

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2017.

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 001-36605**

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**PATRIOT TRANSPORTATION HOLDING, INC.**

(Exact name of registrant as specified in its charter)

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**Florida**

(State or other jurisdiction of  
incorporation or organization)

**47-2482414**

(I.R.S. Employer Identification No.)

**200 W. Forsyth St., 7th Floor,  
Jacksonville, FL**

(Address of principal executive offices)

**32202**

(Zip Code)

**904-396-5733**

(Registrant's telephone number, including area code)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class  
Common Stock

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Outstanding at March 31, 2017  
3,303,802

PATRIOT TRANSPORTATION HOLDING, INC.  
FORM 10-Q  
QUARTER ENDED MARCH 31, 2017

CONTENTS

	Page No.
Preliminary Note Regarding Forward-Looking Statements	3
Part I. Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Consolidated Statements of Cash Flows	6
Condensed Notes to consolidated financial statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12
Item 3. Quantitative and Qualitative Disclosures about Market Risks	22
Item 4. Controls and Procedures	22
Part II. Other Information	
Item 1A. Risk Factors	23
Item 2. Purchase of Equity Securities by the Issuer	23
Item 6. Exhibits	23
Signatures	24
Exhibit 31 Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	26
Exhibit 32 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	29

## Preliminary Note Regarding Forward-Looking Statements.

Certain matters discussed in this report contain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those indicated by such forward-looking statements.

These forward-looking statements relate to, among other things, capital expenditures, liquidity, capital resources and competition and may be indicated by words or phrases such as "anticipate", "estimate", "plans", "projects", "continuing", "ongoing", "expects", "management believes", "the Company believes", "the Company intends" and similar words or phrases. The following factors and others discussed in the Company's periodic reports and filings with the Securities and Exchange Commission are among the principal factors that could cause actual results to differ materially from the forward-looking statements: freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company's markets; fuel costs and the Company's ability to recover fuel surcharges; accident severity and frequency; risk insurance markets; driver availability and cost; the impact of future regulations regarding the transportation industry; availability and terms of financing; competition in our markets; interest rates, and inflation and general economic conditions. However, this list is not a complete statement of all potential risks or uncertainties.

These forward-looking statements are made as of the date hereof based on management's current expectations, and the Company does not undertake an obligation to update such statements, whether as a result of new information, future events or otherwise. Additional information regarding these and other risk factors may be found in the Company's other filings made from time to time with the Securities and Exchange Commission.

**PART I. FINANCIAL INFORMATION, ITEM 1. FINANCIAL STATEMENTS**  
**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(In thousands)  
(Unaudited)

	<u>March 31,</u> <u>2017</u>	<u>September 30,</u> <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,866	6,005
Accounts receivable (net of allowance for doubtful accounts of \$143 and \$153, respectively)	6,444	7,043
Federal and states taxes receivable	463	261
Inventory of parts and supplies	829	811
Prepaid tires on equipment	1,938	2,052
Prepaid taxes and licenses	597	681
Prepaid insurance	705	820
Prepaid expenses, other	104	64
Total current assets	<u>17,946</u>	<u>17,737</u>
Property and equipment, at cost	102,193	102,783
Less accumulated depreciation	<u>60,812</u>	<u>59,080</u>
Net property and equipment	<u>41,381</u>	<u>43,703</u>
Goodwill	3,431	3,431
Intangible assets, net	1,105	1,214
Other assets, net	196	214
Total assets	<u>\$ 64,059</u>	<u>66,299</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,629	4,896
Accrued payroll and benefits	3,534	4,608
Accrued insurance	437	700
Accrued liabilities, other	194	369
Total current liabilities	<u>6,794</u>	<u>10,573</u>
Long-term debt	—	—
Deferred income taxes	10,154	10,479
Accrued insurance	180	184
Other liabilities	1,109	1,117
Total liabilities	<u>18,237</u>	<u>22,353</u>
Commitments and contingencies (Note 8)		
Shareholders' Equity:		
Preferred stock, 5,000,000 shares authorized, of which 250,000 shares are designated Series A Junior Participating Preferred Stock; \$0.01 par value; none issued and outstanding	—	—
Common stock, \$.10 par value; (25,000,000 shares authorized; 3,303,802 and 3,289,353 shares issued and outstanding, respectively)	330	329
Capital in excess of par value	36,621	35,919
Retained earnings	8,697	7,524
Accumulated other comprehensive income, net	174	174
Total shareholders' equity	<u>45,822</u>	<u>43,946</u>
Total liabilities and shareholders' equity	<u>\$ 64,059</u>	<u>66,299</u>

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)

(Unaudited)

	<b>THREE MONTHS ENDED</b>		<b>SIX MONTHS ENDED</b>	
	<b>MARCH 31,</b>		<b>MARCH 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>				
Transportation revenues	\$ 25,693	28,514	\$ 52,952	56,523
Fuel surcharges	1,700	534	3,199	1,896
Total revenues	<u>27,393</u>	<u>29,048</u>	<u>56,151</u>	<u>58,419</u>
<b>Cost of operations:</b>				
Compensation and benefits	11,455	12,752	23,539	25,324
Fuel expenses	3,784	3,470	7,688	7,295
Repairs & tires	1,625	1,936	3,263	3,745
Other operating	976	1,179	2,010	2,269
Insurance and losses	2,896	2,218	5,601	5,236
Depreciation expense	2,397	2,125	4,859	4,273
Rents, tags & utilities	860	955	1,723	1,904
Sales, general & administrative	2,281	2,213	4,592	4,612
Corporate expenses	998	828	1,615	1,786
Gain on equipment sales	(204)	(75)	(312)	(71)
Total cost of operations	<u>27,068</u>	<u>27,601</u>	<u>54,578</u>	<u>56,373</u>
Total operating profit	325	1,447	1,573	2,046
BP claim settlement	—	—	—	1,687
Interest income and other	1	—	3	3
Interest expense	(32)	(32)	(64)	(67)
Income before income taxes	294	1,415	1,512	3,669
Provision for income taxes	34	552	340	1,431
<b>Net income</b>	<u>\$ 260</u>	<u>863</u>	<u>\$ 1,172</u>	<u>2,238</u>
<b>Comprehensive income</b>	<u>\$ 260</u>	<u>863</u>	<u>\$ 1,172</u>	<u>2,238</u>
<b>Earnings per common share:</b>				
Net Income -				
Basic	\$ 0.08	0.26	0.36	0.68
Diluted	\$ 0.08	0.26	0.35	0.68
<b>Number of shares (in thousands) used in computing:</b>				
-basic earnings per common share	3,300	3,283	3,295	3,278
-diluted earnings per common share	3,309	3,286	3,303	3,281

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED MARCH 31, 2017 AND 2016**

(In thousands)

(Unaudited)

	<b>Six months ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,172	2,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,238	4,757
Deferred income taxes	(325)	330
Gain on asset dispositions	(321)	(308)
Stock-based compensation	704	510
Net changes in operating assets and liabilities:		
Accounts receivable	599	(603)
Inventory of parts and supplies	(18)	12
Prepaid expenses	273	490
Other assets	6	4
Accounts payable and accrued liabilities	(3,779)	(2,698)
Income taxes payable and receivable	(202)	823
Long-term insurance liabilities and other long-term liabilities	(12)	(345)
Net cash provided by operating activities	3,335	5,210
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,935)	(3,312)
Proceeds from the sale of property, plant and equipment	461	739
Net cash used in investing activities	(2,474)	(2,573)
<b>Cash flows from financing activities:</b>		
(Decrease) Increase in bank overdrafts	—	(773)
Proceeds from borrowing on revolving credit facility	—	13,536
Payments on revolving credit facility	—	(13,536)
Excess tax benefits from exercise of stock options	—	154
Net cash used in financing activities	—	(619)
Net increase in cash and cash equivalents	861	2,018
Cash and cash equivalents at beginning of period	6,005	—
Cash and cash equivalents at end of the period	\$ 6,866	2,018

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017**  
(Unaudited)

**(1) Description of Business and Basis of Presentation.**

*Description of Business*

Company's Business. The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul, rather, we act as a third party carrier to deliver our customer's products from point A to point B predominately using Company employees driving Company owned tractors and tank trailers. Approximately 82% of our business consists of hauling liquid petroleum products (mostly gas and diesel fuel) from large scale fuel storage facilities to our customers' retail outlets (e.g. convenience stores, truck stops and fuel depots) where we off-load the product into our customer's fuel storage tanks for ultimate sale to the retail consumer. The remaining 18% of our business consists of hauling our customer's dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals. As of March 31, 2017, we employed 642 revenue-producing drivers who operated our fleet of 452 tractors and 544 trailers from our 21 terminals and 9 satellite locations in Florida, Georgia, Alabama, South Carolina, North Carolina and Tennessee.

*Basis of Presentation*

These statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (primarily consisting of normal recurring accruals) considered necessary for a fair statement of the results for the interim periods have been included. Operating results for the six months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2017. The accompanying consolidated financial statements and the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the audited financial statements and notes for the year ended September 30, 2016.

**(2) Recently Issued Accounting Standards.** In February 2016, the FASB issued ASU No. 2016-02, "Leases", which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. The new standard will become effective for the Company beginning with the first quarter 2020 and requires a modified retrospective transition approach and includes a number of practical expedients. Early adoption of the standard is permitted. The Company is currently evaluating the impacts the adoption of this accounting guidance will have on the consolidated financial statements. The Company has relatively few leases extending over 12 months, the total gross contractual obligation for lease payments greater than 12 months at September 30, 2016 was \$1,721,000.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting”. The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Excess tax benefits for share-based payments are recorded as a reduction of income taxes and reflected in operating cash flows upon the adoption of this ASU. Excess tax benefits were recorded in equity and as financing activity prior to adoption of this ASU. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. This guidance is effective for annual and interim reporting periods of public entities beginning after December 15, 2016 with early adoption permitted. The Company adopted this guidance prospectively as of October 1, 2016. As a result of this adoption in the first six months of fiscal 2017 we recorded a \$250,000 reduction of income tax expense from windfall gains on stock option exercises.

(3) **Related Party Agreements.** The Company is party to a Transition Services Agreement which resulted from our January 30, 2015 spin-off transaction from FRP Holdings, Inc. (FRP). The Transition Services Agreement sets forth the terms on which the Company will provide to FRP certain services that were shared prior to the Spin-off, including the services of certain shared executive officers. The boards of the respective companies amended and extended this agreement for one year effective April 1, 2017.

The consolidated statements of income reflect charges and/or allocation to FRP Holdings, Inc. for these services of \$557,000 and \$406,000 for the three months ended March 31, 2017 and 2016, and \$934,000 and \$792,000 for the six months ended March 31, 2017 and 2016, respectively. Included in the charges above are amounts recognized for corporate executive stock-based compensation expense. These charges are reflected as a reduction to corporate expenses.

To determine these allocations between FRP and Patriot as set forth in the Transition Services Agreement, we generally employed the same methodology historically used by the Company pre Spin-off to allocate said expenses and thus we believe that the allocations to FRP are a reasonable approximation of the costs related to FRP’s operations but any such related-party transactions cannot be presumed to be carried out on an arm’s-length basis as the terms were negotiated while Patriot was still a subsidiary of FRP.

Patriot provides information technology services and previously subleased office space to Bluegrass Materials Company, LLC (“Bluegrass”). Mr. John Baker, brother of Edward L. Baker and uncle of Thompson S. Baker II, serves as Chairman of Bluegrass, and his son, Edward L. Baker II, serves as its Chief Executive Officer. Messrs. John Baker and Edward L. Baker II have a beneficial ownership interest in Bluegrass. Bluegrass paid \$165,000 to the Company for the three months ended March 31, 2016, and \$16,000 and \$288,000 for the six months ended March 31, 2017 and 2016, respectively for such information technology services and office space. The services to Bluegrass ceased on December 31, 2016.

(4) **Long-Term debt.** The Company had no long-term debt outstanding at March 31, 2017 and September 30, 2016. The Company has two revolving lines of credit at March 31, 2017 as follows:

On January 30, 2015, the Company entered into a \$25 million, five year, revolving credit agreement with Wells Fargo Bank, N.A. and assumed and refinanced \$5.1 million then outstanding. As of March 31, 2017, we had no debt outstanding on this revolver, \$2,386,000 outstanding under letters

of credit and \$22,614,000 available for additional borrowings.

The Company closed on a loan on May 13, 2015 from Branch Banking and Trust Company (BB&T) for up to \$25 million under a two (2) year revolving facility to be secured by a portion of the Company's equipment. This facility contains a provision which automatically converts any draws under the revolver into five-year term loans with a seven year amortization. As of March 31, 2017, the Company had not taken any draws against this facility. The Company will not renew the facility.

These credit agreements contain certain conditions, affirmative financial covenants and negative covenants including limitations on paying cash dividends. The Company was in compliance with all of its loan covenants as of March 31, 2017.

(5) **Earnings per share.** Basic earnings per common share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per common share are based on the weighted average number of common shares and potential dilution of securities that could share in earnings. The differences between basic and diluted shares used for the calculation are the effect of employee and director stock options.

The following details the computations of the basic and diluted earnings per common share (dollars and shares in thousands, except per share amounts):

	Three Months ended March 31,		Six months ended March 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	3,300	3,283	3,295	3,278
Common shares issuable under share based payment plans which are potentially dilutive	<u>9</u>	<u>3</u>	<u>8</u>	<u>3</u>
Common shares used for diluted earnings per common share	<u>3,309</u>	<u>3,286</u>	<u>3,303</u>	<u>3,281</u>
Net income	<u>\$ 260</u>	<u>863</u>	<u>1,172</u>	<u>2,238</u>
Earnings per common share:				
-basic	<u>\$ 0.08</u>	<u>0.26</u>	<u>0.36</u>	<u>0.68</u>
-diluted	<u>\$ 0.08</u>	<u>0.26</u>	<u>0.35</u>	<u>0.68</u>

For the three and six months ended March 31, 2017, 90,554 shares attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the three and six months ended March 31, 2016, 83,967 and 73,967 shares attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

## (6) Stock-Based Compensation Plans.

### *Participation in FRP Plans*

The Company's directors, officers and key employees are eligible to participate in FRP's 2000 Stock Option Plan and the 2006 Stock Option Plan under which options for shares of common stock were granted to directors, officers and key employees. All related compensation expense has been fully allocated to the Company (rather than FRP) and included in corporate expenses. Corporate expense also reflects an offsetting credit for the Transition Services Agreement allocation to FRP.

### *Patriot Incentive Stock Plan*

In January, 2015 the Board of Directors of the Company adopted the Patriot Transportation Holding, Inc. Incentive Stock Plan. Grants were issued based upon all outstanding FRP options held by company directors, officers and key employees on January 30, 2015 with the same remaining terms. The number of common shares available for future issuance was 87,131 at March 31, 2017.

Subsequent to Spin-off, the realized tax benefit pertaining to options exercised and the remaining compensation cost of options previously granted prior to the Spin-off will be recognized by FRP or Patriot based on the employment location of the related employee or director.

In December 2016, the Company approved and issued a retirement incentive to an officer in the form of stock appreciation rights. The Company granted 80,000 stock appreciation rights. The market price was \$23.13 on the date of grant and the executive will get a cash award at age 65 based upon the stock price at that date compared to the stock price at the date of grant but in no event will the award be less than \$500,000. The Company plans to expense the fair value of the award over the 9.1 year vesting period to the officer's attainment of age 65.

In March 2017, in recognition of Thompson S. Baker II's outstanding service to FRP, the Board approved the vesting of all of Mr. Baker's outstanding FRP stock options, which will expire 90 days following the termination of his employment. The vesting of Mr. Baker's outstanding FRP options that were issued prior to the spin-off required modification stock compensation expense of \$150,000. FRP reimbursed Patriot for this cost under the transition services agreement.

The Company recorded the following stock compensation expense for options in its consolidated statements of income (in thousands):

	Three Months ended March 31,		Six months ended March 31,	
	2017	2016	2017	2016
Stock option grants	\$ 218	59	336	195
Annual director stock award	368	315	368	315
	<u>\$ 586</u>	<u>374</u>	<u>704</u>	<u>510</u>

A summary of Company stock options is presented below (in thousands, except share and per share amounts):

Number	Weighted Average	Weighted Average	Weighted Average
--------	---------------------	---------------------	---------------------

<u>Options</u>	<u>of Shares</u>	<u>Exercise Price</u>	<u>Remaining Term (yrs)</u>	<u>Grant Date Fair Value</u>
Outstanding at October 1, 2016	110,811	\$ 22.52	6.2	\$ 999
Granted	<u>40,780</u>	<u>\$ 21.25</u>	<u>        </u>	<u>\$ 272</u>
Outstanding at March 31, 2017	151,591	\$ 22.18	6.8	\$ 1,271
Exercisable at March 31, 2017	95,901	\$ 21.83	5.5	\$ 758
Vested during six months ended March 31, 2017	27,852			\$ 210

The aggregate intrinsic value of exercisable Company options was \$177,000 and the aggregate intrinsic value of all outstanding in-the-money options was \$220,000 based on the Company's market closing price of \$22.50 on March 31, 2017 less exercise prices.

The realized tax benefit from Patriot option exercises during the first six months of fiscal 2017 was \$460,000 which pertained to FRP options exercised that were granted prior to the Spin-off to persons employed by Patriot. The unrecognized compensation expense of Patriot options granted as of March 31, 2017 was \$575,000, which is expected to be recognized over a weighted-average period of 3.5 years.

(7) **Fair Value Measurements.** Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 means the use of quoted prices in active markets for identical assets or liabilities. Level 2 means the use of values that are derived principally from or corroborated by observable market data. Level 3 means the use of inputs are those that are unobservable and significant to the overall fair value measurement.

As of March 31, 2017 the Company had no assets or liabilities measured at fair value on a recurring or non-recurring basis.

At March 31, 2017 and September 30, 2016, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and other financial instruments approximate their fair value based upon the short-term nature of these items.

(8) **Contingent liabilities.** The Company is involved in litigation on a number of matters and is subject to certain claims which arise in the normal course of business. The Company has retained certain self-insurance risks with respect to losses for third party liability and property damage. There is a reasonable possibility that the Company's estimate of vehicle and workers' compensation liability may be understated or overstated but the possible range cannot be estimated. The liability at any point in time depends upon the relative ages and amounts of the individual open claims. In the opinion of management none of these matters are expected to have a material adverse effect on the

Company's financial condition, results of operations or cash flows.

**(9) Concentrations.**

*Market:* The Company primarily serves customers in the petroleum industry in the Southeastern U.S. Significant economic disruption or downturn in this geographic region or within these industries could have an adverse effect on our financial statements.

*Customers:* During the first six months of fiscal 2017, the Company's ten largest customers accounted for approximately 61.4% of our revenue and one of these customers accounted for 21.8% of our revenue. Accounts receivable from the ten largest customers were \$3,767,000 and \$3,998,000 at March 31, 2017 and September 30, 2016 respectively. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

*Deposits:* The Company places its cash and cash equivalents with Wells Fargo Bank, N.A. At times, such amounts may exceed FDIC limits.

**(10) Unusual or Infrequent Items Impacting Quarterly Results.**

On October 20, 2015, the Company received notice from the Claims Administrator for the Deepwater Horizon Economic and Property Damages Settlement Program that the Company's claim in the amount of \$2,106,281 qualifies for payment under the terms of the Economic and Property Damages Settlement Agreement. On December 18, 2015 BP accepted the Company's proposal of \$2,047,651. The Company received payment of \$1,687,085 on January 6, 2016 net of all contingency fees.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the consolidated financial information and related notes that appear in Part I, Item 1 of this Quarterly Report on Form 10-Q.

**Overview**

The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul, rather, we act as a third party carrier to deliver our customer's products from point A to point B predominately using Company employees driving Company owned tractors and tank trailers. Approximately 82% of our business consists of hauling liquid petroleum products (mostly gas and diesel fuel) from large scale fuel storage facilities to our customers' retail outlets (e.g. convenience stores, truck stops and fuel depots) where we off-load the product into our customer's fuel storage tanks for ultimate sale to the retail consumer. The remaining 18% of our business consists of hauling our customer's dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals. As of March 31, 2017, we employed 642 revenue-producing drivers who operated our fleet of 452 tractors and 544 trailers from our 21 terminals and 9 satellite locations in Florida, Georgia, Alabama, South Carolina, North Carolina and Tennessee. We

experience increased seasonal demand in the spring and in most of our other locations during the summer months.

Our industry is characterized by such barriers to entry as the time and cost required to develop the capabilities necessary to handle hazardous material, the resources required to recruit, train and retain drivers, substantial industry regulatory and insurance requirements and the significant capital investments required to build a fleet of equipment, establish a network of terminals and, in recent years, the cost to build and maintain sufficient information technology resources to allow us to interface with and assist our customers in the day-to-day management of their product inventories.

Our ability to provide superior customer service at competitive rates and to operate safely and efficiently is important to our success in growing our revenues and increasing profitability. Our focus is to grow our profitability by executing on our key strategies of (i) increasing our business with existing and new customers, particularly hypermarket and large convenience store chains, that are willing to compensate us for our ability to provide superior, safe and reliable service which facilitates their ability to grow their market share and footprint with confidence, (ii) expanding our service offerings with respect to dry bulk and chemical products particularly in markets where we already operate terminals, (iii) earning the reputation as the preferred employer for tank truck drivers in all the markets in which we operate and (iv) pursuing strategic acquisitions. Our ability to execute this strategy depends on continuing our dedicated commitments to customer service and safety and continuing to recruit and retain qualified drivers.

Our industry is experiencing a severe driver shortage. As the need to hire drivers has risen across our industry the trend we are seeing is that more and more of the applicants are drivers with little to no experience in the tank truck business. Our management team is keenly focused on continuing to grow our driver count in markets where there are opportunities for us to grow our business and to retain all of our drivers at the levels we have historically achieved while balancing the aforementioned trends and associated risks of the “new to the industry” driver applicant pool. Through the implementation of a new software program, we have enhanced our ability to quickly identify, communicate with and ultimately hire qualified drivers. We have also implemented programs to help us determine which new driver applicants are less likely to turnover early on in their careers with us thus adding new and valuable information into our hiring decision making process.

There are several opportunities available today in our markets that will allow us to execute on our growth strategy so long as we can find, hire and retain qualified drivers to meet the demands of these opportunities. We believe the tighter driver market has and will continue to provide us with opportunities to capture new business. As these opportunities arise, we are willing to let certain lower priced business go in this environment to grow our business with customers willing to pay for our reliability and superior customer service.

We generate both transportation based revenue as well as fuel surcharge revenue. Our transportation revenue consists of base revenue for each delivery which is generally calculated by multiplying a negotiated mileage-based rate by the quantity of product delivered plus any fees for extra stops to load or unload, powered product unloading and toll cost reimbursements. These negotiated transportation rates compensate us both for transporting the products as well as for loading and unloading time.

While our base rates include a fixed amount to cover our cost of fuel using an assumed price for

diesel, we have fuel surcharges in place with our customers that allow us to obtain additional compensation for fuel expense incurred when the price of diesel rises above that assumed price. Likewise, for some customers, the fuel surcharge system allows the customer to receive a lower cost from us when the price of diesel drops below that assumed price. There is a time lag between fuel price fluctuations and changes to fuel surcharges to our customers. In a rapidly rising price environment this time lag can negatively impact the Company's financial results as we must pay the higher fuel cost immediately but in most cases aren't able to adjust fuel surcharges to our customers until the end of the month.

The main factors that affect our total revenue are the number of revenue miles driven, rates per mile, quantity of products hauled and the amount of fuel surcharges.

Our operating costs primarily consist of the following:

- *Compensation and Benefits* - Wages and employee benefits for our drivers and terminal support personnel is the largest component of our operating costs. These costs are impacted by such factors as miles driven, driver pay increases, driver turnover and training costs and additional driver pay due to temporary out-of-town deployments to serve new business;
- *Fuel Expenses* - Our fuel expenses will vary depending on miles driven as well as such factors as fuel prices (which can be highly volatile), the fuel efficiency of our fleet and the average haul length;
- *Repairs and Tires* – This category consists of vehicle maintenance and repairs (excluding shop personnel) and tire expense (including amortization of tire cost and road repairs). These expenses will vary based on such factors as miles driven, the age of our fleet, and tire prices.
- *Other Operating Expenses* – This category consists of tolls, hiring costs, out-of-town driver travel cost, terminal facility maintenance and other operating expenses. These expenses will vary based on such factors as, driver availability and out-of-town driver travel requirements, business growth and inflation among others;
- *Insurance and Losses* – This category includes costs associated with insurance premiums, and the self-insured portion of liability, worker's compensation, health insurance and cargo claims and wreck repairs. We work very hard to manage these expenses through our safety and wellness programs, but these expenses will vary depending on the frequency and severity of accident and health claims, insurance markets and deductible levels;
- *Depreciation Expense* – Depreciation expense consists of the depreciation of the cost of fixed assets such as tractors and trailers over the life assigned to those assets. The amount of depreciation expense is impacted by equipment prices and the timing of new equipment purchases. We expect the cost of new tractors and trailers to continue to increase, impacting our future depreciation expense;
- *Rents, Tags and Utilities Expenses* – This category consists of rents payable on leased facilities and leased equipment, federal highway use taxes, vehicle registrations, license and permit fees and personal property taxes assessed against our equipment, communications, utilities and real estate taxes;

- *Sales, General and Administrative Expenses* - This category consists of the wages, bonus accruals, benefits, travel, vehicle and office costs for our administrative personnel as well as professional fees and amortization charges for intangible assets purchased in acquisitions of other businesses;
- *Corporate Expenses* – Corporate expenses consist of wages, bonus accruals, insurance and other benefits, travel, vehicle and office costs for corporate executives, director fees, stock option expense and aircraft expense;
- *Gains/Loss on Equipment* - Our financial results for any period may be impacted by any gain or loss that we realize on the sale of used equipment and losses on wrecked equipment. We periodically sell used equipment as we replace older tractors and trailers. Gains or losses on equipment sales can vary significantly from period to period depending on the timing of our equipment replacement cycle, market prices for used equipment and losses on wrecked equipment.

To measure our performance, management focuses primarily on transportation revenue growth, revenue miles, our preventable accident frequency rate (“PAFR”), our operating ratio (defined as our operating expenses as a percentage of our operating revenue), turnover rate and average driver count (defined as average number of revenue producing drivers under employment over the specified time period) as compared to the same period in the prior year.

ITEM	Q2 2017 vs. Q2 2016
Total Revenue	Down 5.7%
Transportation Revenue	Down 9.9%
Revenue Miles	Down by 12.8%
Fuel net of surcharges	Down by 29%
PAFR	Up by 31.1%
Operating Ratio	3.8% decreased
Driver Turnover Rate	Increased by 13 percentage points
Average Number of Drivers	Down 10.9%

The Company’s operations are influenced by a number of external and internal factors. External factors include levels of economic and industrial activity in the United States and the Southeast, driver availability and cost, government regulations regarding driver qualifications and limitations on the hours drivers can work, petroleum product demand in the Southeast which is driven in part by tourism and commercial aviation, and fuel costs. Internal factors include revenue mix, equipment utilization, Company imposed restrictions on hiring drivers under the age of 23 or drivers without at least one year of driving experience, auto and workers’ compensation accident frequencies and severity, administrative costs, and group health claims experience. The financial results of the Company for any individual quarter are not necessarily indicative of results to be expected for the year.

## Highlights of the Second quarter of Fiscal 2017

- Transportation revenue decreased \$2,821,000, or 9.9%.
- Annualized driver turnover rate increased from 61% in the second quarter of last year to 74% this quarter.
- The Company reported net income of \$260,000, or \$.08 per share (inclusive of \$81,000, or \$.02 per share, due to a reduced tax expense in accordance with newly adopted accounting guidance on stock option exercises), compared to net income of \$863,000, or \$.26 per share, in the same quarter last year.

### Comparative Results of Operations for the Three Months ended March 31, 2017 and 2016

(dollars in thousands)	Three months ended March 31			
	2017	%	2016	%
<b>Revenue miles (in thousands)</b>	9,334		10,705	
<b>Revenues:</b>				
Transportation revenue	\$ 25,693	93.8%	28,514	98.2%
Fuel surcharges	1,700	6.2%	534	1.8%
<b>Total Revenues</b>	<b>27,393</b>	<b>100.0%</b>	<b>29,048</b>	<b>100%</b>
<b>Cost of operations:</b>				
Compensation and benefits	11,455	41.8%	12,752	43.9%
Fuel expenses	3,784	13.8%	3,470	11.9%
Repairs & tires	1,625	5.9%	1,936	6.7%
Other operating	976	3.6%	1,179	4.1%
Insurance and losses	2,896	10.6%	2,218	7.6%
Depreciation expense	2,397	8.8%	2,125	7.3%
Rents, tags & utilities	860	3.1%	955	3.3%
Sales, general & administrative	2,281	8.3%	2,213	7.6%
Corporate expenses	998	3.6%	828	2.9%
(Gain) loss on equipment	(204)	-0.7%	(75)	-0.3%
<b>Total cost of operations</b>	<b>27,068</b>	<b>98.8%</b>	<b>27,601</b>	<b>95%</b>
<b>Total operating profit</b>	<b>\$ 325</b>	<b>1.2%</b>	<b>1,447</b>	<b>5%</b>

During most of the quarter, U.S. average weekly demand for gasoline was down roughly 3-5% versus the same period a year ago. In addition, a large customer bid several of our markets which resulted in the Company losing volume with that customer in some of our locations. As a result, our revenue miles this quarter declined by 1,371,000, or 12.8%, to 9,334,000 versus the same quarter last year. Total revenues for the quarter were \$27,393,000, down \$1,655,000 from \$29,048,000 in the same quarter last year. Transportation revenues (excluding fuel surcharges) were down \$2,821,000 to \$25,693,000 as a result of the lower revenue miles. However, as a result of improved pricing and effective utilization of our equipment, our transportation revenue per mile increased by 3.3% over the same quarter last year. Fuel surcharge revenues were up \$1,166,000 to \$1,700,000 due to higher diesel prices and the positive benefits of renegotiating fuel surcharge tables with several key

customers last year.

Compensation and benefits decreased \$1,297,000 due to fewer miles driven and lower driver training pay as we struggled to find qualified drivers to hire and train. Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$852,000 due to fewer miles driven and higher fuel surcharges. Insurance and losses were up by \$678,000 versus the same quarter last year due mainly to increased self insured workers' compensation and health claims. Depreciation increased \$272,000 but was mostly offset by lower repair and equipment leasing costs as we continue to eliminate leased tractors from prior acquisitions and replace with Company owned equipment. Corporate expense was higher by \$170,000 mainly due to a gain on sale of a 75% interest in the corporate aircraft in last year's second quarter.

As a result, operating profit this quarter was down \$1,122,000 to \$325,000 compared to \$1,447,000 in the same quarter last year. Operating ratio was 98.8 this quarter versus 95.0 in the same quarter last year.

During this second quarter, our driver turnover increased and our applicant flow for new qualified drivers declined compared to last year. We face intense competition for qualified drivers both from our direct competitors as well as other industries seeking laborers from the same group that serves the Company. As a result, we experienced a reduction of our average driver force down to 645 from 724 in the same quarter last year. Hiring, training and retaining qualified drivers remains our number one challenge and priority and we are exploring several options related to improving (i) our hiring process, (ii) our compensation structure and (iii) the working environment for our Company drivers.

Similar to recent history, our strategy continues to be that we are not willing to reduce our rates to match unacceptably low bidders and instead will focus on replacing with new business at acceptable rates. We have already seen some success in the markets where we lost business this quarter and are continuing to focus our efforts on completely regaining the prior business levels.

During the quarter our CEO, Thompson S. Baker, II, announced his resignation as CEO of the Company to accept an executive VP position at Vulcan Materials Company. Mr. Baker will continue to serve as the Chairman of the Company's Board of Directors. We want to take this opportunity to thank Mr. Baker for his excellent leadership over the past several years and wish him the best in his new endeavors. Robert E. Sandlin, long time President of our operating subsidiary, Florida Rock & Tank Lines, Inc., was named to replace Mr. Baker as CEO of the Company. Mr. Sandlin has spent his entire 30 plus year career with the Company and we are very excited to have him lead our Company.

### **Highlights of the First Six Months of Fiscal 2017**

- Transportation revenue decreased \$3,571,000, or 6.3%.
- Fuel cost net of fuel surcharges decreased \$910,000.
- Our ending driver count for this period decreased to 642 versus 728 in the same period last

year.

- Annualized driver turnover rate increased from 63% in the first six months of last year to 66% this year.
- The Company reported net income of \$1,172,000, or \$.35 per share (inclusive of \$250,000, or \$.08 per share, due to a reduced tax expense in accordance with newly adopted accounting guidance on stock option exercises), compared to net income of \$2,238,000, or \$.68 per share, in the same period last year. The prior year included \$1,029,000, or \$0.31 per share, of net income from the settlement of a claim with BP in connection with the 2010 Deepwater Horizon event.

### Comparative Results of Operations for the Six months ended March 31, 2017 and 2016

(dollars in thousands)	Six months ended March 31			
	2017	%	2016	%
<b>Revenue miles (in thousands)</b>	19,185		21,141	
<b>Revenues:</b>				
Transportation revenue	\$ 52,952	94.3%	56,523	96.8%
Fuel surcharges	3,199	5.7%	1,896	3.2%
Total Revenues	56,151	100.0%	58,419	100.0%
<b>Cost of operations:</b>				
Compensation and benefits	23,539	41.9%	25,324	43.3%
Fuel expenses	7,688	13.7%	7,295	12.5%
Repairs & tires	3,263	5.8%	3,745	6.4%
Other operating	2,010	3.6%	2,269	3.9%
Insurance and losses	5,601	10.0%	5,236	9%
Depreciation expense	4,859	8.6%	4,273	7.3%
Rents, tags & utilities	1,723	3.1%	1,904	3.2%
Sales, general & administrative	4,592	8.2%	4,612	7.9%
Corporate expenses	1,615	2.9%	1,786	3.1%
(Gain) loss on equipment	(312)	-0.6%	(71)	-0.1%
Total cost of operations	54,578	97.2%	56,373	96.5%
Total operating profit	\$ 1,573	2.8%	2,046	3.5%

Our revenue miles declined by 1,956,000, or 9.3%, to 19,185,000 versus the same period last year due to the lower demand for gasoline and the loss of business in a few of our markets. Total revenues were \$56,151,000, down \$2,268,000 from \$58,419,000 last year. Transportation revenues (excluding fuel surcharges) were down \$3,571,000 to \$52,952,000 as a result of the lower revenue miles. However, as a result of improved pricing and effective utilization of our equipment, our transportation revenue per mile increased by 3.2% over the same period last year. Fuel surcharge revenues were up \$1,303,000 to \$3,199,000 due to higher diesel prices and the positive benefits of renegotiating fuel surcharge tables with several key customers last year.

Compensation and benefits decreased \$1,785,000 due to fewer miles driven and lower driver training pay. Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$910,000

due to fewer miles driven and higher fuel surcharges. Insurance and losses were up \$365,000 versus the same period last year due mainly to increased self insured workers compensation and health claims. Depreciation increased \$586,000 but was mostly offset by lower repair and equipment leasing costs. Corporate expense was \$171,000 lower than last year mainly due to a \$226,000 reduction in legal fees.

As a result, operating profit was down \$473,000 to \$1,573,000 compared to \$2,046,000 last year. Operating ratio was 97.2 versus 96.5 last year.

**Liquidity and Capital Resources.** The Company maintains its operating accounts with Wells Fargo Bank, N.A. and these accounts directly sweep overnight against the Wells Fargo revolver. As of March 31, 2017, we had no debt outstanding on this revolver, \$2,386,000 letters of credit and \$22,614,000 available for additional borrowings. The Company expects our fiscal year 2017 cash generation to cover the cost of our operations and all of our budgeted capital expenditures.

**Cash Flows** - The following table summarizes our cash flows from operating, investing and financing activities for each of the periods presented (in thousands of dollars):

	<b>Six months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
Total cash provided by (used for):		
Operating activities	\$ 3,335	5,210
Investing activities	(2,474)	(2,573)
Financing activities	—	(619)
Increase in cash and cash equivalents	\$ 861	2,018
Outstanding debt at the beginning of the period	—	—
Outstanding debt at the end of the period	—	—

**Operating Activities** - Net cash provided by operating activities (as set forth in the cash flow statement) was \$3,335,000 for the six months ended March 31, 2017, compared to \$5,210,000 in the same period last year. The total of net income plus depreciation and amortization and less gains on sales of property and equipment decreased \$598,000 versus the same period last year. These changes are described above under "Comparative Results of Operations." Net cash flow provided by operating activities was impacted last year by receipt of \$1,029,000 for the BP claim settlement net of income taxes. Trade accounts receivable decreased \$599,000 compared to an increase of \$603,000 in the same period last year due to lower days sales outstanding and lower revenues. Accounts payable and accrued liabilities decreased \$1,081,000 more than the same period last year due to the timing of equipment purchases and lower bonus accruals. The change in income tax payable and receivable negatively impacted net cash provided by operating activities in the amount of \$1,025,000 due to the variance of estimated tax payments. These changes comprise the majority of the decrease in net cash provided by operating activities.

**Investing Activities** – Investing activities include the purchase of property and equipment, any business acquisitions and proceeds from sales of these assets upon retirement. For the first six months ended March 31, 2017, we spent \$2,474,000 on equipment net of proceeds from retirements.

For the first six months ended March 31, 2016 we spent \$2,573,000 on equipment net of retirements.

**Financing Activities** – Financing activities primarily include net changes to our outstanding revolving debt. For the first six months ended March 31, 2017 we had no financing activities. During the six months ended March 31, 2016, cash used in financing activities was \$619,000. We had no outstanding long-term debt on March 31, 2017 or March 31, 2016.

**Credit Facilities** - In connection with the Spin-off, on January 30, 2015, the Company entered into a five-year credit agreement with Wells Fargo Bank N.A. which provides a \$25 million revolving line of credit with a \$10 million sublimit for stand-by letters of credit. In connection with the Spin-off, the Company assumed and refinanced onto this new revolving credit line approximately \$5.1 million of indebtedness from FRP. The amounts outstanding under the credit agreement bear interest at a rate of 1.0% over LIBOR, which may change quarterly based on the Company's ratio of consolidated total debt to consolidated total capital. A commitment fee of 0.15% per annum is payable quarterly on the unused portion of the commitment, which fee may change quarterly based on our ratio of consolidated total debt to consolidated total capital. The credit agreement contains certain conditions and financial covenants, including a minimum \$25 million tangible net worth. As of March 31, 2017, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of \$12.8 million combined.

In addition to the unsecured revolving facility provided by Wells Fargo, Management determined the Company needed an additional financing source to provide capital for potential growth opportunities. As a result, the Company closed on a loan from Branch Banking and Trust Company (BB&T) for up to \$25 million under a two (2) year revolving facility to be secured by a portion of the Company's equipment. This facility contains a provision which automatically converts any draws under the revolver into five-year term loans with a seven year amortization. Each draw requires the payment of a bank fee equal to .25% of the amount drawn. Any amounts outstanding under this facility bear interest at a rate of 1.5% over LIBOR, which may change quarterly based on the Company's leverage ratio. A commitment fee of 0.15% per annum is payable quarterly on the unused portion of the commitment. The credit agreement contains certain conditions and financial covenants, including limitations on the payment of cash dividends that are based on the Company's consolidated retained earnings. As of March 31, 2017, the Company had not taken any draws against this facility.

**Cash Requirements** - The Company currently expects its fiscal 2017 capital expenditures to be approximately \$6,500,000 for expansion and replacement equipment which we expect to be fully funded by our cash generated from our operations. The Company does not currently pay any cash dividends on common stock.

**Summary and Outlook.** While the demand for gasoline has been lower for most of the first half of our fiscal year we have seen volumes picking up during the month of March as we head into our typically busy season. We continued to see improvement in our per mile transportation revenue as well as our net fuel expense following the implementation of more neutral fuel surcharge tables last year. The shortage of qualified drivers is the biggest headwind we face today and is a concern as we head into the seasonally busier months ahead. We remain focused on both retention and hiring qualified drivers and are continually discussing various alternatives with respect to driver marketing, driver qualifications and increasing the recruitment of owner-operators that we believe will increase the available driver pool to accomplish these objectives. This year we are implementing several new

technologies which we believe will enhance the driver experience, improve customer satisfaction and ultimately improve our bottom line results. Our largest of these initiatives, the installation of our new onboard computer system with improved workflow, will simplify the driver's data entry during loading and unloading and also supply improved delivery information and invoicing for our customer.

During the quarter, we entered into two separate purchase and sale agreements to sell real property located in South Tampa, FL (\$10M sales price) and Pensacola, FL (\$1.5M sales price). Both contracts are subject to numerous contingencies as the properties are being acquired for commercial redevelopment but we are optimistic that these transactions will close in early FY '18 adding significant value for our shareholders.

We operate in many of the best markets in the country and are known in those markets, and beyond, as a top rated carrier in both safety and customer satisfaction. We are committed to continuing our focus on safety, retention and customer satisfaction and are confident that execution of that focus will enable us to improve our profitability. We will benefit from and plan to maintain a strong balance sheet as we work to achieve our targeted operating ratio in the low nineties and double digit returns on after tax capital employed.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

**Interest Rate Risk** - We are exposed to the impact of interest rate changes through our variable-rate borrowings under the credit agreements. Under the Wells Fargo and BB&T revolving credit lines of credit, the applicable spread for borrowings at March 31, 2017 were 1.0% and 1.5%, over *libor* respectively. The applicable margin for such borrowings will be reduced or increased in the event that our debt to capitalization ratio as calculated under the credit agreement exceeds target levels.

**Commodity Price Risk** - The price and availability of diesel fuel are subject to fluctuations due to changes in the level of global oil production, seasonality, weather, global politics and other market factors. Historically, we have been able to recover a significant portion of fuel price increases from our customers in the form of fuel surcharges. The typical fuel surcharge table provides some margin contribution at higher diesel fuel prices but also results in some margin erosion at the lower diesel fuel prices we have been experiencing the past several quarters. The price and availability of diesel fuel can be unpredictable as well as the extent to which fuel surcharges can be collected to offset such increases.

### **ITEM 4. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The Company also maintains a system of internal accounting controls over financial reporting that are designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving the desired control objectives.

As of March 31, 2017, the Company, under the supervision and with the participation of the Company's management, including the CEO, CFO and CAO, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's CEO, CFO and CAO concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be included in periodic SEC filings.

There have been no changes in the Company's internal controls over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2016, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. PURCHASES OF EQUITY SECURITIES BY THE ISSUER

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 Through January 31	—	\$ —	—	\$ 5,000,000
February 1 Through February 28	—	\$ —	—	\$ 5,000,000
March 1 Through March 31	—	\$ —	—	\$ 5,000,000
Total	—	\$ —	—	

(1) On February 4, 2015, the Board of Directors authorized management to expend up to \$5,000,000 to repurchase shares of the Company’s common stock from time to time as opportunities arise. To date, the Company has not repurchased any common stock of the Company.

### Item 6. EXHIBITS

(a) Exhibits. The response to this item is submitted as a separate Section entitled "Exhibit Index", on page 25.

## SIGNATURES

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

PATRIOT TRANSPORTATION HOLDING, INC.

Date: May 9, 2017

By ROBERT E. SANDLIN  
Robert E. Sandlin  
President and Chief Executive Officer  
(Principal Executive Officer)

By JOHN D. MILTON, JR.  
John D. Milton, Jr.  
Executive Vice President, Treasurer,  
Secretary and Chief Financial Officer  
(Principal Financial Officer)

By JOHN D. KLOPFENSTEIN  
John D. Klopfenstein  
Controller and Chief Accounting  
Officer (Principal Accounting Officer)

**PATRIOT TRANSPORTATION HOLDING, INC.**  
**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017**  
**EXHIBIT INDEX**

- (14) Financial Code of Ethical Conduct between the Company, Chief Executive Officers, and Financial Managers, as adopted on May 6, 2015, which is available on the Company's website at [www.patriottrans.com](http://www.patriottrans.com).
- (31)(a) Certification of Robert E. Sandlin.  
(31)(b) Certification of John D. Milton, Jr.  
(31)(c) Certification of John D. Klopfenstein.
- (32) Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document  
101.XSD XBRL Taxonomy Extension Schema  
101.CAL XBRL Taxonomy Extension Calculation Linkbase  
101.DEF XBRL Taxonomy Extension Definition Linkbase  
101.LAB XBRL Taxonomy Extension Label Linkbase  
101.PRE XBRL Taxonomy Extension Presentation Linkbase

CERTIFICATIONS

Exhibit 31(a)

I, Robert E. Sandlin, certify that:

1. I have reviewed this report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/Robert E. Sandlin  
President and Chief  
Executive Officer

I, John D. Milton, Jr., certify that:

1. I have reviewed this report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/John D. Milton, Jr.  
Executive Vice President, Treasurer,  
Secretary and Chief Financial Officer

I, John D. Klopfenstein, certify that:

1. I have reviewed this report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2017

/s/John D. Klopfenstein  
Controller and Chief Accounting  
Officer

CERTIFICATION UNDER SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Patriot Transportation Holding, Inc.

PATRIOT TRANSPORTATION HOLDING, INC.

Date: May 9, 2017

By /s/ROBERT E. SANDLIN  
Robert E. Sandlin  
President and Chief Executive Officer

By /s/JOHN D. MILTON, JR.  
John D. Milton, Jr.  
Executive Vice President, Treasurer,  
Secretary and Chief Financial Officer

By /s/JOHN D. KLOPFENSTEIN  
John D. Klopfenstein  
Controller and Chief Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Patriot Transportation Holding, Inc. and will be retained by Patriot Transportation Holding, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification accompanies the issuer's Quarterly report on Form 10-Q and is not filed as provided in SEC Release Nos. 33-8212, 34-4751 and IC-25967, dated June 30, 2003.