

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018.

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

**PATRIOT TRANSPORTATION HOLDING, INC.**

(Exact name of registrant as specified in its charter)

**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.

Class  
Common Stock

Outstanding at June 30, 2018  
3,328,466

PATRIOT TRANSPORTATION HOLDING, INC.  
FORM 10-Q  
QUARTER ENDED JUNE 30, 2018

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## 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>June 30,</u> <u>2018</u>	<u>September 30,</u> <u>2017</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,032	11,289
Accounts receivable (net of allowance for doubtful accounts of \$146 and \$150, respectively)	7,202	7,642
Federal and state taxes receivable	—	516
Inventory of parts and supplies	879	855
Prepaid tires on equipment	1,762	1,913
Prepaid taxes and licenses	269	612
Prepaid insurance	1,514	823
Prepaid expenses, other	128	71
Total current assets	<u>28,786</u>	<u>23,721</u>
Property and equipment, at cost	96,106	101,923
Less accumulated depreciation	61,994	62,331
Net property and equipment	<u>34,112</u>	<u>39,592</u>
Goodwill	3,431	3,431
Intangible assets, net	897	1,021
Other assets, net	179	189
Total assets	<u>\$ 67,405</u>	<u>67,954</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,418	4,948
Federal and state taxes payable	202	—
Accrued payroll and benefits	3,966	4,143
Accrued insurance	1,350	558
Accrued liabilities, other	311	379
Total current liabilities	<u>8,247</u>	<u>10,028</u>
Deferred income taxes	6,095	10,045
Accrued insurance	193	193
Other liabilities	1,105	1,105
Total liabilities	<u>15,640</u>	<u>21,371</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; 3,328,466 and 3,303,802 shares issued and outstanding, respectively)	333	330
Capital in excess of par value	37,383	36,726
Retained earnings	13,843	9,353
Accumulated other comprehensive income, net	206	174
Total shareholders' equity	<u>51,765</u>	<u>46,583</u>
Total liabilities and shareholders' equity	<u>\$ 67,405</u>	<u>67,954</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>NINE MONTHS ENDED</b>	
	<b>JUNE 30,</b>		<b>JUNE 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>				
Transportation revenues	\$ 26,445	26,275	\$ 77,391	79,227
Fuel surcharges	2,959	1,829	7,893	5,028
Total revenues	29,404	28,104	85,284	84,255
<b>Cost of operations:</b>				
Compensation and benefits	12,132	12,274	36,048	35,813
Fuel expenses	4,623	3,622	13,049	11,310
Repairs & tires	1,817	1,862	5,075	5,125
Other operating	1,247	1,134	3,353	3,144
Insurance and losses	2,614	2,567	8,499	8,168
Depreciation expense	2,137	2,349	6,690	7,208
Rents, tags & utilities	792	820	2,534	2,543
Sales, general & administrative	2,465	2,446	7,229	7,038
Corporate expenses	399	591	1,676	2,206
Gain on equipment sales	(175)	(95)	(674)	(407)
Total cost of operations	28,051	27,570	83,479	82,148
Total operating profit	1,353	534	1,805	2,107
Interest income and other	64	1	97	4
Interest expense	(10)	(15)	(29)	(79)
Income before income taxes	1,407	520	1,873	2,032
Provision for income taxes	321	64	(2,617)	404
<b>Net income</b>	<b>\$ 1,086</b>	<b>456</b>	<b>\$ 4,490</b>	<b>1,628</b>
Tax reform gain on retiree health	—	—	32	—
<b>Comprehensive income</b>	<b>\$ 1,086</b>	<b>456</b>	<b>\$ 4,522</b>	<b>1,628</b>
<b>Earnings per common share:</b>				
Net Income -				
Basic	\$ 0.33	0.14	1.35	0.49
Diluted	\$ 0.33	0.14	1.35	0.49
<b>Number of shares (in thousands) used in computing:</b>				
-basic earnings per common share	3,324	3,304	3,315	3,298
-diluted earnings per common share	3,328	3,305	3,316	3,301

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED JUNE 30, 2018 AND 2017**

(In thousands)

(Unaudited)

	<b>Nine months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 4,490	1,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,226	7,779
Deferred income taxes	(3,950)	(584)
Gain on asset dispositions	(687)	(438)
Stock-based compensation	534	756
Net changes in operating assets and liabilities:		
Accounts receivable	440	883
Inventory of parts and supplies	(24)	(52)
Prepaid expenses	(254)	307
Other assets	38	9
Accounts payable and accrued liabilities	(1,983)	(3,482)
Income taxes payable and receivable	718	(153)
Long-term insurance liabilities and other long-term liabilities	—	(15)
Net cash provided by operating activities	6,548	6,638
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(2,269)	(3,837)
Proceeds from the sale of property, plant and equipment	1,338	601
Net cash used in investing activities	(931)	(3,236)
<b>Cash flows from financing activities:</b>		
Proceeds from exercise of employee stock options	126	—
Net cash provided by financing activities	126	—
Net increase in cash and cash equivalents	5,743	3,402
Cash and cash equivalents at beginning of period	11,289	6,005
Cash and cash equivalents at end of the period	\$ 17,032	9,407

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
(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 June 30, 2018, we employed 565 revenue-producing drivers who operated our fleet of 402 company tractors (excluding 11 being prepared for sale), 16 owner operators and 544 trailers from our 20 terminals and 7 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 nine months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2018. 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, 2017.

**(2) Recently Issued Accounting Standards.** In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" which replaces existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. It may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date. The new standard is effective beginning with the first quarter of fiscal 2019. The Company currently does not expect the adoption of this guidance to result in a material impact on its financial statements.

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, 2017 was \$1,462,000.

(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 October 1, 2017.

The consolidated statements of income reflect charges and/or allocation to FRP Holdings, Inc. for these services of \$371,000 and \$320,000 for the three months ended June 30, 2018 and 2017, and \$1,081,000 and \$1,254,000 for the nine months ended June 30, 2018 and 2017, 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.

(4) **Long-Term debt.** The Company had no long-term debt outstanding at June 30, 2018 and September 30, 2017. 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 June 30, 2018, we had no outstanding debt borrowed on this revolver, \$3,105,000 in commitments under letters of credit and \$21,895,000 available for additional borrowings. The letter of credit fee is 1% and the applicable interest rate would have been 4.094% on June 30, 2018. This credit agreement contains 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 June 30, 2018.

(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 June 30,		Nine months ended June 30,	
	2018	2017	2018	2017
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	3,324	3,304	3,315	3,298
Common shares issuable under share based payment plans which are potentially dilutive	<u>4</u>	<u>1</u>	<u>1</u>	<u>3</u>
Common shares used for diluted earnings per common share	<u>3,328</u>	<u>3,305</u>	<u>3,316</u>	<u>3,301</u>
Net income	<u>\$ 1,086</u>	<u>456</u>	<u>4,490</u>	<u>1,628</u>
Earnings per common share:				
-basic	<u>\$ 0.33</u>	<u>0.14</u>	<u>1.35</u>	<u>0.49</u>
-diluted	<u>\$ 0.33</u>	<u>0.14</u>	<u>1.35</u>	<u>0.49</u>

For the three and nine months ended June 30, 2018, 139,688 and 158,718 shares attributable to outstanding stock options, respectively, were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the three and nine months ended June 30, 2017, 130,559 and 121,449 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 34,308 at June 30, 2018.

Subsequent to the 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 long-term performance 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.

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

	Three Months ended		Nine months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Stock option grants	\$ 56	52	166	388
Annual director stock award	—	—	368	368
	<u>\$ 56</u>	<u>52</u>	<u>534</u>	<u>756</u>

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

<u>Options</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term (yrs)</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at October 1, 2017	151,591	\$ 22.18	6.3	\$ 1,271
Granted	33,960	\$ 18.57		\$ 240
Exercised	<u>(5,801)</u>	<u>21.44</u>		<u>(53)</u>
Outstanding at June 30, 2018	179,750	\$ 21.52	6.4	\$ 1,458
Exercisable at June 30, 2018	105,015	\$ 22.03	4.9	\$ 847
Vested during nine months ended June 30, 2018	30,844			\$ 231

The aggregate intrinsic value of exercisable Company options was \$98,397 and the aggregate intrinsic value of all outstanding in-the-money options was \$181,373 based on the Company's market closing price of \$21.01 on June 29, 2018 less exercise prices.

The realized tax benefit from Patriot option exercises during the first nine months of fiscal 2018 was \$225,000 including \$223,000 pertaining 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 June 30, 2018 was \$503,000, which is expected to be recognized over a weighted-average period of 3.4 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 June 30, 2018 the Company had no assets or liabilities measured at fair value on a recurring or non-recurring basis.

At June 30, 2018 and September 30, 2017, 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 nine months of fiscal 2018, the Company's ten largest customers accounted for approximately 58% of our revenue and one of these customers accounted for 17.1% of our revenue. Accounts receivable from the ten largest customers were \$4,436,000 and \$4,070,000 at June 30, 2018 and September 30, 2017 respectively. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

*Deposits:* Cash and cash equivalents are comprised of cash at Wells Fargo Bank, N.A. and a BB&T Money Market Fund. The balances exceed FDIC limits.

**(10) Unusual or Infrequent Items Impacting Quarterly Results.** First quarter 2018 net income included \$3,041,000, or \$.92 per share, due to a deferred tax benefit resulting from revaluing the company's net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*. As the Company has a September 30 fiscal year-end, the lower corporate income tax rate will be phased in, resulting in a U.S. statutory federal rate of approximately 24.28% for our fiscal year ending September 30, 2018, and 21% for subsequent fiscal years. The effective tax rate including the effect of state income taxes, but not including excess tax benefits from stock option exercises, is projected to decrease from 39.5% to 30.5% for fiscal 2018 and 27.5% for subsequent years.

Income tax expense may differ from the above estimate, possibly materially, due to, changes in interpretations of the Tax Act or related accounting guidance, the projected deferred tax changes for fiscal 2018, and projected effective state tax rates. We currently anticipate finalizing and recording any resulting adjustments by the end of our current fiscal year ending September 30, 2018.

## **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 June 30, 2018, we employed 565 revenue-producing drivers who operated our fleet of 402 company tractors (excluding 11 being prepared for sale), 16 owner operators and 544 trailers from our 20 terminals and 7 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, (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.

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 including owner operators (O.O.) under employment over the specified time period) as compared to the same period in the prior year.

ITEM	Q3 2018 vs. Q3 2017
Total Revenue	Up 4.6%
Transportation Revenue	Up .6%
Revenue Miles	Up 3%
Fuel net of surcharges	Down by 7.2%
PAFR	Increased from .84 to 1.73
Operating Ratio	Improved from 98.1% to 95.4%
Driver Turnover Rate	Increased from 75.3% to 82.4%
Avg. Driver Count incl. O.O.	Down 3.8%

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 Third quarter of Fiscal 2018

- Transportation revenue increased \$170,000, or .6%.
- The Company reported net income of \$1,086,000, or \$.33 per share, compared to net income of \$456,000, or \$.14 per share, in the same quarter last year.

### Comparative Results of Operations for the Three Months ended June 30, 2018 and 2017

(dollars in thousands)	Three months ended June 30			
	2018	%	2017	%
<b>Revenue miles (in thousands)</b>	9,812		9,524	
<b>Revenues:</b>				
Transportation revenue	\$ 26,445	89.9%	26,275	93.5%
Fuel surcharges	2,959	10.1%	1,829	6.5%
Total Revenues	29,404	100.0%	28,104	100.0%
<b>Cost of operations:</b>				
Compensation and benefits	12,132	41.3%	12,274	43.7%
Fuel expenses	4,623	15.7%	3,622	12.9%
Repairs & tires	1,817	6.2%	1,862	6.6%
Other operating	1,247	4.2%	1,134	4.0%
Insurance and losses	2,614	8.9%	2,567	9.1%
Depreciation expense	2,137	7.3%	2,349	8.4%
Rents, tags & utilities	792	2.7%	820	2.9%
Sales, general & administrative	2,465	8.4%	2,446	8.7%
Corporate expenses	399	1.3%	591	2.1%
Gain on equipment	(175)	-0.6%	(95)	-0.3%
Total cost of operations	28,051	95.4%	27,570	98.1%
Total operating profit	\$ 1,353	4.6%	534	1.9%

The Company reported net income of \$1,086,000, or \$.33 per share, compared to net income of \$456,000, or \$.14 per share, in the same quarter last year.

Total revenues for the quarter were \$29,404,000, up \$1,300,000 from the same quarter last year. Transportation revenues (excluding fuel surcharges) were \$26,445,000, up \$170,000 or 0.6%. Miles increased by 288,000, or 3.0%, to 9,812,000 versus 9,524,000 in the same quarter last year. During the second and third quarters of last fiscal year we lost sizeable pieces of business with two large customers most of which was shorter run, higher revenue per mile business. Since that time, we added back a meaningful portion of that lost business with longer run, lower revenue per mile

business. As a result, our overall average haul length has increased by 5.9% and our transportation revenue per mile has decreased by 2.2%.

Compensation and benefits decreased \$142,000, or 5 cents per mile mainly due to a one-time accrual of \$264,000 in the same quarter last year resulting from the award of two additional vacation days for drivers. Gross fuel expense was up \$1,001,000 while fuel surcharges were up \$1,130,000. Other operating expenses were up \$113,000 due mainly to increased business in areas with tolls and maintenance at some of our terminals. Depreciation expense was down \$212,000 as a result of right sizing our fleet in the first and second quarters. Corporate expenses were down by \$192,000 due mainly to lower legal fees and corporate management changes that occurred at the beginning of fiscal 2018. Gain on sale of assets increased \$80,000 as we sold excess equipment, including excess trailers. Total cost of operations improved by \$.03 cents per mile over last year's 3<sup>rd</sup> quarter.

As a result of the increased miles and revenues coupled with the improved cost of operations per mile, operating profit this quarter was \$1,353,000 compared to operating profit of \$534,000 in the same quarter last year. Operating ratio was 95.4 this quarter versus a 98.1 in the same quarter last year.

### Comparative Results of Operations for the Nine Months ended June 30, 2018 and 2017

(dollars in thousands)	Nine months ended June 30			
	2018	%	2017	%
<b>Revenue miles (in thousands)</b>	28,418		28,709	
<b>Revenues:</b>				
Transportation revenue	\$ 77,391	90.7%	79,227	94.0%
Fuel surcharges	7,893	9.3%	5,028	6.0%
Total Revenues	85,284	100.0%	84,255	100.0%
<b>Cost of operations:</b>				
Compensation and benefits	36,048	42.3%	35,813	42.5%
Fuel expenses	13,049	15.3%	11,310	13.4%
Repairs & tires	5,075	6.0%	5,125	6.1%
Other operating	3,353	3.9%	3,144	3.7%
Insurance and losses	8,499	10.0%	8,168	9.7%
Depreciation expense	6,690	7.8%	7,208	8.6%
Rents, tags & utilities	2,534	3.0%	2,543	3.0%
Sales, general & administrative	7,229	8.5%	7,038	8.4%
Corporate expenses	1,676	1.9%	2,206	2.6%
Gain on equipment	(674)	-0.8%	(407)	-0.5%
Total cost of operations	83,479	97.9%	82,148	97.5%
Total operating profit	\$ 1,805	2.1%	2,107	2.5%

The Company reported net income of \$4,490,000, or \$1.35 per share, compared to net income of \$1,628,000, or \$.49 per share in the same period last year. This year's first nine months' net income included \$3,041,000, or \$.91 per share, due to a deferred tax benefit resulting from revaluing the company's net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*.

Total revenues for the first nine months were \$85,284,000, up \$1,029,000 from the same period last year. Transportation revenues (excluding fuel surcharges) were \$77,391,000, down \$1,836,000 or 2.3%. Miles declined by 291,000, or 1%, to 28,418,000 versus 28,709,000 in the same period last year.

Compensation and benefits increased \$235,000 as a result of last summer's driver pay increase. Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$1,126,000 due to fewer miles driven and higher fuel surcharges due to higher average diesel prices. Insurance and losses were up \$331,000 due mainly to higher liability and medical claims during the first half of the fiscal year. Depreciation expense was down \$518,000 as a result of right sizing our fleet. SG&A was up \$191,000 due mainly to severance expense, reorganizing our IT department and higher advertising costs related to hiring drivers. Corporate expenses were down \$530,000 due mainly to a decrease in legal fees, consulting, and corporate management changes that occurred at the beginning of fiscal 2018.

As a result, operating profit was \$1,805,000 compared to \$2,107,000 in the same period last year. Operating ratio was 97.9 versus a 97.5 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 June 30, 2018, we had no debt outstanding on this revolver, \$3,105,000 letters of credit and \$21,895,000 available for additional borrowings. The Company expects our fiscal year 2018 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>Nine months Ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
Total cash provided by (used for):		
Operating activities	\$ 6,548	6,638
Investing activities	(931)	(3,236)
Financing activities	126	—
Increase in cash and cash equivalents	\$ 5,743	3,402
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 \$6,548,000 for the nine months ended June 30, 2018, compared to \$6,638,000 in the same period last year. The total of net income plus depreciation and amortization and less gains on sales of property and equipment increased \$2,060,000 versus the same period last year. These changes are described above under "Comparative Results of Operations." Trade accounts receivable decreased \$440,000 compared to a decrease of \$883,000 in the same period last year. Deferred income tax decreased \$3,950,000 versus \$584,000 in the same period last year primarily due to a reduction in income tax expense related to the enactment of the Tax Cuts and Jobs Act. Accounts Payable and Accrued Liabilities favorably impacted cash provided due to lower payables related to equipment purchases at June 30, 2018 and lower bonus payments paid during this year for the prior

fiscal year. These changes comprise the majority of the increase 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 nine months ended June 30, 2018, we spent \$931,000 on equipment net of proceeds from retirements. For the nine months ended June 30, 2017 we spent \$3,236,000 on equipment net of retirements.

**Financing Activities** – Financing activities primarily include net changes to our outstanding revolving debt. For the nine months ended June 30, 2018, cash provided by financing activities was \$126,000 versus no financing activities for the nine months ended June 30, 2017 due to stock option exercises. We had no outstanding long-term debt on June 30, 2018 or June 30, 2017.

**Credit Facilities** - The Company has 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. 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 June 30, 2018, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of \$17.3 million combined.

**Cash Requirements** - The Company currently expects its fiscal 2018 capital expenditures to be approximately \$5,000,000 dollars less than the \$10,492,000 projected in our recent 10-K filing. This reduction is primarily due to reducing the size of the tractor fleet and leasing approximately 35 tractors in the first quarter, versus replacing with new company owned tractors, in three select markets where we anticipate benefitting from the lease program with respect to utilization, maintenance, and other expenses. All capital expenditures made during fiscal 2018 we expect to be fully funded by our cash generated from operations. The Company does not currently pay any cash dividends on common stock

**Summary and Outlook.** Currently, the customer demand significantly exceeds the tanker industry's capacity in most markets in which we operate. Every day we are allocating our resources to fulfill the needs of those customers who are willing to partner with us on both pricing and efficiently managing the day to day operation of our business. Driver hiring and retention remains our greatest challenge. Our turnover rate during this quarter was 82.4% versus 75.3% in the same quarter last year. We continue to experience a positive trend in driver productivity as we saw our average transportation revenue per company driver climb by 4.2% this quarter versus the same quarter last year. During the quarter we made significant process changes on both the recruiting and hiring side as well as the retention side. We are optimistic these changes will have positive impacts but will monitor the results closely and make changes where necessary. We also made significant progress on our IT overhaul with a goal to improve our employees' and customers' experience. The current quarter's higher revenues and lower operational costs per mile led to improved bottom line results but we are not satisfied and will continue to push for further improvement on both the top and bottom line. We remain debt free and have increased cash from \$11 million at the beginning of the fiscal year to \$17 million at the close of the 3<sup>rd</sup> quarter.

### **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 revolving credit line of credit, the applicable spread for borrowings at June 30, 2018 was 1.0% over libor. 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 June 30, 2018, 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, 2017, 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)
April 1 Through April 30	—	\$	—	\$ 5,000,000
May 1 Through May 31	—	\$	—	\$ 5,000,000
June 1 Through June 30	—	\$	—	\$ 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 22.

## 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: August 10, 2018

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

By MATTHEW C. MCNULTY  
Matthew C. McNulty  
Vice President 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 JUNE 30, 2018**  
**EXHIBIT INDEX**

- (14) Financial Code of Ethical Conduct between the Company, Chief Executive Officers, and Financial Managers (incorporated by reference to Form 8-K filed February 2, 2015).
- (31)(a) Certification of Robert E. Sandlin.  
(31)(b) Certification of Matthew C. McNulty  
(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: August 10, 2018

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

I, Matthew C. McNulty, 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: August 10, 2018

/s/Matthew C. McNulty  
Vice President 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: August 10, 2018

/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: August 10, 2018

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

By /s/MATTHEW C. MCNULTY  
Matthew C. McNulty  
Vice President 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.