. Flagler is evaluating the development of the property for the allowable use.

Overview of FECI land holdings

The Company owned and managed 17,218 acres of land at year-end 2000, which included 431 acres on which the buildings set forth immediately above are located; 1,552 acres developed with infrastructure ready to receive buildings, including the projects under development described in Item 1, Part 1 of this Report; 14,053 acres of undeveloped properties described in Item 1, Part I of this Report, and 1,182 acres owned by FECR. These properties are held for lease, development and/or sale and are in fifteen counties of the state of Florida as follows:

COUNTIES	FLAGLER ACRES	FECR ACRES	TOTAL ACRES
Duval	1,484	11	1,495
St. Johns	3,324	61	3,385
Putnam	-	87	87
Flagler	3,461	2	3,463
Volusia	2,908	676	3,584
Brevard	2,396	150	2,546
Orange	176	-	176
Indian River	5	-	5
St. Lucie	567	43	610
Martin	76	2	78
Palm Beach	12	19	31
Broward	54	5	59
Dade	1,486	106	1,592
Manatee	87	-	87
Okeechobee	-	20	20
Total	16,036	1,182	17,218

Telecommunications

EPIK leases approximately 30,000-sq. ft. of office space in Orlando, Florida where its corporate headquarters are located. EPIK owns 52 specialized telecommunications huts, totaling 24,230-sq. ft., to house telecommunications equipment along the southeast footprint in Florida and Georgia. EPIK also leases 200-sq. ft. of space at Teleplace, and 3,279-sq. ft. of space at the New World Tower, both sites located in Miami, Florida. These two sites were established for the purpose of housing telecommunications equipment. These 54 network sites are fully developed and integrated into the southeast footprint. In addition, EPIK purchased a 27,500-sq. ft. office building in Jacksonville, Florida that is being converted to house telecommunications equipment for EPIK and its customers.

EPIK is in the process of developing over 80 additional sites along the southeast footprint as part of two major development initiatives. Collocation sites are under development in 46 cities along the southeast footprint. These sites will encompass approximately 141,800-sq. ft. Completion of the collocation development effort is scheduled for third quarter of 2001. The remaining 40 sites under development are part of a metro ring development initiative that includes fiber rings around nine major metropolitan markets along the southeast footprint. Each site is a small node along one of the nine rings. Completion of the metro ring development effort is scheduled for late third or fourth quarter of 2001.

In aggregate, EPIK currently operates 41 network sites in Florida, representing approximately 24,000-sq. ft., and 13 sites in Georgia, representing approximately 3,700-sq. ft of network space. Of the 46 collocation sites under development, 25 are located in Florida (94,000-sq. ft.) and 21 are located in Georgia (47,800-sq. ft.). The metro ring nodes are spread across Florida (32 nodes across eight metro rings) and Georgia (eight nodes across one ring).

Trucking

During 2000, FLX relocated its corporate headquarters from Cincinnati, Ohio to Jacksonville, Florida. However, at December 31, 2000, FLX continued to lease approximately 3,500-sq. ft. of space in Cincinnati, Ohio where its previous corporate headquarters and terminal dispatching operations were located. This lease was terminated on March 8, 2001.

FLX leases 717-sq. ft. of office space from FECR, and 7,168-sq. ft. of office space from the prior owner of FLX, both in Jacksonville, Florida. FLX leases 2,500-sq. ft. in Atlanta, Georgia for terminal dispatching operations.

FLX has approximately 226 tractors available, consisting of 141 owner-operated tractors. FLX has a total of 280 trailers in its fleet, consisting of 1-45', 24-48' and 255-53' dry vans.

ITEM 3. *LEGAL PROCEEDINGS*

The Company maintains comprehensive liability insurance for bodily injury and property claims for risks with respect to losses for third party liability and property damage, but maintains a significant self-insured retention for these exposures. The Company is a defendant and plaintiff in various lawsuits resulting from its operations. In the opinion of management, adequate provision has been made in the financial statements for the estimated liability, which may result from disposition of such matters.

The Company is subject to proceedings arising out of historic disposal of fuel and oil used in the transportation business. It is the Company's policy to accrue environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted.

FECR is presently involved in proceedings initiated by the United States Environmental Protection Agency (USEPA) for the remediation of a site in which USEPA has named FECR a potentially responsible party (PRP). On the site, the USEPA has alleged that FECR caused certain materials, including waste oil, to be disposed of at the site over a period of years. There are many other PRPs named by USEPA for this site. The USEPA offered all named PRPs an opportunity to participate in its new pilot allocation program. This program is similar to binding arbitration. Since FECR is participating in this program, its share of the liability for the remediation will be fixed. FECR is working with other PRPs and USEPA to resolve this matter consistent with the allocator's decision. FECR believes that its liability for the remediation of the site will not be material.

The Company has accrued its estimated share of the total estimated cleanup costs for the site. Based upon management's evaluation, the Company does not expect to incur additional amounts, even though the Company may have joint and several liability.

FECR is investigating sites where contaminants from historic railroad operations may have migrated off-site through the movement of groundwater or contaminated soil. FECR, if required as a result of the investigation, will develop an appropriate plan of remediation, with possible alternatives including natural attenuation and groundwater pumping and treatment. Historic railroad operations at the Company's main rail facilities have resulted in soil and groundwater impacts. In consultation with the Florida Department of Environmental Protection (FDEP), the Company operates and maintains groundwater treatment systems at its primary facilities.

The Company monitors a small number of sites where properties were leased. Based on management's ongoing review and monitoring of the sites, the Company does not expect to incur material additional costs, if any.

During the installation of conduits on a site recently acquired by the Company's telecommunications subsidiary, EPIK Communications Incorporated (EPIK), EPIK discovered a number of underground storage tanks from a prior land use. It has removed all the tanks. Field investigation indicates some contamination of soil and groundwater. EPIK is vigorously pursuing relief against PRPs, including a large petroleum and gasoline service company. Based on the information currently available, the Company does not believe the costs of remediation, even if borne by the Company, will be material.

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.

ITEM 4. ***SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS***

There were no matters submitted to a vote of security holders during the fourth quarter of 2000.

PART II

ITEM 5. ***MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS***

Price Range of Common Stock and Dividend Policy

The common stock of FECI, owned by 1,854 stockholders of record as of December 31, 2000, is traded on the New York Stock Exchange with the symbols FLA and FLA.b.

The following table shows the high and low sales prices and dividends per share by quarter for 2000 and 1999:

Common Stock Price 2000	High	Low	Cash Dividends Paid
Fourth Quarter			
Class A	$41 _	$33 3/4	$.025
Class B	$40 5/8	$33 1/4	$.025
Third Quarter	$44 15/16	$37 1/8	$.025
Second Quarter	$49 15/16	$37 1/2	$.025
First Quarter	$51	$37 3/16	$.025
1999			
Fourth Quarter	$45 3/8	$31	$.025
Third Quarter	$43 7/8	$29 5/8	$.025
Second Quarter	$44 _	$26 3/4	$.025
First Quarter	$35 1/8	$25 7/8	$.025

The Company pays quarterly cash dividends on its outstanding shares of common stock. The determination of the amount of future cash dividends, if any, to be declared and paid by the Company will depend upon, among other things, the Company's financial condition, funds from operations, level of capital expenditures, future business prospects and other factors deemed relevant by the Board of Directors. The closing prices of the Company's Class A common stock were $35.07 and $34.15 for the Class B common stock as of March 15, 2001.

Recapitalization and Distribution Transaction

On October 9, 2000, St. Joe Company (St. Joe) and FECI completed the recapitalization of FECI, and St. Joe implemented the pro-rata spin-off to St. Joe shareholders of St. Joe's approximate 54.0 percent interest in FECI. Under the terms of the recapitalization, which was approved along with certain corporate governance provisions at a special meeting of FECI shareholders on March 8, 2000, St. Joe received a new class of FECI common stock, Class B common stock (NYSE: FLA.b) for each share of FECI common stock it owned. St. Joe then distributed the Class B common stock to its shareholders, after which it no longer has an equity interest in FECI. Holders of Class B common stock have the right to elect, as a class, at least 80.0 percent of FECI's Board of Directors.

All shares of FECI common stock, other than Class B common stock, have been redesignated as FECI Class A common stock. The Class A common stock will continue trading on the NYSE under the symbol FLA. Except with respect to voting rights for the election or removal of Directors, the Class A and Class B common stocks are substantially identical.

St. Joe and its affiliates continue to provide real estate services to the Company under contracts expiring in October 2003, including property management and leasing, development management and construction coordination.

ITEM 6. ***SELECTED CONSOLIDATED FINANCIAL DATA***

The selected consolidated financial data set forth below with respect to the Company's consolidated statements of income for each of the five years in the period ended December 31, 2000, and with respect to the consolidated balance sheets for the same periods are derived from the consolidated financial statements.

	Years Ended December 31,				
(dollars in thousands, except per share amounts)	**2000**	1999	1998	1997	1996
Income Statement Data:					
Operating Revenues	**276,276**	323,887	246,812	249,762	207,227
Operating Expenses	***241,092**	**262,863	189,939	198,198	170,425
Operating Profit	**35,184**	61,024	56,873	51,564	36,802
Other Income (net)	**7,832**	**4,986	13,326	11,393	11,315
Income before Income Taxes	**43,016**	66,010	70,199	62,957	48,117
Provision for Income Taxes	**17,258**	25,231	26,578	22,822	17,703
Net Income	**25,758**	40,779	43,621	40,135	30,414
Earnings Per Share - Basic	**$0.71**	$1.12	$1.20	$1.11	$0.84
Earnings Per Share - Diluted	**$0.70**	$1.12	$1.20	$1.11	$0.84
Weighted-Average Shares-Basic	**36,365**	36,302	36,286	36,286	36,208
Weighted-Average Shares-Diluted	**36,706**	36,509	36,299	36,286	36,208
Cash Dividends Declared on Common Stock	**3,643**	3,636	3,627	3,624	3,627
Cash Dividends Declared Per Share on Common Stock	**$0.10**	$0.10	$0.10	$0.10	$0.10

	at December 31,				
(dollars in thousands)	**2000**	1999	1998	1997	1996
Balance Sheet Data:					
Total Assets	**1,111,538**	910,878	871,541	825,490	789,681
Cash and Investments	**32,690**	102,552	85,423	103,144	94,229
Properties Less Accumulated Depreciation	**989,283**	742,176	720,891	663,672	636,019
Shareholders' Equity	**748,104**	724,441	686,831	648,875	608,796

*Restructuring and other costs of $5,282 are included in operating expenses for the year ended December 31, 2000.
**Special charges of $7,487 and $762 are included in operating expenses and other income, respectively, for the year ended December 31, 1999.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Management's discussion and analysis should be read in conjunction with Item 8-Consolidated Financial Statements, Item 1-Business and Item 2-Properties included elsewhere herein. The following discussion contains forward-looking statements; see cautionary statement at the front of this Report. The Company's actual results may differ significantly from those projected in the forward-looking statements.

General Overview

FECI is a holding company engaged, through four wholly owned subsidiaries, in the rail, real estate, telecommunications and trucking businesses.

Except for certain of the Company's trucking and telecommunications assets and operations, the Company's assets and operations are located in the state of Florida. Consequently, more broadly, the Company's performance is significantly affected by the general health of the Florida economy, as well as the national economy. The Company's real estate operations are cyclical and are affected by local demographic and general economic trends and the supply and rate of absorption of new construction. Although the Company's real estate business has a large portfolio of income-producing properties that provide stable operating results, the Company's real estate earnings may be significantly affected from period to period by the nature and timing of sales of developed property and other assets.

The Company generates rail operating revenues primarily from the movement of freight in both conventional freight cars and intermodal shipments of containers and trailers on flatcars over its rail lines. Freight revenues are recorded proportionately as freight moves from origin to destination. Modest non-freight operating revenues are derived from demurrage and detention (equipment per diem paid by customers), switching, weighing, special train and other transportation services, as well as from services rendered to freight customers and other outside parties by the Company's Maintenance of Way, Communications and Signals and Maintenance of Equipment Departments. The Company has one railroad customer, which accounted for approximately 15.3 percent, 17.0 percent and 18.0 percent of its operating revenues in 1998, 1999 and 2000, respectively. The Company does not believe that this customer will cease to be a rail shipper or will significantly decrease its freight volume in the foreseeable future. In the event that this customer or another large customer should cease or significantly reduce its rail freight operations, management believes that the Company could restructure its operations to reduce operating costs by an amount sufficient to offset the decrease in operating revenues.

The Company's rail and trucking operating expenses consist of salaries and wages and related payroll taxes and employee benefits, depreciation, insurance and casualty claim expense, diesel fuel, car hire, property taxes, materials and supplies, purchased services and other expenses. Many of the railway's operating expenses are of a relatively fixed nature, and do not increase or decrease proportionately with increases or decreases in operating revenues unless the Company's management takes specific actions to restructure the Company's operations. The Company experiences increases/decreases in fuel costs as the price of diesel fuel fluctuates in the market.

Real estate operating revenues are generated from (i) rental contracts on its commercial and industrial portfolio of buildings and (ii) sales of land and/or buildings.

Real estate operating expenses include the costs of real estate sales and managing commercial and industrial properties. The Company sells certain real estate holdings when it determines its rate of return on such property is advantageous. Real estate sales expenses can fluctuate significantly year-to-year due to the costs of such sales. The Company incurs property management expenses, such as building maintenance and leasing costs and property taxes, as new buildings are completed and placed in the Company's inventory of leasable properties.

Passive telecommunications revenues are generated from leases of railroad right-of-way to other telecommunications companies for the installation of fiber optic and other facilities. EPIK's telecommunications revenues are generated from a variety of product offerings, including leasing of bandwidth capacity on the lit network, long-term contracts for collocation space and dark fiber along the southeast regional footprint, as well as metro fiber rings being developed/completed in seven major Florida/Georgia metropolitan cities (Atlanta, Jacksonville, Orlando, Tampa, Miami, Daytona and Melbourne). Bandwidth capacity, collocation and dark fiber revenues are recognized over the lease contract.

EPIK's telecommunications expenses are primarily related to customer service, network operations and sales and marketing activities. These expenses include salaries and wages, employee benefits, professional services and purchased services. Also, included in telecommunications expenses is depreciation related to the completed portion of the southeast network and operational infrastructure (i.e., buildings, furniture, etc.)

Trucking revenues are generated by various services, including full over-the-road service, intermodal pick up and delivery and transportation brokerage.

Consolidated Results of Operations

Operating revenues decreased by $47.6 million to $276.3 million in 2000 from $323.9 million in 1999. This decrease results primarily from decreased Flagler realty sales of $61.9 million, offset by increased Flagler rental revenues, telecommunication revenues and trucking revenues. During the prior year, Flagler sold three industrial parks accounting for $62.5 million of 1999 revenues. Flagler's rental revenues increased $6.0 million in 2000 as lease-up occurred on properties completed in 1999 and 2000. EPIK's telecommunications revenues increased $3.2 million in 2000 as collocation and capacity products were made available on the southeast network. Trucking revenues increased $2.6 million as the new management team focused freight service offerings in the Southeast jointly with FECR's freight services.

Results for 2000 compared to 1999

Discussions are based on segment information – see Note 9 included in Item 8 of this Report.

Revenues

Railway

FECR handled 176,545 rail carloads in 2000 compared to 173,759 in 1999, an increase of 2,786 carloads or 1.6 percent. The railroad handled 269,337 intermodal units in 2000 compared to 287,359 in 1999, a decrease of 18,022 or 6.3 percent.

FECR's operating revenues were comparable at $164.8 million for 2000 versus $164.9 million for 1999. While aggregate loadings remained strong at 111,921 loads, an increase of 1,666 units over 1999 results, decreased intermodal traffic offset the aggregate revenue gains. Intermodal traffic continues to be adversely affected by operational difficulties of connecting carriers and a general softening of the economy, especially during the second half of 2000. Aggregate loadings reflected a strong Florida economy where private construction and public projects (e.g., highways, etc.) continued to demand aggregate products. All other traffic types were comparable year–over–year. Miscellaneous freight charges, which include switching, demurrage, detention and rents for operating properties/facilities increased $0.9 million due to increased focus on provisioning and billing these value added services for our freight customers.

Real Estate

Realty rental and sales revenues from both Flagler and other realty operations were $75.0 million for 2000 compared to $129.6 million for 1999. The decrease from the prior year is primarily associated with real estate sales in 1999 that generated $78.4 million in revenue, and included the disposal of three business parks with 1.5 million sq. ft. of land and several undeveloped land parcels. Sales of several undeveloped land parcels generated $17.5 million in revenues in 2000. The decrease in revenues associated with real estate sales was somewhat offset by increases in rental revenues. Flagler's rental operations generated $54.2 million in 2000 rental revenues compared to $48.2 million in 1999. Other rental revenues increased to $3.3 million in 2000 compared to $3.0 million in 1999.

At year-end 2000, Flagler held 51 finished buildings with 5.3 million sq. ft. and 93.0 percent occupancy. Flagler's "same store" properties, including 46 buildings with 4.7 million sq. ft., were 94.0 percent occupied at December 31, 2000 compared to 89.0 percent at December 31, 1999. "Same store" rental revenues increased by $2.1 million, with $43.7 million generated in 2000 over $41.6 million in 1999. Increases were principally due to occupancy improvements.

Four 100.0 percent owned Flagler operating properties, with 511,000-sq. ft. placed in service during 1999, were 89.0 percent occupied at year-end 2000. One 101,000-sq. ft. build-to-suit facility was placed in service during May 2000. Three additional properties, with 408,000-sq. ft., received certificates of occupancy during 2000 and are currently in lease-up period. Together, these properties generated $9.4 million in revenues during 2000, an increase of $7.6 million over 1999's revenues of $1.8 million. Operating properties that were sold during 1999 generated $3.5 million in revenues, with no corresponding revenues in 2000.

At the end of fourth quarter 2000, Flagler had 12 projects with 1.8 million sq. ft. in various stages of development (408,000-sq. ft. in lease-up period; 532,000-sq. ft. under construction; 883,000-sq. ft. in pre-development).

The Company uses a supplemental performance measure along with operating profit to report its operating results for its real estate operations. This measure is earnings before interest expense, income taxes, depreciation and amortization (EBITDA). EBITDA is not a measure of operating results or cash flows from operating activities as defined by generally accepted accounting principles. Additionally, EBITDA is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to cash flows as a measure of liquidity. However, the Company believes that EBITDA provides relevant information about its real estate operations and, along with operating profit, is useful in understanding its real estate operating results.

EBITDA generated by the realty segment totaled $39.8 million for 2000 compared to $50.6 million in the prior year. The decrease is related to real estate sales. Flagler's real estate sales generated EBITDA of $7.8 million in 2000 compared to $21.0 million in the prior year. Flagler's 1999 sales EBITDA included the disposition of three business parks, including 1.5 million sq. ft. and several undeveloped land parcels. Flagler's 2000 sales include the disposition of ancillary land holdings only, with no operating properties sold during the year. Other realty land sales generated $1.8 million EBITDA in 2000 and $0.8 million in 1999.

EBITDA decreases related to real estate sales are somewhat offset by increases related to rental activities. Flagler's rental operations (net of overheads) generated 2000 EBITDA of $27.4 million over $26.1 million for 1999. EBITDA covering rail realty rental operations was $2.9 million in 2000 over $2.7 million for 1999.

Flagler's operating properties generated $36.3 million in 2000's rental EBITDA, with $32.4 million generated in the prior year. "Same store" EBITDA improved 4.0 percent with $29.8 million in 2000 compared to $28.5 million in 1999. New properties completed in 1999 and 2000 (including properties currently in lease-up period) contributed $6.5 million in 2000 EBITDA compared to $1.4 million in 1999. Properties that were disposed of generated $2.5 million in rental EBITDA during 1999, with no corresponding EBITDA in 2000.

Telecommunications

EPIK's revenues were $3.4 million for 2000. Fourth quarter revenues were $2.4 million as significant new segments of the southeast regional footprint became operational. EPIK's revenue backlog increased over 450.0 percent in 2000 to over $180.0 million, with 70.0 percent of the backlog from collocation and the remainder from dark fiber, capacity and IP services.

Revenues from passive fiber leases increased $1.7 million to $7.0 million in 2000. This increase results from favorable leasing activities with major telecommunications companies (e.g., MCI, Qwest, etc.) and a $0.8 million settlement of a dispute with a telecommunications company over amounts due for installations on FECR's property.

Trucking

The Company's trucking subsidiary's operating revenues increased to $31.6 million in 2000 from $29.0 million in 1999. This increase reflects improved sales efforts resulting in additional customer accounts. For the year, traffic interchanged with the FECR improved by 14.0 percent.

Expenses

Operating expenses decreased by $21.8 million in 2000 to $241.1 million from $262.9 million in 1999. Most notably, expenses for Flagler's realty sales decreased $48.7 million, reflecting $48.6 million of costs associated with the sale of three previously mentioned industrial parks. Increased Flagler's realty rental operating expenses of $7.8 million resulted from costs associated with the lease-up of new operating buildings and increased staffing at Flagler's headquarters' operation. Railway's expenses decreased $9.2 million to $121.2 million in 2000. Railway's expenses included $5.5 million of special charges in 1999, and

$2.7 million related to the settlement of previous year's litigation. The remaining decrease in expenses was the net of a $5.0 million fuel price increase offset by a wide spectrum of cost savings. EPIK's start-up costs increased $21.1 million to $24.4 million as it implemented the business plan for the southeast network. Trucking expenses increased $9.5 million as the company reorganized its operations and personnel. Corporate general and administrative expenses decreased $1.9 million to $7.0 million as 1999's expenses included $2.5 million of spin-off related costs.

Railway

Excluding a 62.3 percent fuel price increase ($5.0 million) and the 1999 special charges ($5.5 million), FECR's operating expenses decreased by $8.7 million or 7.0 percent over 1999. Decreases in expenses included labor and benefits ($2.3 million), car hire ($1.2 million), casualty and insurance ($2.2 million), fuel efficiency ($1.0 million), and other costs, primarily derailment expenses ($0.9 million). Labor and benefits decreased as operational and headquarters' efficiencies allowed the number of employees to decrease by 6.0 percent. An increased focus on car utilization and velocity decreased car hire net costs by $1.2 million. Network operations were improved to allow significant improvement in total transit time for foreign equipment on FECR's rail line. Results for casualty and insurance expenses for 1999 included a $2.7 million settlement for a prior year's incident. During 2000, FECR effectively administered an improved shutdown policy which helped to increase fuel efficiency by $1.0 million. FECR experienced a reduced number of derailments during 2000, which reduced costs by $0.8 million, the largest decrease in a number of decreases for other costs. Railway segment's operating ratio improved to 73.5 percent compared to 75.7 percent in 1999 (excluding special charges). On a fuel neutral basis, the operating ratio would have been 70.5 percent for 2000.

Real Estate

Realty rental and sales operating expenses (after depreciation and amortization) for both Flagler and other realty decreased from $94.8 million in 1999 to $54.0 million in 2000. The decrease is associated with fewer real estate sales in 2000. As previously discussed, sales in 1999 included the disposal of three business parks with 1.5 million sq. ft. of operating properties, as well as several undeveloped land parcels. Sales for 2000 included undeveloped land parcels only, with no operating properties disposed of during the year. Sales expenses totaled $7.9 million for 2000 compared to $56.7 million in 1999.

Offsetting the decreases in expenses associated with real estate sales were increases in expenses related to rental activities. "Same store" rental expenses (before depreciation and amortization) increased by $0.9 million from $13.2 million in 1999 to $14.1 million in 2000. Expenses (before amortization and depreciation) related to projects completed in 1999 and 2000 (including those currently in lease-up period) increased by $2.4 million from $0.5 million in 1999 to $2.9 million in 2000. "Sold store" expenses were $1.1 million in 1999, with no corresponding expenses in 2000. Asset management fees/corporate overhead and depreciation/amortization increased by $4.8 million, all costs that are determined by the value of and/or additions to the portfolio, along with transition costs associated with Flagler's new management team.

Telecommunications

Costs of service expenses were $2.4 million for 2000, an increase of $2.4 million and 100.0 percent. During 2000, EPIK completed network operations accounting for the increase in this expense category. EPIK's selling, general and administrative expenses increased to $22.0 million in 2000 from $3.3 million in 1999 and were reflective of start-up costs, primarily wages, benefits, professional services and sales and marketing expenses, necessary to execute its business plan for the development of the southeast regional footprint.

Trucking

Trucking expenses increased $9.5 million to $39.8 million at December 31, 2000. Increased expenses reflected a number of costs and restructuring charges, including expenses associated with relocation of the Company's headquarters from Cincinnati, Ohio to Jacksonville, Florida, as well as force reductions and severance payments, and the addition of new facilities and staff at the new headquarters. The costs and charges also include the restructuring of the existing network, the opening of an additional terminal in Charlotte, North Carolina, and a charge for the impairment of goodwill associated with the original acquisition and operations of FLX. The total amount of the pre-tax charges is $5.3 million.

Excluding the costs and restructuring charges, operating expenses were $34.5 million compared with $30.2 million for the same period last year. This increase in expenses primarily relates to insurance and casualty costs ($0.7 million), increased fuel costs ($0.6 million), and transition costs for the new management team ($0.3 million), as well as higher line-haul costs associated with increased revenues (driver costs $0.1 million, drayage costs $0.9 million, brokerage costs $0.4 million, equipment lease expense $0.5 million, and $0.7 million increase in rail interchange costs).

Corporate General & Administrative

The decrease in corporate general and administrative expenses of $1.9 million in 2000 related primarily to $2.5 million of spin-off (legal and consulting) costs incurred and reflected in the 1999 results.

Other Income

Other income increased $2.8 million to $7.8 million primarily from a $2.4 million TTX dividend received during the first quarter of 2000. FECR owns 1.0 percent of TTX, a provider of intermodal equipment. Dividends from TTX have historically been infrequent.

Income Tax

Income tax expenses represent an effective rate of 40.1 percent in 2000 compared to an effective rate of 38.2 percent in 1999.

Net Income

Net income was $25.8 million or $0.70 per diluted share for 2000 compared to net income of $40.8 million or $1.12 per diluted share in 1999.

Summary of Operating Results
2000 vs. 1999

INFORMATION BY INDUSTRY SEGMENT
(dollars in thousands)

OPERATING REVENUES	**2000**	1999	$ Change
Railway (a)	**164,844**	164,899	(55)
Trucking	**31,601**	29,011	2,590
Realty:			
Flagler Realty Rental (b)	**54,196**	48,179	6,017
Flagler Realty Sales	**15,692**	77,608	(61,916)
Other Rental	**3,253**	2,979	274
Other Sales	**1,815**	803	1,012
Total Realty	**74,956**	129,569	(54,613)
Telecommunications:			
EPIK Communications	**3,393**	160	3,233
Fiber Leases	**6,984**	5,271	1,713
Total Telecommunications	**10,377**	5,431	4,946
Total Revenues (segment)	**281,778**	328,910	(47,132)
Intersegment Revenues	**(5,502)**	(5,023)	(479)
Total Revenues (consolidated)	**276,276**	323,887	(47,611)

OPERATING EXPENSES			
Railway (c)	**121,181**	130,370	(9,189)
Trucking (d)	**39,752**	30,223	9,529
Realty:			
Flagler Realty Rental	**45,632**	37,824	7,808
Flagler Realty Sales	**7,930**	56,650	(48,720)
Other Rental	**437**	355	82
Other Sales	**-**	-	-
Total Realty	**53,999**	94,829	(40,830)
Telecommunications:			
EPIK Communications	**24,426**	3,289	21,137
Fiber Leases	**191**	255	(64)
Total Telecommunications	**24,617**	3,544	21,073
Corporate General & Administrative (e)	**7,045**	8,920	(1,875)
Total Expenses (segment)	**246,594**	267,886	(21,292)
Intersegment Expenses	**(5,502)**	(5,023)	(479)
Total Expenses (consolidated)	**241,092**	262,863	(21,771)

(dollars in thousands)

OPERATING PROFIT (LOSS)	**2000**	1999	$ Change
Railway	**43,663**	34,529	9,134
Trucking	**(8,151)**	(1,212)	(6,939)
Realty	**20,957**	34,740	(13,783)
Telecommunications	**(14,240)**	1,887	(16,127)
Corporate General & Administrative	**(7,045)**	(8,920)	1,875
Segment & Consolidated Operating Profit	**35,184**	61,024	(25,840)
Other Income (net)	**7,832**	4,986	2,846
Income before Taxes	**43,016**	66,010	(22,994)
Provision for income taxes	**(17,258)**	(25,231)	7,973
Net Income	**25,758**	40,779	(15,021)

EBITDA BY INDUSTRY SEGMENT (f)

	2000	1999	$ Change
RAILROAD EBITDA	**58,529**	49,148	9,381
REALTY EBITDA:			
EBITDA from Flagler operating properties rents	**36,279**	32,391	3,888
EBITDA (loss) from Flagler land rents/holding costs	**(3,092)**	(2,329)	(763)
Equity pickups on partnership rents	**78**	110	(32)
Less: unallocated corporate overhead	**(5,895)**	(4,046)	(1,849)
EBITDA from Flagler rental properties, net of overheads	**27,370**	26,126	1,244
EBITDA from Flagler real estate sales, net of overheads	**7,762**	20,959	(13,197)
Total EBITDA – Flagler	**35,132**	47,085	(11,953)
EBITDA from other rental	**2,857**	2,671	186
EBITDA from other real estate sales	**1,815**	803	1,012
Total EBITDA - real estate segment	**39,804**	50,559	(10,755)
EPIK EBITDA	**(18,649)**	(3,120)	(15,529)

Summary of Operating Expenses
2000 vs. 1999

Rail Operating Expenses (dollars in thousands)	2000	1999	$ Change
Compensation & Benefits	**47,197**	53,874	(6,677)
Fuel	**13,851**	9,706	4,145
Equipment Rents (net)	**1,129**	2,306	(1,177)
Depreciation	**14,825**	14,582	243
Purchased Services	**8,616**	8,958	(342)
Repairs Billed to/by Others (net)	**(2,961)**	(2,086)	(875)
Load/Unload	**7,392**	8,010	(618)
Casualty & Insurance	**3,523**	5,698	(2,175)
Property Taxes	**4,500**	4,280	220
Materials	**9,443**	10,832	(1,389)
General & Administrative	**10,932**	10,590	342
Other	**2,734**	3,620	(886)
Total Operating Expenses-Rail Segment	**121,181**	130,370	(9,189)
Trucking Operating Expenses			
Compensation & Benefits	**3,487**	3,282	205
Fuel	**1,659**	1,092	567
Equipment Rents (net)	**2,875**	1,519	1,356
Depreciation	**41**	35	6
Purchased Services	**12,161**	10,910	1,251
Repairs Billed to/by Others (net)	**808**	972	(164)
Casualty & Insurance	**2,611**	1,947	664
Property Taxes	**242**	257	(15)
General & Administrative	**9,751**	4,833	4,918
Other	**759**	677	82
Intersegment Expenses	**5,358**	4,699	659
Total Operating Expenses-Trucking Segment	**39,752**	30,223	9,529
Realty Operating Expenses			
Real Estate Taxes-Developed	**5,775**	5,157	618
Repairs & Maintenance-Recoverable	**1,504**	1,271	233
Services, Utilities, Management Costs	**9,144**	8,085	1,059
Subtotal-Expenses subject to recovery	**16,423**	14,513	1,910
Realty Sales Expense	**7,929**	56,650	(48,721)
Real Estate Taxes-Undeveloped Land	**3,266**	2,773	493
Repairs & Maintenance-Non-recoverable	**1,262**	558	704
Depreciation & Amortization	**18,461**	15,536	2,925
SG&A-Non-recoverable	**6,658**	4,799	1,859
Subtotal-Non-recoverable Expenses	**37,576**	80,316	(42,740)
Total Operating Expenses-Realty Segment	53,999	94,829	(40,830)
Total Operating Expenses-Telecom Segment	**24,617**	3,544	21,073
Corporate General & Administrative	**7,045**	8,920	(1,875)
Total Segment Operating Expenses	**246,594**	267,886	(21,292)

(Prior years results have been reclassified to conform to current year's presentation.)

(a) Included intersegment revenues of $5,358 and $4,699 for the year ended December 31, 2000 and 1999, respectiv
(b) Included intersegment revenues of $144 and $324 for the year ended December 31, 2000 and 1999, respectively.
(c) Included intersegment expenses of $69 and $136 for the year ended December 31, 2000 and 1999, respectively.
(d) Included intersegment expenses of $5,358 and $4,699 for the year ended December 31, 2000 and 1999, respecti
(e) Included intersegment expenses of $75 and $188 for the year ended December 31, 2000 and 1999, respectively.
(f) EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization.

Results for 1999 compared to 1998

Railway

FECR handled 174,000 rail carloads in 1999 compared to 161,000 in 1998, an increase of 13,000 carloads or 8.1 percent. The railroad handled 287,000 intermodal units in 1999 compared to 326,000 in 1998, a decrease of 39,000 or 12.0 percent.

FECR's revenues increased to $164.9 million in 1999 from $162.4 million in 1998, an increase of $2.5 million or 1.5 percent. This increase was primarily attributable to increases in shipments of aggregates and automotive/automotive parts traffic. Aggregate shipments increased by 7,100 carloads or 6.8 percent in 1999 over 1998. This increase is reflective of a sustaining strong Florida economy as evidenced with continued growth in residential and commercial markets, as well as highway construction projects. Automotive and automobile-related traffic increased by approximately 1,800 rail cars or 8.0 percent in 1999 over 1998. The increase in the number of automotive shipments is primarily attributable to continued strength in the shipment of new vehicles to Miami, as well as the opening of an automotive handling facility on the Company's property in Titusville in 1998 by NS.

The decrease in intermodal shipments includes a decrease of approximately 25,700 or 11.0 percent in trailers handled, and a decrease in containers handled of 13,600 or 12.9 percent. The overall 12.0 percent decrease in intermodal shipments primarily results from NS's service redesign that commenced in 1998 whereby certain terminals along the East Coast of Florida were no longer marketed. Port consolidations and the repositioning of certain traffic from 20' to 40' equipment also contributed to the decrease.

Other carload traffic increased 4,200 carloads or 11.9 percent. This increase was primarily due to additional traffic received at the new NS bulk terminal facility located on FECR's right-of-way. Traffic volumes associated with SCFE also increased in 1999.

Real Estate

The Company generated operating revenues ($129.6 million in 1999 and $53.1 million in 1998) in its realty segment from both real estate owned by Flagler and FECR. Flagler generated revenues ($125.8 million in 1999 and $50.2 million in 1998) from rent of its improved and certain unimproved properties and sales of certain real estate assets. FECR's realty revenues ($3.8 million in 1999 and $3.0 million in 1998) are generated by leases and sales of non-operating properties.

Flagler's revenues increased by $75.6 million (151.0 percent) to $125.8 million in 1999 compared to $50.2 million in 1998. The increase is primarily associated with 1999 real estate sales, which contributed $70.1 million to the increase over 1998. Two industrial parks in Miami, with ten warehouse buildings (1.2 million sq. ft.), were sold in the first quarter of 1999, generating revenues of $49.0 million. Additionally, one industrial park in Jacksonville, with six buildings, was sold during December 1999, generating revenues of $13.6 million. Increased rental revenues contributed the remaining $5.5 million of the increase in total Flagler revenues over 1998 rental revenues of $42.7 million. Increased rental revenues were primarily generated from increased occupancy and rental rates of buildings completed during 1998 and "leased-up" during 1998 and 1999. Increases in rental revenues from "same store" ($2.5 million) and new buildings completed in 1999 ($1.9 million) were offset by decreased revenues ($3.9 million) from buildings sold during 1999.

Flagler generated EBITDA of approximately $47.1 million in 1999 compared to $27.1 million in 1998, a $20.0 million increase or 74.0 percent over 1998. $15.0 million of the increased EBITDA resulted from sales of the previously mentioned industrial parks and certain undeveloped land parcels. The remaining increases in EBITDA related to rental activities.

Telecommunications

Telecommunications revenues were $5.4 million for 1999, $1.0 million less than 1998. Included in 1998 revenues was a $2.5 million recognition of a non-monetary exchange involving fiber optic cables. Results reflect increased revenues provided under lease renewals and new leases for 1999.

Trucking

The Company's trucking subsidiary's operating revenues were down slightly at $29.0 million in 1999 from $29.8 million in 1998. This decrease was primarily attributable to the loss of three customer accounts during the third quarter, which was not fully offset by new business.

Expenses

Segment operating expenses overall increased $73.1 million to $267.9 million in 1999. Operating expense increases consisted of approximately $57.6 million in the realty segment, $5.4 million for the railway segment, $3.4 million in the telecommunications segment, $6.2 million for corporate general and administrative and $0.5 million for the trucking segment in1999.

Railway

Operating expenses increased $5.4 million to $130.4 million at December 31, 1999. Included in 1999 operating expenses were $5.5 million of special charge items shown in Note 4 of the financial statements. These special charge items were included in the captions "Materials" ($1.2 million) and "General and Administrative" ($4.3 million). Increased fuel costs of $0.4 million, a $2.7 million settlement of a lawsuit involving a 1994 incident, and costs of $1.2 million associated with a second quarter derailment were offset by savings generated from severance programs started in late 1998 ($2.0 million); cost control initiatives implemented in 1999 ($2.7 million), and reduced intermodal expenses as volumes decreased ($0.9 million).

Real Estate

Real estate expenses increased by $57.6 million to $94.8 million in 1999. The sale of three industrial parks previously mentioned caused real estate expenses to increase $53.6 million over 1998. Rental operating expenses accounted for the remaining increased expenses, and reflected overall increased costs of "same store" and new buildings, along with increased management fees.

Telecommunications

Telecommunications expenses, which increased $3.4 million to $3.5 million in 1999, reflected the start-up of EPIK. EPIK established offices in Orlando, began its initial operations, and built a team of 13 professionals during 1999.

Trucking

Trucking expenses increased $0.5 million to $30.2 million at December 31, 1999. Increased expenses primarily resulted from increased casualty expenses of $1.0 million that related to prior year incidents, while operating costs decreased with revenue volumes.

Corporate General & Administrative

The increase in corporate general and administrative expenses of $6.2 million in 1999 related to $2.0 million of special charges for the curtailment of certain compensation plans, $2.5 million of spin-off (legal and consulting) costs incurred, and $1.9 million of increased staffing and moving costs as the new management team was assembled.

Other Income

Other income generated from investments and other transactions decreased to $5.0 million in 1999, a decrease of $8.3 million or 62.6 percent over 1998. The decrease primarily resulted from decreases in investment income as the Company liquidated certain investments to fund capital expenditures for transportation projects and new building construction, along with the recognition of unrealized losses on certain investments and the write-off of certain information technology assets that were included in the second quarter special charges.

Income Tax

Income tax expenses decreased by approximately $1.4 million to $25.2 million in 1999, representing an effective rate of 38.2 percent compared to an effective rate of 37.9 percent in 1998.

Net Income

Net income was $40.8 million or $1.12 per diluted share in 1999 compared to net income of $43.6 million or $1.20 per diluted share in 1998.

Summary of Operating Results
1999 vs. 1998

INFORMATION BY INDUSTRY SEGMENT
(dollars in thousands)

OPERATING REVENUES	**1999**	1998	$ Change
Railway (a)	**164,899**	162,389	2,510
Trucking	**29,011**	29,774	(763)
Realty:			
Flagler Realty Rental (b)	**48,179**	42,672	5,507
Flagler Realty Sales	**77,608**	7,513	70,095
Other Rental	**2,979**	2,505	474
Other Sales	**803**	459	344
Total Realty	**129,569**	53,149	76,420
Telecommunications:			
EPIK Communications	**160**	-	160
Fiber Leases	**5,271**	6,392	(1,121)
Total Telecommunications	**5,431**	6,392	(961)
Total Revenues (segment)	**328,910**	251,704	77,206
Intersegment Revenues	**(5,023)**	(4,892)	(131)
Total Revenues (consolidated)	**323,887**	246,812	77,075

OPERATING EXPENSES			
Railway (c)	**130,370**	124,936	5,434
Trucking (d)	**30,223**	29,726	497
Realty:			
Flagler Realty Rental	**37,824**	34,534	3,290
Flagler Realty Sales	**56,650**	2,563	54,087
Other Rental	**355**	160	195
Other Sales	**-**	-	-
Total Realty	**94,829**	37,257	57,572
Telecommunications:			
EPIK Communications	**3,289**	-	3,289
Fiber Leases	**255**	177	78
Total Telecommunications	**3,544**	177	3,367
Corporate General & Administrative (e)	**8,920**	2,735	6,185
Total Expenses (segment)	**267,886**	194,831	73,055
Intersegment Expenses	**(5,023)**	(4,892)	(131)
Total Expenses (consolidated)	**262,863**	189,939	72,924

(dollars in thousands)	**1999**	1998	$ Change
OPERATING PROFIT (LOSS)			
Railway	**34,529**	37,453	(2,924)
Trucking	**(1,212)**	48	(1,260)
Realty	**34,740**	15,892	18,848
Telecommunications	**1,887**	6,215	(4,328)
Corporate General & Administrative	**(8,920)**	(2,735)	(6,185)
Segment & Consolidated Operating Profit	**61,024**	56,873	4,151
Other Income (net)	**4,986**	13,326	(8,340)
Income before Taxes	**66,010**	70,199	(4,189)
Provision for Income Taxes	**(25,231)**	(26,578)	1,347
Net Income	**40,779**	43,621	(2,842)

EBITDA BY INDUSTRY SEGMENT

	1999	1998	$ Change
RAILROAD EBITDA	**49,148**	52,085	(2,937)
REALTY EBITDA:			
EBITDA from Flagler operating properties rents	**32,391**	27,090	5,301
EBITDA (loss) from Flagler land rents/holding costs	**(2,329)**	(2,268)	(61)
Equity pickups on partnership rents	**110**	-	110
Less: unallocated corporate overhead	**(4,046)**	(2,737)	(1,309)
EBITDA from Flagler rental properties, net of overheads	**26,126**	22,085	4,041
EBITDA from Flagler real estate sales, net of overheads	**20,959**	5,054	15,905
Total EBITDA – Flagler	**47,085**	27,139	19,946
EBITDA from other rental	**2,671**	2,345	326
EBITDA from other real estate sales	**803**	459	344
Total EBITDA – real estate segment	**50,559**	29,943	20,616
EPIK EBITDA	**(3,120)**	-	(3,120)

Summary of Operating Expenses
1999 vs. 1998

Rail Operating Expenses (dollars in thousands)	**1999**	**1998**	**$ Change**
Compensation & Benefits	**53,874**	52,108	1,766
Fuel	**9,706**	9,220	486
Equipment Rents (net)	**2,306**	1,671	635
Depreciation	**14,582**	14,802	(220)
Purchased Services	**8,958**	10,054	(1,096)
Repairs Billed to/by Others (net)	**(2,086)**	(1,368)	(718)
Load/Unload	**8,010**	8,622	(612)
Casualty & Insurance	**5,698**	5,787	(89)
Property Taxes	**4,280**	4,008	272
Materials	**10,832**	11,124	(292)
General & Administrative	**10,590**	6,949	3,641
Other	**3,620**	1,959	1,661
Total Operating Expenses-Rail Segment	**130,370**	124,936	5,434
Trucking Operating Expenses			
Compensation & Benefits	**3,282**	3,439	(157)
Fuel	**1,092**	1,180	(88)
Equipment Rents (net)	**1,519**	1,624	(105)
Depreciation	**35**	55	(20)
Purchased Services	**10,910**	11,511	(601)
Repairs Billed to/by Others (net)	**972**	1,236	(264)
Casualty & Insurance	**1,947**	779	1,168
Property Taxes	**257**	221	36
General & Administrative	**4,833**	4,627	206
Other	**677**	314	363
Intersegment Expenses	**4,699**	4,740	(41)
Total Operating Expenses-Trucking Segment	**30,223**	29,726	497
Realty Operating Expenses			
Real Estate Taxes-Developed	**5,157**	5,913	(756)
Repairs & Maintenance-Recoverable	**1,271**	1,454	(183)
Services, Utilities, Management Costs	**8,085**	6,606	1,479
Subtotal-Expenses subject to recovery	**14,513**	13,973	540
Realty Sales Expense	**56,650**	2,563	54,087
Real Estate Taxes-Undeveloped Land	**2,773**	2,377	396
Repairs & Maintenance-Non-recoverable	**558**	788	(230)
Depreciation & Amortization	**15,536**	13,562	1,974
SG&A-Non-recoverable	**4,799**	3,994	805
Subtotal-Non-recoverable Expenses	**80,316**	23,284	57,032
Total Operating Expenses-Realty Segment	**94,829**	37,257	57,572
Total Operating Expenses-Telecom Segment	**3,544**	177	3,367
Corporate General & Administrative	**8,920**	2,735	6,185
Total Segment Operating Expenses	**267,886**	194,831	73,055

(Prior years results have been reclassified to conform to current year's presentation.)

(a) Included intersegment revenues of $4,699 and $4,740 for the year ended December 31, 1999 and 1998, respectiv

(b) Included intersegment revenues of $324 and $152 for the year ended December 31, 1999 and 1998, respectively.

(c) Included intersegment expenses of $136 and $55 for the year ended December 31, 1999 and 1998, respectively.

(d) Included intersegment expenses of $4,699 and $4,740 for the year ended December 31, 1999 and 1998, respecti

(e) Included intersegment expenses of $188 and $97 for the year ended December 31, 1999 and 1998, respectively.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company made substantial capital expenditures during 2000, especially for the design, construction and development of EPIK's southeast network and other telecommunications initiatives. Capital expenditures for 2000 were $177.5 million, $62.0 million and $32.0 million at EPIK, Flagler and FECR, respectively. For 2001, the Company plans to continue to develop the value of its assets with follow through capital investment in the range of $350.0 to $375.0 million. The focus will be continued improvements in transportation, development of the real property portfolio and completion of the southeast telecommunications build-out announced last year. This investment program is planned to be financed through use of the Company's cash balances, bank debt, non-recourse financing for the Company's leased up realty holdings, as well as internally generated cash flow.

Net cash generated by operations was $134.5 million, $56.0 million and $31.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. Net cash generated by operations for the year ended December 31, 2000 was due primarily from net income, non-cash items and changes in working capital. Also, included in net cash generated from operations was the sale of trading investments.

Cash used in investing activities was $217.6 million, $52.0 million and $44.1 million for the years ended December 31, 2000, 1999 and 1998, respectively. For the year 2000, these funds were used for capital expenditures at the Company's subsidiaries.

Cash flows from or (used in) financing activities were $85.8 million, ($2.8 million) and ($3.6 million) for the years ended December 31, 2000, 1999 and 1998, respectively. During the year 2000, the Company borrowed $88.0 million from its $200.0 million revolving credit agreement. On March 22, 2001, this facility was restructured into a secured facility with borrowing capacity of $375.0 million.

The Company anticipates that its cash flows from operations will not generate enough capital to finance its growth plans, especially in telecommunications and realty. The Company will meet this demand with borrowings on its revolving agreement and non-recourse financing on its real estate holdings.

The Company's capital requirements may vary based upon the timing and the success of implementation of its business plan and as a result of regulatory, technological and competitive developments or if: (i) demand for the Company's services or cash flow from operations is less than or more than expected, (ii) the Company's plans or projections change or prove to be inaccurate, (iii) the Company makes acquisitions, or (iv) the Company accelerates deployment of its network or otherwise alters the schedule or targets of its business plan implementation. The expectations of required future capital expenditures are based on the Company's current estimates.

Environmental Liabilities

The Company is subject to proceedings arising out of environmental laws and regulations, which primarily relate to the disposal and use of fuel and oil used in the transportation business. It is the Company's policy to accrue and charge against earnings environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted.

Compliance with the federal, state, and local laws and regulations relating to the protection of the environment has not affected the Company's capital additions, earnings or competitive position, nor does management anticipate any future problems will adversely affect the Company's financial situation based upon the information available today.

Environmental expenditures for capital improvements and infrequent expenditures for ongoing operations and maintenance have historically been insignificant to the operations of the Company. Management does not anticipate any changes in these expenditures.

These expenditures are expected to be funded from current operations supplemented, as necessary, by cash and investments currently on hand and through the sale of properties.

ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK*

The Company's primary market risk exposure is interest rate risk primarily related to the Company's investment portfolio. The portfolio is materially comprised of fixed rate municipal securities with active secondary or resale markets to ensure portfolio liquidity. The Company does not use derivative financial instruments to hedge its investment portfolio.

The table below presents principal amounts and related weighted-average interest rates by year of maturity for the Company's investment portfolio, segregated into trading and non-trading. The weighted-average interest rates for the various fixed-rate investments are based on the actual rates that existed as of December 31, 2000.

Expected Contractual Maturities

(dollars in thousands)	2001	Fair Value
Short-Term Investments		
Available-for-Sale:		
Tax Exempt Municipals		
Fixed-Rate	13,437	12,942
Weighted-Average Interest Rate	6.75%	
Other Investments		
Available-for-Sale:		
Other Debt Securities		
Fixed-Rate	788	1,304
Weighted-Average Interest Rate	5.00%	

As the table incorporates only those exposures that exist as of December 31, 2000, it does not consider those exposures or positions that could arise after that date. As a result, the Company's ultimate realized gain or loss with respect to interest rate fluctuations would depend on the exposures that arise during the period and market interest rates.

The Company also maintains a revolving credit facility on which interest rate floats with the current market rate, currently 7.07%, and such rate approximates the Company's fair market value of borrowing.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Independent Auditors' Report

The Board of Directors and Shareholders
Florida East Coast Industries, Inc.:

We have audited the consolidated balance sheets of Florida East Coast Industries, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2000. In connection with our audits of the consolidated financial statements, we also audited the financial statement schedule as listed in the accompanying Index on Page 59 of this Report on Form 10-K for the year 2000. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Florida East Coast Industries, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Jacksonville, Florida
February 9, 2001

Consolidated Statements of Income

Years ended December 31, 2000, 1999 and 1998

(dollars in thousands, except per share amounts)	Years ended December 31, 2000	1999	1998
Operating Revenues	**276,276**	323,887	246,812
Operating Expenses (Note 4)	**241,092**	262,863	189,939
Operating Profit	**35,184**	61,024	56,873
Other Income (net) (Note 15)	**7,832**	4,986	13,326
Income before Income Taxes	**43,016**	66,010	70,199
Provision for Income Taxes (Note 8)	**17,258**	25,231	26,578
Net Income	**25,758**	40,779	43,621
Per Share Data:			
Cash Dividends	**$0.10**	$0.10	$0.10
Basic Net Income Per Share	**$0.71**	$1.12	$1.20
Diluted Net Income Per Share	**$0.70**	$1.12	$1.20
Average Shares Outstanding-Basic	**36,364,867**	36,301,527	36,286,360
Average Shares Outstanding-Diluted	**36,705,908**	36,508,631	36,298,906

(Prior years results have been reclassified to conform to current year’s presentation.)

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

(dollars in thousands)	2000	1999
Assets		
Current Assets:		
Cash and Cash Equivalents	**18,444**	15,715
Short-Term Investments (Note 6)	**12,942**	46,433
Accounts Receivable (net)	**34,513**	25,130
Materials and Supplies	**3,653**	5,565
Other Current Assets (Note 8)	**8,772**	6,408
Total Current Assets	**78,324**	99,251
Other Investments (Note 6)	**1,304**	40,404
Properties, Less Accumulated Depreciation (Note 5)	**989,283**	742,176
Other Assets and Deferred Charges	**42,627**	29,047
Total Assets	**1,111,538**	910,878
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts Payable	**81,814**	31,880
Income Taxes	**4,834**	2,409
Accrued Casualty and Other Liabilities (Note 10)	**2,647**	2,533
Other Accrued Liabilities	**5,568**	4,547
Total Current Liabilities	**94,863**	41,369
Deferred Income Taxes (Note 8)	**136,170**	133,444
Long-Term Debt	**88,000**	0
Accrued Casualty, Deferred Revenue, and Other Liabilities (Note 10)	**44,401**	11,624
Shareholders' Equity:		
Common Stock:	**65,762**	64,049
Class A Common Stock, no par value; 50,000,000 shares authorized; 17,674,811 shares issued and 16,875,727 shares outstanding at December 31, 2000, and 37,194,244 shares issued and 36,395,160 outstanding at December 31, 1999		
Class B Common Stock, no par value; 100,000,000 shares authorized; 19,609,216 shares issued and outstanding at December 31, 2000 and 0 shares issued and outstanding at December 31, 1999		
Retained Earnings	**693,384**	671,269
Accumulated Other Comprehensive Income-Unrealized Gain On Securities (net) (Notes 6 and 12)	**13**	317
Restricted Stock Deferred Compensation (Note 13)	**(1,700)**	(1,839)
Treasury Stock at Cost (799,084 shares)	**(9,355)**	(9,355)
Total Shareholders' Equity	**748,104**	724,441
Total Liabilities and Shareholders' Equity	**1,111,538**	910,878

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(dollars in thousands, except per share amounts)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	RESTRICTED STOCK DEFERRED COMPENSATION	TREASURY STOCK	TOTAL
Balance at December 31, 1997	37,085,444	60,802	594,132	3,296	-	(9,355)	648,875
Comprehensive Income:							
Net Income	-	-	43,621	-	-	-	-
Net unrealized loss on securities, net of reclassification adjustment (see Note 12)	-	-	-	(2,079)	-	-	-
Total Comprehensive Income	-	-	-	-	-	-	41,542
Dividends declared on common stock ($.10) per share	-	-	(3,627)	-	-	-	(3,627)
Restricted stock granted, net of amortization (see Note 13)	40,000	1,198	-	-	(1,157)	-	41
Balance at December 31, 1998	37,125,444	62,000	634,126	1,217	(1,157)	(9,355)	686,831
Comprehensive Income:							
Net Income	-	-	40,779	-	-	-	-
Net unrealized loss on securities, net of reclassification adjustment (see Note 12)	-	-	-	(900)	-	-	-
Total Comprehensive Income	-	-	-	-	-	-	39,879
Dividends declared on common stock ($.10) per share	-	-	(3,636)	-	-	-	(3,636)
Exercise of stock options	32,000	880					880
Restricted stock granted, net of amortization (see Note 13)	36,800	1,169	-	-	(682)	-	487
Balance at December 31, 1999	37,194,244	64,049	671,269	317	(1,839)	(9,355)	724,441
Class A common stock canceled	(19,609,216						
Class B common stock issued	19,609,216						
Comprehensive Income:							
Net Income			25,758				
Net unrealized loss on securities, net of reclassification adjustment (see Note 12)				(304)			
Total Comprehensive Income							25,454
Dividends declared on common stock ($.10) per share			(3,643)				(3,643)
Exercise of stock options	52,484	1,466					1,466
Restricted stock granted, net of amortization (see Note 13)	37,299	247			139		386
Balance at December 31, 2000	37,284,027	65,762	693,384	13	(1,700)	(9,355)	748,104

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998

Cash Flows from Operating Activities: (dollars in thousands)	**2000**	1999	1998
Net Income	**25,758**	40,779	43,621
Adjustments to Reconcile Net Income to Cash Generated by Operating Activities:			
Depreciation and Amortization	**41,730**	32,830	29,961
Gain on Disposition of Assets	**(9,604)**	(16,846)	(393)
Sales (Purchase) of Trading Investments (net)	**34,100**	(9,962)	(34,754)
Realized Loss (Gains) on Investments	**(438)**	1,517	(5,880)
Non-monetary Fiber Optic Transaction	**0**	0	(2,518)
Deferred Taxes	**1,816**	1,429	1,244
Stock Compensation Plans	**385**	487	41
Changes in Operating Assets and Liabilities:			
Accounts Receivable	**(9,383)**	4,152	1,763
Other Current Assets	**580**	3,303	(1,149)
Other Assets and Deferred Charges	**(13,360)**	(3,441)	(5,340)
Accounts Payable	**49,934**	2,428	5,979
Income Taxes Payable	**2,425**	963	(3,184)
Other Current Liabilities	**1,021**	(1,253)	(858)
Accrued Casualty, Deferred Reserve and Other Long-Term Liabilities	**9,544**	(392)	2,793
Net Cash Generated by Operating Activities	**134,508**	55,994	31,326
Cash Flows from Investing Activities:			
Purchases of Properties	**(273,677)**	(110,060)	(89,028)
Purchases of Investments:			
Available-for-Sale	**(1,900)**	(133,296)	(57,145)
Maturities and Redemption of Investments:			
Available-for-Sale	**40,404**	124,451	95,775
Proceeds from Disposition of Assets	**17,571**	66,932	6,304
Net Cash from (used in) Investing Activities	**(217,602)**	(51,973)	(44,094)
Cash Flows from Financing Activities:			
Payment of Dividends	**(3,643)**	(3,636)	(3,627)
Proceeds from Stock Options Exercised	**1,466**	880	0
Proceeds from line of credit	**88,000**	0	0
Net Cash Used in Financing Activities	**85,823**	(2,756)	(3,627)
Net Increase (Decrease) in Cash and Cash Equivalents	**2,729**	1,265	(16,395)
Cash and Cash Equivalents at Beginning of Year	**15,715**	14,450	30,845
Cash and Cash Equivalents at End of Year	**18,444**	15,715	14,450
Supplemental Disclosure of Cash Flow Information:			
Cash Paid for Income Taxes	**13,136**	22,632	26,460
Cash Paid for Interest	**632**	377	351
Property Contributed to Partnerships, net of Cash Receipts	**5,495**	7,762	0

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2000, 1999 and 1998

1. Nature of Business

The principal operations of Florida East Coast Industries, Inc. (the Company or FECI) and its subsidiaries primarily relate to the transportation of goods by rail and truck, the development, leasing, management and sale of real estate, and the more recently "carriers' carrier" telecommunications business offering bandwidth capacity, dark fiber leases and collocation services to telecommunications providers. The Company's rail segment operates only within the state of Florida with approximately 49.0 percent of its revenues derived from local moves along the Company's line. Approximately 45.0 percent of the rail segment's revenues were derived from five of its largest customers, with approximately $29,400,000, $26,900,000 and $25,200,000, 18.0 percent, 17.0 percent and 15.3 percent, in 2000, 1999 and 1998, respectively, generated by one significant customer. The realty segment of the Company presently operates in Florida with business parks in Jacksonville, Orlando and the South Florida markets. Flagler's operating properties are Class "A" office space and high quality commercial/industrial facilities. During 2000, Flagler built up a management team to begin the transition of responsibilities from The St. Joe Company (St. Joe), which included asset management. St. Joe continues to provide development, construction coordination and leasing services and property management for the portfolio of buildings. EPIK's southeast regional footprint runs primarily in the states of Florida and Georgia. EPIK provides bandwidth, dark fiber, collocation and wave services as a wholesale "carriers' carrier." The Company's trucking segment has operating rights within the forty-eight states but primarily operates within the Southeast. During 2000, the new management team moved the trucking company's headquarters from Cincinnati, Ohio to Jacksonville, Florida.

2. Recapitalization and Majority Stockholder

On October 9, 2000, the St. Joe Company (St. Joe) and FECI completed the recapitalization of FECI, and St. Joe implemented the pro-rata spin-off to St. Joe shareholders of St. Joe's approximate 54.0 percent interest in FECI. Under the terms of the recapitalization, which was approved along with certain corporate governance provisions at a special meeting of FECI shareholders on March 8, 2000, St. Joe received a new class of FECI common stock, Class B common stock (NYSE: FLA.b) for each share of FECI common stock it owned. St. Joe then distributed the Class B common stock to its shareholders, after which it no longer has an equity interest in FECI. Holders of Class B common stock have the right to elect, as a class, at least 80.0 percent of the FECI Board of Directors.

All shares of FECI common stock, other than Class B common stock, have been redesignated as FECI Class A common stock. The Class A common stock will continue trading on the NYSE under the symbol FLA. Except with respect to voting rights for the election or removal of Directors, the Class A and Class B common stocks are identical. Terms of the recapitalization, including the shareholders' agreement, are contained in the Special Shareholders' Meeting Proxy Statement filed February 4, 2000, on Form 14A.

Alfred I. duPont Testamentary Trust owns 58.5 percent of the Class B common stock, and the Nemours Foundation owns 10.7 percent of the Class A and 3.0 percent of the Class B common stock. The holdings of the Trust, together with the holdings of Class A common stock and Class B common stock held by the Nemours Foundation, together equal 37.8 percent of the Company's outstanding common stock as of March 31, 2001.

St. Joe and its affiliates continue to provide significant real estate services to the Company under contracts expiring in October 2003. These services include property management, development management and construction coordination. Amounts paid to St. Joe for these services in 2000, 1999 and 1998 were $1,579,000, $2,648,000 and $2,125,000 for asset management fees, $2,956,000, $2,916,000 and $2,055,000 for property management fees, $1,630,000, $2,538,000 and $1,833,000 for development fees, $2,665,000, $2,308,000 and $1,804,000 for construction coordination fees and leasing commissions, and $657,000, $1,017,000 and $0 for commissions on real estate sales, respectively.

3. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Railway Revenues: Rail and intermodal revenue is recognized proportionately as freight moves from origin to destination.

Trucking Revenues: Revenue is recognized upon completion of transportation services at destination.

Realty Land Sales: Revenue is recognized upon closing of sales contracts for sale of land or upon settlement of legal proceedings such as condemnations.

Realty Rental Income: Revenue is recognized upon commencement of rental and lease contracts. The Company uses the straight-line basis for recording the revenues over the life of the lease contract.

Dark Fiber, Collocation and Bandwidth Revenues: Revenue is recognized upon commencement of rental and lease contracts. The Company uses the straight-line basis for recording the revenues over the life of the lease contract. Any advance payments called for in the agreement are deferred and included in deferred revenues.

Dark Fiber Swaps: No revenue is recognized on swap transactions. Historical “carryover basis” is assigned to received fiber in an exchange.

Materials and Supplies

New materials and supplies are stated principally at average cost which is not in excess of replacement cost. Used materials are stated at an amount which does not exceed estimated realizable value.

Properties

Railway and trucking properties are stated at historical cost and are depreciated and amortized on the straight-line method over the estimated useful lives. Road properties’ depreciation is based on lives ranging from 10 to 40 years, and equipment properties on lives varying from 9 to 27.5 years. Gains and losses on normal retirements of these items are credited or charged to accumulated depreciation.

Real estate properties are stated at historical cost. Depreciation is computed using the straight-line method over estimated asset lives of 15 years for land improvements and 18 to 40 years for buildings. Tenant improvements are depreciated over the term (1-15 years) of the related lease agreement.

Telecommunications assets are stated at historical cost and depreciated on the straight-line method over their estimated asset lives of 40 years for certain buildings and 3-20 years for all other network assets.

The Company reviews its property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to the net cash flows expected to be generated by the asset.

The Company capitalizes interest during the construction of new facilities (e.g., buildings, network, etc.) and is amortized over the life of the asset. During 2000, $587,000 of interest was capitalized.

Earnings Per Share

The diluted weighted-average number of shares includes the net shares that would be issued upon the exercise of “in the money” stock options using the treasury stock method.

Cash and Cash Equivalents

For purposes of cash flows, 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.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards (SFAS No. 109), "Accounting for Income Taxes." Under Statement 109, 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 bases. 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. Under Statement 109, 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.

Investments

The Company classifies its debt and marketable equity securities in one of three categories: trading, available-for-sale or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near-term. Held-to-maturity securities are those securities in which the Company has the ability and intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale. All securities held at December 31, 2000 are considered available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, which represents the adjustment for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect on available-for-sale securities, are excluded from earnings and are reported as a separate component of shareholders' equity until realized.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security.

Realized gains and losses for securities classified as available-for-sale and held-to-maturity are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB Opinion No. 25), and related interpretations in accounting for stock options. As such, compensation expenses would be recorded on the date of the grant only if the current market price of the underlying stock exceeded the exercise price. Compensation expenses for grants of restricted stock are recognized over the applicable vesting period (generally five years).

Comprehensive Income

SFAS No. 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and net unrealized gains (losses) on available-for-sale securities and is presented in the consolidated statements of shareholders’ equity and comprehensive income. The statement requires only additional disclosures in the consolidated financial statements. It does not affect the Company’s financial position or results of operations.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year's presentation.

4. Restructuring and Special Charges

In the third quarter of 2000, the Company's trucking subsidiary, FLX, incurred restructuring charges and other costs, including expenses associated with relocation of FLX's headquarters from Cincinnati, Ohio, to Jacksonville, Florida, as well as force reductions and severance payments, and the addition of new facilities and staff at the new headquarters. The costs and charges also include the restructuring of the existing terminal network, the opening of an additional terminal in Charlotte, North Carolina, and a charge for the impairment of goodwill associated with the original acquisition of FLX. The total amount of the pre-tax charges is $5.3 million.

Included in the charges is $3.1 million for the impairment of goodwill, $0.3 million for buyout of lease commitments on headquarters' and operational buildings abandoned in the reorganization, and employee severance costs of $0.1 million. The $3.1 million of goodwill is non-deductible for federal income tax purposes. Other costs include additional equipment lease cost of $0.9 million, recruiting, relocation and other costs of assembling the new management team of $0.4 million, costs of $0.1 million to consolidate information technology operations and systems to FECI's service provider, along with other miscellaneous costs of $0.4 million.

The Company periodically evaluates intangibles for impairment of value. During the third quarter, the Company determined the underlying intangible assets (i.e., enterprise goodwill for existing operational platform, autonomous region structure, management team expertise, access to Macon, Georgia intermodal facilities) originally acquired with the purchase of FLX should be written down to their net realizable value. Using discounted cash flows for the enterprise as a whole and assumptions for future revenue and costs, $3.1 million was considered impaired and included as a part of the previously mentioned restructuring costs. All remaining restructuring and other costs were determined by amounts incurred, contractual liabilities or in the case of employee severance benefits communicated to affected personnel. The restructuring and payments for the costs accrued were completed by year-end.

In the second quarter 1999, the Company incurred special charges of approximately $8.2 million related to a work force reduction, including curtailment of a supplemental executive retirement plan first adopted in late 1998, and inventory reductions arising from a modification to the Company's inventory management practices.

5. Properties

Properties consist of:

	2000	1999
FECR Properties:		
Road Equipment	**368,457**	353,982
Buildings	**1,436**	1,436
Equipment	**192,538**	191,432
Land	**5,112**	4,797
Fiber	**3,200**	4,944
Construction in Progress	**3,959**	2,368
	574,702	558,959
Less Accumulated Depreciation	**230,450**	226,108
	344,252	332,851
FLX Properties:		
Equipment	**1,424**	1,098
Less Accumulated Depreciation	**743**	761
	681	337
EPIK Properties:*		
Equipment	**59,242**	624
Buildings	**1,860**	0
Land	**177**	0
Collocation	**5,593**	0
Fiber Network	**24,012**	0
Construction in Progress	**124,161**	5,257
	215,045	5,881
Less Accumulated Depreciation	**2,790**	9
	212,255	5,872
Flagler Properties:		
Land and Land Improvements	**182,411**	187,387
Buildings	**286,303**	233,830
Construction in Progress	**23,006**	25,093
	491,720	446,310
Less Accumulated Depreciation & Amortization	**68,206**	52,406
	423,514	393,904
Corporate:		
Equipment	**11,965**	10,899
Construction in Progress	**588**	109
	12,553	11,008
Less Accumulated Depreciation	**3,972**	1,796
	8,581	9,212

*Included in 2000 amounts are $23.3 million of assets (primarily fiber), which were exchanged under long-term agreements for the use of dark fiber and collocation space.

Real estate properties, having a net book value of $285.6 million at December 31, 2000, are leased under non-cancelable operating leases with expected aggregate rentals of $171.4 million, which are due in years 2001-2005 in the amounts of $48.1, $41.9, $34.0, $25.9 and $21.4 million, respectively, and $51.9 million thereafter.

Telecommunications properties, predominately dark fiber and collocation assets, are committed under long-term agreements with expected aggregate rentals of $184.8 million which are due in years 2001-2005 in the amounts of $12.4, $13.5, $12.1, $8.9, $8.8 million, respectively, and $129.1 million thereafter.

6. Investments

In 1999, other investments represented a development fund created to accumulate capital expected to be required for future improvement of the Company's real estate properties or other corporate needs. During 2000, these funds were liquidated for capital expenditures and other corporate needs. There were gross realized gains of $6,729 and $1,157,979 and gross realized losses of $158,876 and $573,360 from available-for-sale securities for 2000 and 1999, respectively.

Investments at December 31, 2000 consist of:

(dollars in thousands)	Cost	Carrying Value	Fair Value	Unrealized Gain	Unrealized Loss
Short-Term Investments					
Available-for-Sale:					
Tax Exempt Municipals	**13,437**	**12,942**	**12,942**		**(495)**
Total Short-Term Investments	**13,437**	**12,942**	**12,942**		**(495)**
Other Investments					
Available-for-Sale					
Other Debt Securities	**788**	**1,304**	**1,304**	**516**	
Total Other Investments	**788**	**1,304**	**1,304**	**516**	

Investments at December 31, 1999 consist of:

(dollars in thousands)	Cost	Carrying Value	Fair Value	Unrealized Gain	Unrealized Loss
Short-Term Investments					
Trading:					
Cash	152	152	152		
Tax Exempt Municipals	46,806	46,281	46,281		(525)
Total Trading Investments	46,958	46,433	46,433		(525)
Other Investments					
Available-for-Sale					
U.S. Government Securities:					
Maturing in 1-5 years	30,854	30,893	30,893	39	
Tax Exempt Municipals:					
Maturing in 1-5 years	5,271	5,271	5,271		
Maturing in more than 10 years	2,692	2,692	2,692		
Other Debt Securities	788	1,265	1,265	477	
Equity Securities	283	283	283		
Total Other Investments	39,888	40,404	40,404	516	

7. Collateral Trust 5% Bonds

There were outstanding at December 31, 2000 and 1999, $11,494,800 and $11,724,050, respectively, of the Company's Collateral Trust 5% Bonds (the Bonds) due in 2001. Direct obligations of the U.S. Government, the cash flows from which approximately coincide as to timing and amount with the scheduled interest and principal payments on the Bonds, are held in trust for the purpose of making such payments. Accordingly, the Bonds are considered to be extinguished and, therefore, are not reflected in the Company's financial statements.

8. Income Taxes

Total income tax expense for the years ended December 31, 2000, 1999 and 1998 was allocated as follows:

(dollars in thousands)	**2000**	1999	1998
Income from continuing operations	**17,258**	25,231	26,578
Shareholders' equity for recognition of unrealized holding (loss) on investments available-for-sale	**(121)**	(526)	(1,354)
	17,137	24,705	25,224

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

(dollars in thousands)	**2000**	1999	1998
Amount computed at statutory federal rate	**15,055**	23,104	24,569
Effect of dividends received exclusion and tax-free interest	**(1,206)**	(1,188)	(1,169)
Effect of goodwill impairment and amortization exclusion	**1,213**	152	152
State taxes (net of federal benefit)	**1,520**	2,333	2,499
Other (net)	**676**	830	527
	17,258	25,231	26,578

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 are as follows:

(dollars in thousands)	**2000**	1999
Deferred Tax Assets:		
Accrued casualty and other liabilities	**4,016**	3,651
Other	**1,743**	144
Total deferred tax asset	**5,759**	3,795
Deferred Tax Liabilities:		
Properties, principally due to differences in depreciation	**101,716**	100,283
Deferred gain on land sales	**29,395**	31,303
Deferred profit on bonds extinguished	**338**	658
Unrealized holding gain on investments available-for-sale	**8**	199
Straight-line rent	**1,974**	848
Other	**5,085**	1,445
Total deferred tax liabilities	**138,516**	134,736
Net deferred tax liabilities	**132,757**	130,941

There was no valuation allowance provided for deferred tax assets as of December 31, 2000 and 1999 as the Company believes the results of future operations will generate sufficient taxable income to realize the deferred tax assets.

Deferred tax assets of $3,413 and $2,503 at December 31, 2000 and 1999, respectively, were included in other current assets.

9. Segment Information

The Company follows Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 provides guidance for reporting information about operating segments and other geographic information based on a management approach. The accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies. Under the provisions of SFAS 131, the Company has four reportable operating segments all within the same geographic area. These are the railway segment, realty segment, telecommunications segment and the trucking segment.

The railway segment provides rail freight transportation along the East Coast of Florida between Jacksonville and Miami. The realty segment is engaged in the development, leasing, management, operation and selected sale of its commercial and industrial property. EPIK, based in Orlando, Florida, provides wholesale telecommunications private line services (bandwidth), collocation services and dark fiber. The trucking segment provides truckload transportation for a wide range of general commodities throughout the Midwest and southeastern United States.

The Company's railway segment generates revenues from leases to other telecommunications companies for the installation of fiber optic and other facilities on the railroad right-of-way, which are included in the telecommunications segment.

The Company evaluates the railway and trucking segments' performance based on operating profit or loss from operations before other income and income taxes. Operating profit is operating revenue less directly traceable costs and expenses. The Company evaluates the realty segment based on EBITDA and operating profit. The Company evaluates the telecommunications segment's performance, specifically EPIK's, based on EBITDA and more broadly (i.e., the segment inclusive of passive fiber leases) by operating profit or loss. EPIK's operations are currently start-up in nature and as such, are expected to generate losses during this time frame. EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. EBITDA, as a measure of operating cash flow, is considered a key financial performance indicator.

Intersegment revenues for transactions between the railway and trucking segments are based on quoted rates, which are believed to approximate the cost that would have been incurred had similar services been obtained from an unrelated third party.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately as each business requires different technology and marketing strategies.

Information by industry segment follows:

(dollars in thousands) **OPERATING REVENUES**	**2000**	1999	1998
Railway (a)	**164,844**	164,899	162,389
Trucking	**31,601**	29,011	29,774
Realty:			
Flagler Realty Rental (b)	**54,196**	48,179	42,672
Flagler Realty Sales	**15,692**	77,608	7,513
Other Rental	**3,253**	2,979	2,505
Other Sales	**1,815**	803	459
Total Realty	**74,956**	129,569	53,149
Telecommunications:			
EPIK Communications	**3,393**	160	-
Fiber Leases	**6,984**	5,271	6,392
Total Telecommunications	**10,377**	5,431	6,392
Total Revenues (segment)	**281,778**	328,910	251,704
Intersegment Revenues	**(5,502)**	(5,023)	(4,892)
Total Revenues (consolidated)	**276,276**	323,887	246,812
OPERATING PROFIT (LOSS)			
Railway	**43,663**	34,529	37,453
Trucking	**(8,151)**	(1,212)	48
Realty	**20,957**	34,740	15,892
Telecommunications	**(14,240)**	1,887	6,215
Corporate General & Administrative	**(7,045)**	(8,920)	(2,735)
Segment & Consolidated Operating Profit	**35,184**	61,024	56,873
Other Income (net)	**7,832**	4,986	13,326
Income before Taxes	**43,016**	66,010	70,199
Provision for income taxes	**(17,258)**	(25,231)	(26,578)
Net Income	**25,758**	40,779	43,621

	2000	1999	1998
Railroad EBITDA	**58.529**	49.148	52.085
REALTY EBITDA:			
EBITDA from Flagler operating properties rents	**36.279**	32.391	27.090
EBITDA (loss) from Flagler land rents/holding costs	**(3.092)**	(2.329)	(2.268)
Equity pickups on partnership rents	**78**	110	0
Less: unallocated corporate overhead	**(5.895)**	(4.046)	(2.737)
EBITDA from Flagler rental properties, net of overheads	**27.370**	26.126	22.085
EBITDA from Flagler real estate sales, net of overheads	**7.762**	20.959	5.054
Total EBITDA – Flagler	**35.132**	47.085	27.139
EBITDA from other rental	**2.857**	2.671	2.345
EBITDA from other real estate sales	**1.815**	803	459
Total EBITDA - real estate segment	**39.804**	50.559	29.943
EPIK EBITDA	**(18.649)**	(3.120)	0
Identifiable Assets:			
Transportation-Railway	**489.780**	446.618	417.887
Transportation-Trucking	**6.811**	4.199	8.062
Realty	**476.088**	462.121	434.778
Telecommunications	**47.782**	5.563	4.194
Corporate	****91.077**	(7.623)	6.620
	1.111.538	910.878	871.541

**Increase in 2000 represents advances made by FECI to its subsidiaries.

	2000	1999	1998
Capital Expenditures:			
Transportation-Railway	**31.992**	24.834	22.762
Transportation-Trucking	**616**	101	150
Realty	**61.982**	72.477	62.153
Telecommunications	**177.544**	6.060	0
Corporate	**1.543**	6.588	3.963
	273.677	110.060	89.028
Depreciation & Amortization:			
Transportation-Railway	**15.057**	14.583	15.751
Transportation-Trucking*	**3.652**	639	647
Realty	**18.462**	15.499	12.487
Telecommunications	**2.383**	263	0
Corporate	**2.176**	1.846	1.076
	41.730	32.830	29.961

*Includes amortization of goodwill of $3,465,000, $469,000 and $469,000 for 2000, 1999 and 1998, respectively.

(a) Included intersegment revenues of $5,358, $4,699 and $4,740 for the years ended December 31, 2000, 1999 and 1998, respectively.
(b) Included intersegment revenues of $144, $324 and $152 for the years ended December 31, 2000, 1999 and 1998, respectively.

10. Accrued Casualty and Other Long-Term Liabilities

The Company is subject to proceedings arising out of historic disposal of fuel and oil used in the railway business. It is the Company's policy to accrue environmental cleanup costs when it is probable that a liability has been incurred and an amount can be reasonably estimated. As assessments and cleanups proceed, these accruals are reviewed and adjusted.

Florida East Coast Railway (FECR), the Company's rail subsidiary, is presently involved in proceedings initiated by the United States Environmental Protection Agency (USEPA) for the remediation of a site in which USEPA has named FECR a potentially responsible party (PRP). USEPA has alleged that FECR caused certain materials, including waste oil, to be disposed of at the site over a period of years. There are many other PRPs named by USEPA for this site. The USEPA offered all named PRPs an opportunity to participate in its new pilot allocation program. This program is similar to binding arbitration. Since FECR is participating in this program, its share of the liability for the remediation will be fixed. FECR is working with other PRPs and USEPA to resolve this matter consistent with the allocator's decision. FECR believes that its liability for the remediation of the site will not be material.

The Company has accrued its estimated share of the total estimated cleanup costs for the site. Based upon management's evaluation, the Company does not expect to incur additional amounts, even though the Company may have joint and several liability.

FECR is investigating sites where contaminants from historic railroad operations may have migrated off-site through the movement of groundwater or contaminated soil. FECR, if required as a result of the investigation, will develop an appropriate plan of remediation, with possible alternatives including natural attenuation and groundwater pumping and treatment. Historic railroad operations at the Company's main rail facilities have resulted in soil and groundwater impacts. In consultation with the Florida Department of Environmental Protection (FDEP), the Company operates and maintains groundwater treatment systems at its primary facilities.

The Company monitors a small number of sites where properties were leased. Based on management's ongoing review and monitoring of the sites, the Company does not expect to incur material additional costs, if any, on these sites.

During the installation of conduits on a site recently acquired by the Company's telecommunications subsidiary, EPIK Communications Incorporated (EPIK), EPIK discovered a number of underground storage tanks from a prior land use. It has removed all the tanks. Field investigation indicates some contamination of soil and groundwater. EPIK is vigorously pursuing relief against PRPs, including a large petroleum and gasoline service company. Based on the information currently available, the Company does not believe the costs of remediation, even if borne by the Company, will be material.

It is difficult to quantify future environmental costs because 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. Reserves for potential environmental liabilities were $1.0 million at year-end 2000, and $1.5 million for year-end 1999. Environmental liabilities will be paid over an extended period, and the timing of such payments cannot be predicted with any confidence.

The Company maintains comprehensive liability insurance for bodily injury and property claims for risks with respect to losses for third-party liability, property damage and group health insurance coverage provided employees but maintains a significant self-insured retention for these exposures. The Company is the defendant and plaintiff in various lawsuits resulting from its operations. In the opinion of management, adequate provision has been made in the financial statements for the estimated liability which may result from disposition of such matters.

11. Retirement Plans

The Company sponsors three 401(k) plans. Contributions are at the employee's discretion with upper limits of 10.0 percent of compensation before taxes, subject to maximum limits imposed by the IRS ($10,500 in 2000), and an additional contribution up to 10.0 percent of after-tax compensation, also subject to maximum limits imposed by the IRS. Total contributions in 2000, including the Company's match if any, were limited by IRS regulations to $30,000.

401(k) Plan for Salaried Employees

The amounts of matching contributions by the Company for this plan covering the years 2000, 1999 and 1998 were approximately $436,042, $371,000 and $356,000, respectively. The expenses associated with this plan were approximately $9,285, $15,000 and $14,000 in 2000, 1999 and 1998, respectively. In accordance with the terms of the plan, the Company matched the employee's contributions $1.00 for $1.00 up to the first $1,200 contributed by the employee in 2000. For employee contributions in excess of $1,200, the Company matches $0.25 for every $1.00 in pretax employee contributions.

401(k) Plan for Hourly Wage Employees and/or Employees Covered by Collective Bargaining Agreement

This is a non-contributory plan that was instituted in April 1995. The expenses associated with this plan were approximately $4,385, $8,300 and $5,700 in 2000, 1999 and 1998, respectively.

401(k) Plan for Florida Express Carriers, Inc.

The Company matched employee contributions $0.25 for each $1.00 contributed up to contributions totaling 6.0 percent of employee's compensation in 2000. The amounts of the Company's matching contributions were approximately $20,693, $19,000 and $23,000 for 2000, 1999 and 1998, respectively. Expenses for this plan were approximately $5,512, $5,800 and $5,000 for 2000, 1999 and 1998, respectively.

Pension Plan

The Company adopted a non-funded defined benefit plan covering nine 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. At December 31, 2000 and 1999, accrued liabilities were $3.8 million and $3.9 million, respectively, related to the contract benefit obligation. The Company incurred benefit cost, primarily related to interest, of $0.3 million in 2000 and 1999.

12. Comprehensive Income

The related tax effects allocated to each component of other comprehensive income are as follows:

(dollars in thousands)		Tax	
Balance at December 31, 1998	**Before-Tax Amount**	**(Expense) Or Benefit**	**Net-of-Tax Amount**
Unrealized Gains on Securities:			
Unrealized Holding Gains Rising during Period	2,447	(839)	1,608
Less: Reclassification Adjustment for Gains Realized in Income	5,880	(2,193)	3,687
Net Unrealized Loss on Securities	(3,433)	1,354	(2,079)
Other Comprehensive Income	(3,433)	1,354	(2,079)
Balance at December 31, 1999			
Unrealized Gains on Securities:			
Unrealized Holding Gains Rising during Period	91	(40)	51
Less: Reclassification Adjustment for Losses Realized in Income	(1,517)	566	(951)
Net Unrealized Loss on Securities	(1,426)	526	(900)
Other Comprehensive Income	(1,426)	526	(900)
Balance at December 31, 2000			
Unrealized Gains on Securities:			
Unrealized Holding Losses Rising during Period	(863)	288	(575)
Less: Reclassification Adjustment for Gains Realized in Income	438	(167)	271
Net Unrealized Loss on Securities	(425)	121	(304)
Other Comprehensive Income	(425)	121	(304)

13. Stock-Based Compensation

The 1998 Stock Incentive Plan (the Plan), as amended, allows the Company to grant to employees and directors various stock awards, including stock options, which are granted at prices not less than the fair market value at the date of grant and restricted stock. A maximum of 2.6 million shares was approved to be issued under the Plan. On December 31, 2000, options for 1,619,442 shares have been granted.

The stock options may be granted over a period not to exceed 10 years and generally vest from one to five years from the date of grant. The changes in outstanding options are as follows:

	Shares under Option	Weighted-Average Exercise Price Per Share
Balance at December 31, 1997	-	-
Granted	651,872	29.807
Balance at December 31, 1998	651,872	29.807
Granted	531,100	32.277
Exercised	(32,000)	29.807
Balance at December 31, 1999	1,150,972	30.959
Granted	436,470	40.190
Exercised	(52,484)	29.505
Forfeited	(139,730)	31.822
Balance at December 31, 2000	1,395,228	33.214

Stock options outstanding and exercisable on December 31, 2000, are as follows:

Range of Exercise Prices Per Share	Shares under Option	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life in Years
Outstanding:			
27.438-38.750	1,138,928	30.903	9.74
38.751-48.438	256,300	43.482	9.74
	1,395,228	33.214	9.74
Exercisable:			
27.438-38.750	423,081	28.470	9.74
38.751-48.438	27,760	46.680	9.74
	450,841	29.590	9.74

The Company applies Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25), and related interpretations in accounting for the Plan and, therefore, no compensation expense has been recognized for stock options issued under the Plan. For companies electing to continue the use of APB 25, SFAS No. 123, “Accounting for Stock-Based Compensation,” requires pro forma disclosures determined through the use of an option-pricing model as if the provisions of SFAS No. 123 had been adopted.

The weighted-average fair value at date of grant for options granted during 2000, 1999 and 1998 was $19.30, $22.34 and $10.63 per share, respectively. The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999	1998
Expected dividend yield	**.28%**	.31%	.36%
Expected volatility	**38%**	48%	26%
Risk-free interest rate	**5.0%**	6.2%	4.8%
Expected term in years	**6.3**	6.3	6.3

If the Company had adopted the provisions of SFAS No. 123, the impact on reported net income and earnings per share would have been as follows:

	52 weeks ended 12/31/00	52 weeks ended 12/31/99	52 weeks ended 12/31/98
Net Income (in thousands)	**20,091**	36,642	42,300
Earnings Per Share:			
Basic	**$0.55**	$1.01	$1.17
Diluted	**$0.55**	$1.00	$1.17

During 2000 and 1999, the Company also awarded 41,549 and 76,800 shares, respectively, of restricted stock under the Plan, with a weighted average fair value at the date of grant of $36.421 and $30.271, respectively, per share. These restricted shares vest ratably after five years of continued employment. Compensation expense related to this award was $304,000 and $487,000 for 2000 and 1999, respectively.

EPIK's senior management, through awards of non-qualified stock options and stock appreciation rights, has an equity participation in EPIK, which provides them approximately 15.0 percent of common equity value. Compensation expense related to the stock appreciation rights in 2000 was $2.2 million.

14. Quarterly Financial Data (Unaudited)
(dollars in thousands, except per share amounts)

	2000				1999			
	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Operating Revenues	75,673	70,145	65,299	65,159	90,188	61,619	61,715	110,365
Other Income	2,087	1,242	498	4,005	284	1,482	1,274	1,946
Operating Expenses	68,112	65,564	54,497	52,919	71,218	48,526	57,593	85,526
Net Income	5,787	2,099	7,033	10,839	11,877	8,587	3,559	16,756
Basic Net Income Per Share	$0.16	$0.06	$0.19	$0.30	$0.33	$0.23	$0.10	$0.46

15. **Other Income**

(dollars in thousands)	**2000**	1999	1998
Dividend Income	**2,581**	1,072	1,372
Interest Income	**3,766**	4,744	4,312
Interest Expense	**(932)**	(378)	(351)
Gain (Loss) on Investments	**(438)**	(1,517)	5,880
Other (net)	**2,855**	1,065	2,113
	7,832	4,986	13,326

16. Credit Revolver and Other Commitments

The Company has a $200.0 million revolving credit agreement with certain financial institutions. The borrowings under the credit agreement are unsecured and for which the Company presently pays (quarterly) commitment and utilization fees, as applicable under the agreement, at a range of 10-15 basis points and 10-25 basis points, respectively. The Company's revolving credit agreement contains various covenants which, among other things, require the maintenance of certain financial ratios related to fixed charge coverage and maximum leverage, establish minimum levels of net worth, establish limitations on indebtedness, certain types of payments, including dividends, liens and investments, and limit the use of proceeds of asset sales. The above covenants provide specific exclusion of EPIK's financial results and also provide for exclusion of certain financing and investing activities at Flagler. Borrowings under the credit agreement bear interest at variable rates linked to the LIBOR Index. Interest on borrowings is due and payable on the "rollover date" for each draw. Outstanding borrowings can be paid at any time by the borrower or at the conclusion of the facilities term (March 31, 2003). During the fourth quarter of 2000, the Company borrowed $88.0 million at an average rate of 7.07 percent. At December 31, 2000, there were $88.0 million of direct borrowings outstanding under the facility.

On March 22, 2001, the Company's revolving credit agreement was restructured into a secured facility with a borrowing capacity of $375.0 million. Borrowings under the credit agreement continue to bear interest at variable rates linked to the LIBOR Index. The credit agreement also continues to contain various covenants which, among other things, requires the maintenance of certain financial ratios related to fixed charge coverage and maximum leverage, establishes minimum levels of net worth, establishes limitations on indebtedness, certain types of payments, including dividends, liens and investments, and limits the use of proceeds of asset sales.

The Company is obligated under several non-cancelable operating leases covering its facilities and equipment. The lease terms are from 4 to 7 years. Future minimum payments under the leases and credit revolver debt are as follows:

Year	Amount
2001	$7,097,000
2002	5,030,000
2003*	94,637,000
2004	3,503,000
2005	3,943,000
Thereafter	7,007,000

*Includes debt repayment of $88.0 million in year 2003.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information set forth under the captions "Election of Directors-Nominees," "Section 16(a) Beneficial Ownership Reporting Compliance," "Compensation of Executive Officers and "Executive Employment Agreements," in the Company's definitive Proxy Statement for its 2001 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Proxy Statement), containing the information required by this Item 10 is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the captions "Compensation Committee Report," "Compensation of Executive Officers," "Option Grants in Last Fiscal Year," "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values," "Executive Employment Agreements," "Compensation of Directors," and "Performance Graph" in the Proxy Statement contains the information required in this Item 11 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement contains the information required in this Item 12 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under the caption "Certain Relationships and Related Transactions" in the Proxy Statement contains the information required in this Item 13 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) **1. Financial Statements**

The financial statements and schedules listed in the accompanying Index to Financial Statements and Financial Statement Schedule are filed as part of this Report.

2. Exhibits

The Exhibits listed on the accompanying Index to Exhibits are filed as part of this Report.

(b) **Reports on Form 8-K**

1. Form 8-K was filed on May 22, 2000 covering an Analyst Presentation dated May 18, 2000.

2. Form 8-K was filed on October 10, 2000, announcing the recapitalization of Florida East Coast Industries, Inc. and the completion on October 9, 2000 of the pro rata spin-off by The St. Joe Company of the approximate 54.0 percent equity interest held by St. Joe in FECI to St. Joe shareholders was completed on October 9, 2000.

3. Form 8-K was filed on November 13, 2000, announcing that Mr. John McClellan, President of EPIK Communications Incorporated, intended to speak at the UBS Warburg Fifth Annual Global Telecom Conference that was being held on November 13-15, 2000 at the Plaza Hotel, New York, NY.

FLORIDA EAST COAST INDUSTRIES, INC.

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE
[ITEM 14(a)]

	Reference Form 10-K Page Nos.
Consolidated Statements of Income for each of the three years ended December 31, 2000	38
Consolidated Balance Sheets at December 31, 2000 and 1999	39
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for each of the three years in the period ended December 31, 2000	40
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2000	41
Notes to Consolidated Financial Statements	42-57
Independent Auditors' Report	37
Financial Statement Schedule: III-Real Estate and Accumulated Depreciation	64-65

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

Financial statements and schedules of FECI (not consolidated) are omitted since it is primarily a holding company and all subsidiaries included in the consolidated financial statements being filed, in the aggregate, do not have minority equity interests and/or indebtedness to any person other than the Company or its consolidated subsidiaries in amounts which together exceed five percent of the total assets as shown by the consolidated balance sheet at the end of any year covered by this Report.

FLORIDA EAST COAST INDUSTRIES, INC.

INDEX TO EXHIBITS
(ITEM 13[a] 3.)

S-K Item 601	Documents	Page Numbers
(3) (i)	Amended and Restated Articles of Incorporation	*
(3) (ii)	Amended and Restated By-Laws	*
(4)	Stock Purchase Rights	#
(10) (a)	Employment Agreement, Basic Stock Option Agreement and Restricted Stock Agreement dated December 21, 2000 between FECI and Richard G. Smith	**
(10) (b)	Credit Agreement dated March 22, 2001, between Florida East Coast Industries, Inc., and Bank of America, N.A., First Union National Bank and SunTrust Bank	**
(10) (c)	Distribution and Recapitalization Agreement	##
(10) (d)	Shareholders' Agreement dated as of October 26, 1999 among Alfred I. duPont Testamentary Trust, Nemours Foundation and Florida East Coast Industries, Inc.	###
(20)	Shareholders' letters dated October 9, 2000 with attached Summary of Rights Plan-Term Sheet	**
(21)	Subsidiaries of Florida East Coast Industries, Inc.	62
(23)	Independent Auditors' Consent Letter	66
(24)	Power of Attorney	63

*Amended and Restated Articles of Incorporation and Amended and Restated By-Laws of the Registrant, incorporated by reference to Appendices D and E, respectively, to the definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on February 4, 2000 (Registration No. 001-08728).
**These documents filed on Form 10-K with the Securities and Exchange Commission on March 30, 2001.
#Stock Purchase Rights and Rights Agreement, incorporated by reference to Exhibit 1 to Florida East Coast Industries, Inc.'s Registration Statement on Form 8A, filed with the Securities and Exchange Commission on October 4, 2000.
##Distribution and Recapitalization Agreement, incorporated by reference to Appendix A to the definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on February 4, 2000 (Registration No. 001-08728).
###Shareholders' Agreement, incorporated by reference to Appendix C to the definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on February 4, 2000 (Registration No. 001-08728).

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on March 15, 2001.

FLORIDA EAST COAST INDUSTRIES, INC.
(Registrant)

By: ______________________________________
Richard G. Smith, Executive Vice President
and Chief Financial Officer

____
Mark A. Leininger
Vice President and Controller

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

R.W. Anestis*
R.W. Anestis, Chairman, President, Chief Executive Officer and Director

Heidi J. Eddins*
Heidi J. Eddins, Executive Vice President, General Counsel and Secretary

R.S. Ellwood*
R.S. Ellwood, Director

J.N. Fairbanks*
J.N. Fairbanks, Director

D.M. Foster*
D.M. Foster, Director

A.C. Harper*
A.C. Harper, Director

A. Henriques*
A. Henriques, Director

G.H. Lamphere*
G.H. Lamphere, Director

J. Nemec*
J. Nemec, Director

H.H. Peyton*
H.H. Peyton, Director

W.L. Thornton*
W.L. Thornton, Director

Date: March 15, 2001

**Such signature has been affixed pursuant to Power of Attorney.*

21. Listing of parent and subsidiaries wholly-owned, unless otherwise noted, by Florida East Coast Industries, Inc. as of December 31, 2000:

Name of Subsidiary	State of Incorporation/Organization
Florida East Coast Railway, L.L.C.	Florida
Railroad Track Construction Corporation (100% owned by Florida East Coast Railway)	Florida
Florida East Coast Deliveries, Inc. (100% owned by Florida East Coast Railway)	Florida
Flagler Development Company	Florida
Gran Central – Deerwood North, L.L.C. (100% owned by Flagler Development Company)	Delaware
Florida Express Carriers, Inc.	Florida
Florida Express Logistics, Inc. (100% owned by Florida Express Carriers, Inc.)	Florida
EPIK Communications Incorporated	Florida

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENT, that each of the undersigned Directors of Florida East Coast Industries, Inc., a Florida corporation ("Corporation"), which is about to file with the Securities and Exchange Commission, Washington, D.C. 20549, under the provisions of the Securities Exchange Act of 1934, as amended, a Report on Form 10-K for the fiscal year ended December 31, 2000, hereby constitutes and appoints R.W. Anestis and Heidi J. Eddins as his true and lawful attorneys-in-fact and agent, and each of them with full power to act, without the other in his stead, in any and all capacities, to sign the 2000 Report of Florida East Coast Industries, Inc., on Form 10-K and to file on behalf of the Corporation such Report and amendments with all exhibits thereto, and any and all other information and documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact and agent, and each of them, full power and authority to do and perform any and all acts and things requisite and ratifying and confirming all that each said attorneys-in-fact and agent or any one of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on the date indicated below:

R.W. Anestis, Chairman, President, Chief Executive Officer and Director	Heidi J. Eddins, Executive Vice President, General Counsel and Secretary
R.S. Ellwood, Director	J.N. Fairbanks, Director
D.M. Foster, Director	A.C. Harper, Director
A. Henriques, Director	G.H. Lamphere, Director
J. Nemec, Director	H.H. Peyton, Director
W.L.Thornton, Director	R.G. Smith, Executive Vice President and Chief Financial Officer

M.A. Leininger, Vice President and Controller

Date: March 15, 2001

FLORIDA EAST COAST INDUSTRIES, INC.
SCHEDULE III (CONSOLIDATED) – REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000, 1999 and 1998
(dollars in thousands)

	Initial Cost to Company		Carried at Close of Period					
Description	Land	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Capitalized or Acquired	Depreciable Life Used in Calculation in Latest Income Statement
Duval County								
Office Buildings	1,675	110,581	18,083	94,173	112,256	19,291	various	3 to 40 years
Office/Showroom/Warehouses	362	40,636	5,974	35,024	40,998	9,026	1987	3 to 40 years
Office/Warehouses	332	11,410	3,834	7,908	11,742	2,224	1994	3 to 40 years
Front Load Warehouse	19	2,809	347	2,481	2,828	365	1998	3 to 40 years
Rail Warehouses	18	2,885	326	2,577	2,903	395	1998	3 to 40 years
Land w/Infrastructure	1,524	15,658	15,429	1,753	17,182	1,847	1998	3 to 40 years
Unimproved Land & Misc. Assets	313	74	387	-	387	-	1998	5 years
St. Johns County								
Unimproved Land	812	3,281	4,092	-	4,093	1	various	15 years
Flagler County								
Unimproved Land	998	3,511	4,509	-	4,509	4	various	15 years
Volusia County								
Unimproved Land	623	3,542	4,165	-	4,165	4	various	15 years
Brevard County								
Unimproved Land	246	11,154	11,400	-	11,400	-	various	
Indian River County								
Unimproved Land	1	-	1	0	1	-	various	
St. Lucie County								
Unimproved Land	399	245	644	-	644	-	various	
Martin County								
Land w/ Infrastructure	493	3,495	3,988	-	3,988	369	various	15 years
Unimproved Land	1	-	1	-	1	-	various	
Okeechobee County								
Unimproved Land	3	-	3	-	3	-	various	
Putnam County								
Unimproved Land	2	-	2	-	2	-	various	
Palm Beach County								
Unimproved Land	164	66	230	-	230	-	various	3 to 40 years
Broward County								
Rail Warehouse	33	1,760	405	1,388	1,793	881	1986	3 to 40 years
Land w/ Infrastructure	1,949	1,486	3,435	-	3,435	26	1992	3 to 40 years
Unimproved Land	63	2,033	2,096	-	2,096	-	various	
Manatee County								
Unimproved Land	73	1	74	-	74	-	various	

FLORIDA EAST COAST INDUSTRIES, INC.
SCHEDULE III (CONSOLIDATED) – REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2000, 1999 and 1998
(dollars in thousands)

	Initial Cost to Company		Carried at Close of Period					
Description	Land	Costs Capitalized Subsequent to Acquisition	Land & Land Improvements	Buildings and Improvements	Total	Accumulated Depreciation	Date Capitalized or Acquired	Depreciable Life Used in Calculation in Latest Income Statement
Dade County								
Double Front Load Warehouse	727	6,551	2,059	5,219	7,278	1,944	1993	3 to 40 years
Rail Warehouses	1,373	13,103	3,909	10,567	14,476	3,975	1988	3 to 40 years
Office/Showroom/Warehouses	1,833	18,731	5,948	14,617	20,564	6,365	1988	3 to 40 years
Office Building	840	9,071	1,382	8,529	9,911	269	2000	3 to 40 years
Office/Warehouses	2,348	22,964	6,441	18,871	25,312	6,414	1990	3 to 40 years
Front Load Warehouses	3,089	24,547	8,774	18,862	27,636	6,962	1991	3 to 40 years
Office/Service Center	254	3,046	900	2,400	3,300	683	1994	3 to 40 years
Transit Warehouse	140	1,436	140	1,436	1,576	393	various	3 to 40 years
Land w/Infrastructure	12,230	20,824	31,146	1,908	33,054	2,175	various	3 to 40 years
Unimproved Land & Misc. Assets	5,133	9,274	14,407	-	14,407	-	various	3 to 40 years
Orange County								
Office Building	-	54,818	9,726	45,092	54,818	3,535	1998	3 to 40 years
Office/Showroom/Warehouse	-	19,378	3,500	15,878	19,378	1,422	1998	3 to 40 years
Land w/Infrastructure	-	3,932	3,885	47	3,932	77	1995	3 to 40 years
Unimproved Land & Misc. Assets	-	16,927	16,927	-	16,927	-	1999	3 to 40 years
TOTALS	38,070	439,229	188,569	288,730	477,299	68,647		

Notes:

(A) The aggregate cost of real estate owned at December 31, 2000 for federal income tax purposes is approximately $403,000,000.

(B) Reconciliation of real estate owned (dollars in thousands):

	2000	1999	1998
Balance at Beginning of Year	427,448	418,502	365,532
Amounts Capitalized	64,633	73,761	62,153
Amounts Retired or Adjusted	(14,782)	(64,815)	(9,183)
Balance at Close of Period	477,299	427,448	418,502

(C) Reconciliation of accumulated depreciation (dollars in thousands):

	2000	1999	1998
Balance at Beginning of Year	52,770	51,987	39,691
Depreciation Expense	16,028	14,064	12,487
Amounts Retired or Adjusted	(151)	(13,281)	(191)
Balance at Close of Period	68,647	52,770	51,987

Exhibit 23

Independent Auditors' Consent

The Board of Directors
Florida East Coast Industries, Inc.:

We consent to incorporation by reference in the registration statement (No. 333-53144) on Form S-8 of Florida East Coast Industries, Inc. of our report dated February 9, 2001, relating to the consolidated balance sheets of Florida East Coast Industries, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for the three years ended December 31, 2000, and the related schedule, which report appears in the December 31, 2000 annual report on Form 10-K of Florida East Coast Industries, Inc.

KPMG LLP

Jacksonville, Florida
March 29, 2001

Florida East Coast Industries, Inc. | Executive Offices | One Malaga Street | St. Augustine, FL 32084