

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2018.**

or

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

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, Florida

(Address of principal executive offices)

32202

(Zip Code)

(904) 396-5733

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

Title of each class	Name of each exchange on which registered
Common Stock \$.10 par value	NASDAQ

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth 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 Act). Yes No

The number of shares of the registrant's stock outstanding as of December 5, 2018 was 3,328,466. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of March 31, 2018, the last day of business of our most recently completed second fiscal quarter, was \$47,511,066.

+. Solely for purposes of this calculation, the registrant has assumed that all directors, officers and ten percent (10%) shareholders of the Company are affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Patriot Transportation Holding, Inc. 2018 Annual Report to Shareholders are incorporated by reference in Parts I and II.

Portions of the Patriot Transportation Holding, Inc. Proxy Statement which will be filed with the Securities and Exchange Commission not later than December 31, 2018 are incorporated by reference in Part III.

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

Item 1. BUSINESS.

On January 30, 2015, FRP Holdings, Inc. ("FRP") completed the tax-free spin-off (the "Spin-off") of Patriot Transportation Holding, Inc., (the "Company" or "Patriot"). In the Spin-off, FRP distributed all of the outstanding stock of the Company to FRP's shareholders as of the record date of January 9, 2015. FRP's shareholders received one share of Patriot (stock symbol "PATI") for every three shares of FRP owned on the record date resulting in 3,242,524 of Patriot shares outstanding on the distribution date. Patriot now is an independent, publicly traded company, and FRP retains no ownership in Patriot.

Patriot was incorporated on August 5, 2014 in connection with a corporate reorganization that preceded the Spin-off. The business of the Company is conducted through our wholly-owned subsidiary, Florida Rock & Tank Lines, Inc. ("Tank Lines"), the same subsidiary through which FRP operated the transportation business prior to the Spin-off.

Our Business. Our business consists of hauling petroleum related products and dry bulk commodities and liquid chemicals. We are one of the largest regional tank truck carriers in North America. According to the Tank Truck Carrier 2017 Gross Revenue Report issued by Bulk Transporter, we are the 10th largest bulk tank carrier in North America by revenue. We operate terminals in Florida, Georgia, Alabama, South Carolina, North Carolina and Tennessee. We do not own any of the products we haul; rather, we act as a third party carrier to deliver our customers' products from point A to point B, using predominately Company employees and Company-owned tractors and tank trailers. Approximately 86% 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 14% of our business consists of hauling our customers' dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals. As of September 30, 2018, we employed 541 revenue-producing drivers who operated our fleet of 396 Company tractors (excluding 5 being prepared for sale), 19 owner operators and 532 trailers from our 20 terminals and 6 satellite locations.

We are an important link in our customers' fuel supply chain, transporting primarily from petroleum terminals to retail locations such as hypermarkets, convenience stores and truck stops. We also provide the last mile of delivery service in the liquid chemical and dry bulk business primarily from distribution facilities or manufacturing facilities to the end user. Cement and ash are delivered to concrete plants, powdered lime to industrial users and liquid chemicals primarily to the end user at a manufacturing plant or water treatment or storage facility.

Tractors and Trailers. During fiscal 2018, the Company purchased 12 new tractors. Our fiscal 2019 capital budget includes 60 new tractors. We believe maintaining a modern fleet will result in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. At September 30, 2018 the Company operated a fleet of 415 tractors (excluding 5 being prepared for sale), and 532 tank trailers. The Company owns all of the tank trailers and tractors used to conduct our business, except for 19 tractors owned by owner-operators and 30 full-service leased 2019 model year tractors located in key areas without Company maintenance shops.

Competitors. The tank lines transportation business is extremely competitive and fragmented. We have between two and six competitors in each of our markets, consisting of other carriers of varying sizes as well as our customers' private fleets. Price, service and location are the major competitive factors in each local market. Some of our competitors have greater financial resources and a more expansive geographic footprint than our company. Some of our competitors periodically reduce their prices to gain business, which may limit our ability to maintain or increase prices, implement new pricing strategies or maintain significant growth in our business.

Our largest competitors include Kenan Advantage Group, Eagle Transport, Penn Tank Lines, CTL, and Commercial Carriers. We also compete with smaller carriers in most of our markets.

Our strategy is to build long-term partnerships with our customers based on the highest level of customer service and reliability. The current trend is that hypermarkets and super regional and national chains have emerged to replace many of the independent convenience stores and service stations historically served by many of our competitors. As this continues, we believe that our size, capabilities, scope of services and geographic reach will provide us a competitive advantage over smaller carriers with fewer resources.

Customers. Approximately 86% of our business consists of hauling petroleum related products. Our petroleum clients include major convenience store and hypermarket accounts, fuel wholesalers and major oil companies. We strive to build long-term relationships with major customers by providing outstanding customer service. During fiscal 2018, the Company's ten largest customers accounted for approximately 59.1% of revenue. One of these customers, Murphy USA, accounted for 17.3% of revenue. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income. Our transportation services agreements with our customers generally are terminable upon 90-120 days' notice, but nine of our top 10 accounts have been customers for at least 5 years.

Our dry bulk and chemical customers include large industrial companies including cement and concrete accounts and product distribution companies. Our customer relationships are long-standing and have grown over time as a result of consistently high safety and service levels.

Sales and Marketing. Our marketing activities are focused on building our relationships with existing customers as well as developing new business opportunities. Our senior management team has extensive experience in marketing specialized fuels delivery services. In addition, significant portions of our marketing activities are conducted locally by our regional managers, terminal managers and dispatchers who act as local customer service representatives. These managers and dispatchers maintain regular contact with customers and are well-positioned to identify the changing transportation needs of customers in their respective geographic areas. We also actively participate in various trade associations, including the National Tank Truck Carriers Association, various state trucking and petroleum marketing associations and the Society of Independent Gasoline Marketers Association.

Environmental Matters. Our activities, which involve the transportation, storage and disposal of fuels and other hazardous substances and wastes, are subject to various federal, state and local health and safety laws and regulations relating to the protection of the environment, including, among others, those governing the transportation, management and disposal of hazardous materials, vehicle emissions, underground and above ground storage tanks and the cleanup of contaminated sites. Our operations involve risks of fuel spillage or seepage, hazardous waste disposal and other activities that are potentially damaging to the environment. If we are involved in a spill or other accident involving

hazardous substances, or if we are found to be in violation of or liable under applicable laws or regulations, it could significantly increase our cost of doing business.

Most of our truck terminals are located in industrial areas, where groundwater or other forms of environmental contamination may have occurred. Under environmental laws, we could be held responsible for the costs relating to any contamination at those or other of our past or present facilities and at third-party waste disposal sites, including cleanup costs, fines and penalties and personal injury and property damages. Under some of these laws, such as the Comprehensive Environmental Response Compensation and Liability Act (also known as the Superfund law) and comparable state statutes, liability for the entire cost of the cleanup of contaminated sites can be imposed upon any current or former owner or operator, or upon any party who sent waste to the site, regardless of the lawfulness of any disposal activities or whether a party owned or operated a contaminated property at the time of the release of hazardous substances. From time to time, we have incurred remedial costs and/or regulatory penalties with respect to chemical or wastewater spills and releases relating to our facilities or operations, and, notwithstanding the existence of our environmental management program, we may incur such obligations in the future. The discovery of contamination or the imposition of additional obligations or liabilities in the future could result in a material adverse effect on our financial condition, results of operations or our business reputation.

Our operations involve hazardous materials and could result in significant environmental liabilities and costs. For a discussion of certain risks of our being associated with transporting hazardous substances see “Risk Factors—Risks Relating to Our Business”

Seasonality. Our business is subject to seasonal trends common in the refined petroleum products delivery industry. We typically face reduced demand for refined petroleum products delivery services during the winter months and increased demand during the spring and summer months. Further, operating costs and earnings are generally adversely affected by inclement weather conditions. These factors generally result in lower operating results during the first and second fiscal quarters of the year and cause our operating results to fluctuate from quarter to quarter. Our operating expenses also have been somewhat higher in the winter months, due primarily to decreased fuel efficiency and increased maintenance costs for tractors and trailers in colder months.

Employees. As of September 30, 2018, the Company employed 783 people.

Financial Information. Financial information about the company is presented in the financial statements included in the accompanying 2018 Annual Report to Shareholders and such information is incorporated herein by reference.

Company Website. The Company’s website may be accessed at www.patriottrans.com. All of our filings with the Securities and Exchange Commission can be accessed through our website promptly after filing. This includes annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

Item 1A. RISK FACTORS.

Our future results may be affected by a number of factors over which we have little or no control. The following issues, uncertainties, and risks, among others, should be considered in evaluating our business and outlook. Also, note that additional risks not currently identified or known to us could also negatively impact our business or financial results.

Risks Relating to Our Business

Our business is subject to general economic and other factors that are largely out of our control and could affect our operations, profitability and cash flow.

Our business is dependent on various economic factors over which we have little control, that include:

- the availability of qualified drivers;
- access to the credit and capital markets;
- rising healthcare costs;
- increases in fuel prices, taxes and tolls;
- increases in costs of equipment;
- interest rate fluctuations;
- excess capacity in the trucking industry;
- changes in laws or regulations or changes in license and regulatory fees;
- potential disruptions at U.S. ports of entry and in pipeline operations;
- downturns in customers' business cycles; and
- insurance prices and insurance coverage availability.

As a result, we may experience periods of overcapacity, declining prices, lower profit margins and less availability of cash in the future. Our revenues and operating income could be materially adversely affected if we are unable to pass through to our customers the full amount of increased transportation costs.

We would be adversely affected by a decline in demand for hauling petroleum products in our markets.

We derive approximately 86% of our revenues from the hauling of petroleum products, including gasoline, diesel fuel and ethanol. The demand for these services is determined by motor fuel consumption in our markets, which is affected by general economic conditions, employment levels, consumer confidence, spending patterns and gasoline prices. Demand for our petroleum hauling services is also impacted by vehicle fuel efficiency, alternative fuel vehicles and government regulation relating to ethanol. The Energy Information Administration of the U.S. Department of Energy projects that U.S. motor gasoline consumption will decline at an average rate of 1.1% per year between 2012 and 2040 as improvements in fuel efficiency are expected to outpace increases in miles driven.

Advanced technology, improved fuel efficiency and increased use of "green" automobiles (e.g., those

automobiles that do not use gasoline or that are powered by hybrid engines) would reduce demand for gasoline. Developments regarding climate change and the effects of greenhouse gas emissions on climate change may lead to increased use of “green” automobiles. Consequently, attitudes toward gasoline and its relationship to the environment may significantly affect our sales and ability to market our products. Reduced consumer demand for gasoline could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may be adversely affected by fluctuations in the price and availability of fuel.

We require large amounts of diesel fuel to operate our tractors. In 2016, 2017 and 2018, cost of fuel (including fuel taxes) represented approximately 12.6%, 13.4%, and 15.3%, respectively, of our total revenue. The market price for fuel can be extremely volatile and can be affected by a number of economic and political factors. In addition, changes in federal or state regulations can impact the price of fuel, as well as increase the amount we pay in fuel taxes.

We typically incorporate a fuel surcharge provision in all customer contracts. The intended effect of that provision is to neutralize the impacts of fluctuations in the price of diesel fuel on both the Company and our customer. The amount of the fuel surcharge is typically set at the beginning of each month and is based on the actual price of diesel fuel recorded in the preceding month. This provision produces a lag in the timing of the recovery of the price move for both the Company and our customer. However, our customers may be able to negotiate contracts that minimize or eliminate our ability to pass on fuel price increases. If fuel prices increase and we are unable to pass the increased cost to our customers, the additional expense could have a material adverse effect on our business, results of operations and financial condition.

We currently do not hedge our fuel purchases to protect against fluctuations in fuel prices that are not covered by fuel surcharges, and therefore are at risk to the extent that changes in the market price of fuel are not covered by the fuel surcharge provisions of our customer contracts.

Our operations may also be adversely affected by any limit on the availability of fuel. Disruptions in the political climate in key oil producing regions in the world, particularly in the event of wars or other armed conflicts, could severely limit the availability of fuel in the United States. In the event our customers face significant difficulty in obtaining fuel, our business, results of operations and financial condition would be materially adversely affected.

Our business may be adversely affected by seasonal factors and harsh weather conditions.

Our business is subject to seasonal trends common in the refined petroleum products delivery industry. We typically encounter increased demand for fuels delivery services in Florida during the spring months. Further, operating costs and earnings are generally adversely affected by inclement weather conditions. These factors generally result in lower operating results during the first and second fiscal quarters of the year and cause our operating results to fluctuate from quarter to quarter. Our operating expenses also have been somewhat higher in the winter months, primarily due to decreased fuel efficiency, increased utility costs and increased maintenance costs for tractors and trailers in colder months. An occurrence of unusually harsh or long-lasting inclement weather could have an adverse effect on our operations and profitability.

We operate in a highly competitive industry, and competitive pressures may adversely affect our operations and profitability.

The tank lines transportation business is extremely competitive and fragmented. We compete with many other carriers of varying sizes as well as our customers' private fleets. Numerous competitive factors could impair our ability to maintain our current level of revenues and profitability and adversely affect our financial condition. These factors include the following:

- we compete with many other fuels delivery service providers, particularly smaller regional competitors, some of which may have more equipment in, or stronger ties to, the geographic regions in which they operate or other competitive advantages;
- some of our competitors periodically reduce their prices to gain business, which may limit our ability to maintain or increase prices, implement new pricing strategies or maintain significant growth in our business;
- many customers periodically accept bids from multiple carriers, and this process may depress prices or result in the loss of some business to competitors;
- many customers are looking to reduce the number of carriers they use, and in some instances we may not be selected to provide services;
- consolidation in the fuels delivery industry could create other large carriers with greater financial resources than we have and other competitive advantages relating to their size;
- the development of alternative power sources for cars and trucks could reduce demand for gasoline; and
- advances in technology require increased investments to maintain competitiveness, and we may not have the financial resources to invest in technology improvements or our customers may not be willing to accept higher prices to cover the cost of these investments.

If we are unable to address these competitive pressures, our operations and profitability may be adversely affected.

The loss or bankruptcy of one or more significant customers may adversely affect our business.

We are dependent upon a limited number of large customers. Our ten largest customers accounted for approximately 59.1% of our total revenues during the year ended September 30, 2018. In particular, our largest customer, Murphy USA, accounted for 17.3% of our total revenues during fiscal 2018. The loss of one or more of our major customers, or a material reduction in services performed for such customers, would have a material adverse effect on our results of operations. In addition, if one or more of our customers were to seek protection under the bankruptcy laws, we might not receive payment for services rendered and, under certain circumstances, might have to return payments made by these customers during the 90 days prior to the bankruptcy filing. If we were to lose one or more of our key customers, we might not be able to capture additional volume from other customers to offset the fixed costs historically covered by the lost revenue.

Difficulty in attracting and retaining drivers could negatively affect our operations and limit our growth.

There is substantial competition for qualified personnel, particularly drivers, in the trucking industry.

We operate in many geographic areas where there is currently a shortage of drivers. Regulatory requirements, including electronic logging, and an improving U.S. jobs market, could continue to reduce the number of eligible drivers in our markets. Any shortage of drivers could result in temporary under-utilization of our equipment, difficulty in meeting our customers' demands and increased compensation levels, each of which could have a material adverse effect on our business, results of operations and financial condition. A loss of qualified drivers could lead to an increased frequency in the number of accidents, potential claims exposure and, indirectly, insurance costs.

Difficulty in attracting qualified drivers could also require us to limit our growth. Our strategy is to grow in part by expanding existing customer relationships into new markets. However, we may have difficulty finding qualified drivers on a timely basis when presented with new customer opportunities, which could result in our inability to accept or service this business or could require us to increase the wages we pay in order to attract drivers. If we are unable to hire qualified drivers to service business opportunities in new markets, we may have to temporarily send drivers from existing terminals to those new markets, causing us to incur significant costs relating to out-of-town driver pay and expenses. In making acquisitions and converting private fleets, some of the drivers in those fleets may not meet our standards, which would require us to find qualified drivers to replace them. If we are unable to find and retain such qualified drivers on terms acceptable to us, we may be forced to forego opportunities to expand or maintain our business.

If our relationship with our employees were to deteriorate, we may be faced with unionization efforts, labor shortages, disruptions or stoppages, which could adversely affect our business and reduce our operating margins and income.

Our operations rely heavily on our employees, and any labor shortage, disruption or stoppage caused by poor relations with our employees could reduce our operating margins and income. None of our employees are subject to collective bargaining agreements, although unions have traditionally been active in the U.S. trucking industry. Our workforce has been subject to union organization efforts from time to time, and we could be subject to future unionization efforts as our operations expand. Unionization of our workforce could result in higher compensation and working condition demands that could increase our operating costs or constrain our operating flexibility. In addition, we are from time to time subject to wage and hour claims relating to overtime pay where our drivers work more than eight hours in a day but less than 40 hours in a week. We believe we are exempt from overtime pay rules under regulations of the Department of Transportation ("DOT"). However, our operating costs would increase if this exemption were rescinded or if a court determined that we were not exempt from these overtime pay rules.

If we lose key members of our senior management, our business may be adversely affected.

Our ability to implement our business strategy successfully and to operate profitably depends in large part on the continued employment of our senior management team, led by Robert Sandlin, President and CEO. If Mr. Sandlin or the other members of senior management become unable or unwilling to continue in their present positions, our business or financial results could be adversely affected.

If we fail to develop, integrate or upgrade our information technology systems, we may lose customers or incur costs beyond our expectations.

We rely heavily on information technology and communications systems to operate our business and manage our network in an efficient manner. We have equipped our tractors with various mobile communications systems and electronic logging devices that enable us to monitor our tractors and

communicate with our drivers in the field and enable customers to track the location and monitor the progress of their cargo through the Internet. Despite redundancies and security measures, our information technology and communications systems remain susceptible to outages, computer viruses, break-ins, human error, data leakage and other disruptions and imperfections. Any of these could impair the efficiency of our operations, inhibit our customer service or reduce customer access to information. In addition, there could be a loss of confidential information, corruption of data, or damage to our reputation. Demand for our services or the profitability of operations could in turn be affected, which could have a negative impact on our results of operations or cash flows.

Increasingly, we compete for customers based upon the flexibility and sophistication of our technologies supporting our services. The failure of hardware or software that supports our information technology systems, the loss of data contained in the systems, or the inability of our customers to access or interact with our website, could significantly disrupt our operations and cause us to lose customers. If our information technology systems are unable to handle additional volume for our operations as our business and scope of service grow, our service levels and operating efficiency will decline. In addition, we expect customers to continue to demand more sophisticated fully-integrated information systems. If we fail to hire and retain qualified personnel to implement and maintain our information technology systems or if we fail to upgrade or replace these systems to handle increased volumes, meet the demands of our customers and protect against disruptions of our operations, we may lose customers, which could seriously harm our business.

To compete effectively, we must anticipate and adapt to technology changes. We may choose new technologies that later prove to be inadequate, or may be forced to implement new technologies, at substantial cost, to remain competitive. In addition, competitors may implement new technologies before we do, allowing such competitors to provide lower priced or enhanced services and superior quality compared to those we provide. This development could have a material adverse impact on our ability to compete.

We are self-insured and/or have deductible exposure to certain claims and are subject to the fluctuations of the insurance marketplace, all of which could affect our profitability.

The primary accident risks associated with our business are:

- motor-vehicle related bodily injury and property damage;
- workers' compensation claims;
- environmental pollution liability claims;
- cargo loss and damage; and
- general liability claims.

We currently maintain insurance for:

- motor-vehicle related bodily injury and property damage claims;
- workers' compensation insurance coverage on our employees; and
- general liability claims.

Our insurance program included a self-insured deductible of \$250,000 per incident for bodily injury, property damage, and workers' compensation (with a basket at \$250,000 for all three) until September 30, 2017. Effective October 1, 2017 our deductible on bodily injury and property damage remained at \$250,000 but increased to \$500,000 on workers compensation with no basket coverage. In addition, we maintained insurance policies with a total limit of \$50 million, of which \$49 million

was provided under umbrella and excess liability policies and \$1 million is provided under a primary liability policy. The \$250,000 deductible per incident could adversely affect our profitability, particularly in the event of an increase in the frequency or severity of incidents. Additionally, we are self-insured for damage to the equipment that we own and lease, as well as for cargo losses and such self-insurance is not subject to any maximum limitation. In addition, even where we have insurance, our insurance policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities.

Our self-insured retentions require us to make estimates of expected loss amounts and accrue such estimates as expenses. Changes in estimates may materially and adversely affect our financial results. In addition, our insurance does not cover claims for punitive damages. As a result of the increase in our self-insured retention, it is likely that we will increase our claims accrual as a result of a possible increase in our claims expense.

We are subject to changing conditions and pricing in the insurance marketplace that in the future could change dramatically the cost or availability of various types of insurance. To the extent these costs cannot be passed on to our customers in increased prices, increases in insurance costs could reduce our future profitability and cash flow.

In addition, our insurance carriers and the states in which we operate require us to post either letters of credit or surety bonds to collateralize our self-insured retention. We currently have letters of credit of \$3 million outstanding to satisfy these obligations. If our insurance carriers or the states in which we operate require us to increase the amount of collateral we provide in the future, we could face increased costs, including the payment of additional fees to the providers of letters of credit. Since our letters of credit are considered debt under the financial covenants for our financing arrangements, increases in the amount of letters of credit we have outstanding to collateralize our self-insurance obligations will reduce borrowing availability under our credit agreement and reduce our capacity for additional borrowings.

Moreover, any accident or incident involving us, even if we are fully insured or not held to be liable, could negatively affect our reputation among customers and the public, thereby making it more difficult for us to compete effectively, and could significantly affect the cost and availability of insurance in the future. Because we provide “last mile” fuels delivery services, we generally perform our services in more crowded areas, which increases the possibility of an accident involving our trucks.

We operate in a highly regulated industry, and increased costs of compliance with, or liability for violation of, existing or future regulations could significantly increase our costs of doing business.

As a motor carrier, we are subject to regulation by the Federal Motor Carrier Safety Administration (“FMCSA”) and DOT, and by various federal and state agencies. These regulatory authorities exercise broad powers governing various aspects such as operating authority, safety, hours of service, hazardous materials transportation, financial reporting and acquisitions. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment, product-handling requirements and drug testing of drivers. In 2003, Florida Rock & Tank Lines, Inc. underwent a compliance review by the FMCSA in which we retained our satisfactory DOT safety rating. Any downgrade in our DOT safety rating (as a result of new regulations or otherwise) could adversely affect our business.

The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices, emissions or by changing the demand for common or contract carrier services or the cost of providing trucking services. Possible changes include:

- increasingly stringent environmental regulations, including changes intended to address climate change;
- restrictions, taxes or other controls on emissions;
- regulation specific to the energy market and logistics providers to the industry;
- changes in the hours-of-service regulations, which govern the amount of time a driver may drive in any specific period;
- driver and vehicle electronic logging requirements;
- requirements leading to accelerated purchases of new tractors;
- mandatory limits on vehicle weight and size;
- driver hiring restrictions;
- increased bonding or insurance requirements; and
- mandatory regulations imposed by the Department of Homeland Security.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels and emissions, which may increase our operating costs, require capital expenditures or adversely impact the recruitment of drivers.

Restrictions on emissions or other climate change laws or regulations could also affect our customers that use significant amounts of energy or burn fossil fuels in producing or delivering the products we carry. We also could lose revenue if our customers divert business from us because we have not complied with their sustainability requirements.

Our business may be adversely affected by terrorist attacks and anti-terrorism measures.

In the aftermath of the terrorist attacks of September 11, 2001, federal, state and municipal authorities have implemented and are implementing various security measures, including checkpoints and travel restrictions on large trucks and fingerprinting of drivers in connection with new hazardous materials endorsements on their licenses. Such measures may have costs associated with them which we are forced to bear. While we believe we are in compliance with these new regulations, if existing requirements are interpreted differently by governmental authorities or additional new security measures are required, the timing of our deliveries may be disrupted and we may fail to meet the needs of our customers or incur increased expenses to do so. Such developments could have a material adverse effect on our operating results. Moreover, large trucks containing petroleum products are potential terrorist targets, and we may be obligated to take measures, including possible capital expenditures intended to protect our trucks. In addition, the insurance premiums charged for some or all of the coverage maintained by us could continue to increase dramatically or such coverage could be unavailable in the future.

Our operations involve hazardous materials and could result in significant environmental liabilities and costs.

Our activities, which involve the transportation, storage and disposal of fuels and other hazardous substances and wastes, are subject to various federal, state and local health and safety laws and regulations relating to the protection of the environment, including, among others, those governing the transportation, management and disposal of hazardous materials, vehicle emissions, underground

and above ground storage tanks and the cleanup of contaminated sites. Our operations involve risks of fuel spillage or seepage, hazardous waste disposal and other activities that are potentially damaging to the environment. If we are involved in a spill or other accident involving hazardous substances, or if we are found to be in violation of or liable under applicable laws or regulations, it could significantly increase our cost of doing business.

Most of our truck terminals are located in industrial areas, where groundwater or other forms of environmental contamination may have occurred. Under environmental laws, we could be held responsible for the costs relating to any contamination at those or other of our past or present facilities and at third-party waste disposal sites, including cleanup costs, fines and penalties and personal injury and property damages. Under some of these laws, such as the Comprehensive Environmental Response Compensation and Liability Act (also known as the Superfund law) and comparable state statutes, liability for the entire cost of the cleanup of contaminated sites can be imposed upon any current or former owner or operator, or upon any party who sent waste to the site, regardless of the lawfulness of any disposal activities or whether a party owned or operated a contaminated property at the time of the release of hazardous substances. From time to time, we have incurred remedial costs and/or regulatory penalties with respect to spills and releases in connection with our operations and, notwithstanding the existence of our environmental management program, such obligations may be incurred in the future. The discovery of contamination or the imposition of additional obligations or liabilities in the future could result in a material adverse effect on our financial condition, results of operations or our business reputation.

Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. If we fail to comply with applicable environmental laws and regulations, we could also be subject to substantial fines or penalties and to civil and criminal liability. As a result, our costs of complying with current or future environmental laws or liabilities arising from such laws may have a material adverse effect on our business, results of operations or financial condition.

We have significant ongoing capital requirements.

Our business requires substantial ongoing capital investment, particularly for tractors, trailers, terminals and technology. Our capital expenditures were approximately \$11.5 million, \$6.3 million and \$4.7 million in 2016, 2017 and 2018, respectively, and we expect to make capital expenditures of approximately \$10 million during fiscal 2019. We expect that cash flow from operations and borrowings under our revolving credit facility will be our primary sources of financing for capital expenditures. If we are unable to generate sufficient cash from operations or borrow sufficient funds on terms that are acceptable to us, we may be forced to limit our growth and operate existing equipment for significant periods of time, each of which could have a material adverse effect on our business, results of operations and financial condition.

We may face difficulty in purchasing new equipment on a timely basis. Any delay in delivery of equipment could impair our ability to serve our customers, and, to the extent that we must obtain equipment from alternative sources at increased prices, could result in a significant increase in our anticipated capital expenditures and, accordingly, have a material adverse effect on our business, results of operations and financial condition.

Financing may not always be available to fund our activities.

We usually must spend and risk a significant amount of capital to fund our activities. Although most

capital needs are funded from operating cash flow, the timing of cash flows from operations and capital funding needs may not always coincide, and the levels of cash flow may not fully cover capital funding requirements.

From time to time, we may need to supplement our cash generated from operations with proceeds from financing activities. We currently have a revolving credit facility available to us, for up to \$25 million of borrowings, to provide us with available financing for working capital, equipment purchases and other general corporate purposes. This credit facility is intended to meet any ongoing cash needs in excess of internally generated cash flows.

Our revolving credit agreement limits our ability to engage in some business activities.

Our revolving credit agreement contains customary negative covenants and other financial and operating covenants that will, among other things:

- limit our ability to incur certain additional indebtedness;
- limit our ability to make certain investments;
- limit our ability to merge with another company;
- limit our ability to pay dividends;
- require us to maintain financial coverage ratios; and
- prevent us from encumbering certain assets except as approved by the lender.

These limitations could cause us to default on our credit agreements or negatively affect our operations.

Risks Relating to Our Common Stock

Your percentage of ownership in the Company may be diluted in the future.

In the future, your percentage ownership in the Company may be diluted because of equity issuances for acquisitions, capital market transactions or other corporate purposes, including equity awards that we will grant to our directors, officers and employees. Our employees have options to purchase shares of our common stock and we anticipate our compensation committee will grant additional stock options or other stock-based awards to our employees. Such awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of our common stock. From time to time, we will issue additional options or other stock-based awards to our employees under our employee benefits plans.

In addition, our amended and restated articles of incorporation authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock respecting dividends and distributions, as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

Certain shareholders have effective control of a significant percentage of our common stock and likely will control the outcome of any shareholder vote.

As of September 30, 2018, two of our directors, Edward L. Baker and Thompson S. Baker II, beneficially own approximately 6.85% of the outstanding shares of our common stock (62.6% of such shares are held in trusts under which voting power is shared with other family members) and certain of their family members beneficially own an additional 21.9%. As a result, these individuals effectively may have the ability to direct the election of all members of our board of directors and to exercise a controlling influence over our business and affairs, including any determinations with respect to mergers or other business combinations involving us, our acquisition or disposition of assets, our borrowing of monies, our issuance of any additional securities, our repurchase of common stock and our payment of dividends.

Provisions in our articles of incorporation and bylaws and certain provisions of Florida law could delay or prevent a change in control of us.

The existence of some provisions of our articles of incorporation and bylaws and Florida law could discourage, delay or prevent a change in control of us that a shareholder may consider favorable. These include provisions:

- providing that our directors may be removed by our shareholders only for cause;
- establishing supermajority vote requirements for our shareholders to approve certain business combinations;
- establishing supermajority vote requirements for our shareholders to amend certain provisions of our articles of incorporation and our bylaws;
- authorizing a large number of shares of stock that are not yet issued, which would allow our board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of our management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us;
- prohibiting shareholders from calling special meetings of shareholders or taking action by written consent; and
- imposing advance notice requirements for nominations of candidates for election to our board of directors at the annual shareholder meetings.

These provisions apply even if a takeover offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in our and our shareholders' best interests.

Risks Related to the Spin-off

Potential indemnification liabilities to FRP pursuant to the Separation agreement could materially adversely affect the Company.

The separation agreement with FRP provides for indemnification obligations designed to make the Company financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the Company's Spin-off from FRP, as well as those obligations of FRP assumed by the Company pursuant to the separation agreement. If the Company is required to indemnify FRP under the circumstances set forth in the separation agreement, the Company may be subject to substantial liabilities.

We share two of our executives with FRP so those executives do not devote their full time and attention to our business.

Under the terms of the Transition Services Agreement between us and FRP, we provide the services of two of our executive officers to FRP. John D. Milton, Jr., our General Counsel, and John D. Klopfenstein, our Controller and Chief Accounting Officer, serve in the same capacities with FRP under the Transition Services Agreement. These executives will spend approximately 75% and 50% respectively of their time working with FRP during the term of the Transition Services Agreement, and FRP has agreed to reimburse us for 75% and 50% respectively of the total costs associated with these executives (inclusive of overhead). Our business could be adversely impacted by lack of the full-time focus of these executives during the term of the Transition Services Agreement. In addition, these executives may face actual or apparent conflicts of interest if there are issues or disputes under the agreements between us and FRP.

We have potential conflicts of interest with FRP.

We have common management with FRP, which may lead to conflicting interests. Two of our executive officers also serve as executive officers of FRP. Our executive officers and members of our board of directors will have fiduciary duties to our shareholders. Likewise, any such persons who serve in similar capacities at FRP will have fiduciary duties to FRP's shareholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting each company. For example, there will be the potential for a conflict of interest if we and FRP look at acquisitions and other corporate opportunities that may be suitable for each of us. Moreover, after the Spin-off, most of our directors and officers continue to own FRP stock, and some officers continue to own options to purchase FRP stock. These ownership interests could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for our company and FRP. From time to time, FRP may enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any such transactions will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as would be the case where the parties are completely at arms' length.

Our inter-company agreements were negotiated when we were a subsidiary of FRP. We have entered into agreements with FRP pursuant to which we will provide to FRP certain management, administrative, financial, treasury, accounting, tax, legal and other services, for which FRP will reimburse us on a cost basis. In addition, we have entered into a Separation and Distribution Agreement, a Tax Matters Agreement and an Employee Matters Agreement with FRP. The terms of these agreements were established while we were a wholly owned subsidiary of FRP, and hence were not the result of arms' length negotiations. However, we believe that such terms are commercially reasonable and fair to both parties under the circumstances. Nevertheless, conflicts could arise in the interpretation or any extension or renegotiation of the foregoing agreements after the Spin-off.

There could be significant liability if the distribution of common stock that occurred as a result of the Spin-off is determined to be a taxable transaction.

Our former parent, FRP, received an opinion of outside tax counsel to the effect that, among other things, the Spin-off will qualify as a transaction that is tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code. The opinion relies on certain facts, assumptions, representations and undertakings from FRP and the Company regarding the past

and future conduct of the companies' respective businesses and other matters. If any of these facts, assumptions, representations or undertakings are incorrect or not satisfied, FRP and its shareholders may not be able to rely on the opinion of tax counsel and could be subject to significant tax liabilities.

Notwithstanding an opinion of tax counsel, the IRS could determine on audit that the Spin-off is taxable if it determines that any of these facts, assumptions, representations or undertakings are not correct or have been violated or if it disagrees with the conclusions in the opinion, or for other reasons, including as a result of certain significant changes in the share ownership of FRP or the Company after the Spin-off. If the Spin-off is determined to be taxable for U.S. federal income tax purposes, FRP and its shareholders that are subject to U.S. federal income tax could incur significant U.S. federal income tax liabilities and the Company could incur significant liabilities. In connection with the Spin-off, FRP and the Company entered into a tax matters agreement, which describes the sharing of any such liabilities between FRP and the Company.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

As of September 30, 2018, our terminals and satellite locations were located in the following cities:

<u>State</u>	<u>City</u>	<u>Terminal or Satellite Location</u>	<u>Owned/Leased</u>
Alabama	Mobile	Satellite	Leased
Alabama	Montgomery	Terminal	Leased
Florida	Cape Canaveral	Satellite	Leased
Florida	Ft. Lauderdale	Terminal	Leased
Florida	Freeport	Satellite	Leased
Florida	Jacksonville	Terminal	Owned
Florida	Newberry	Satellite	Leased
Florida	Orlando	Terminal	Leased
Florida	Panama City	Terminal	Owned
Florida	Pensacola	Terminal	Owned
Florida	Tampa	Terminal	Owned
Florida	White Springs	Terminal	Owned
Georgia	Albany	Terminal	Owned
Georgia	Athens	Satellite	Leased
Georgia	Augusta	Terminal	Owned
Georgia	Bainbridge	Terminal	Owned
Georgia	Columbus	Terminal	Owned
Georgia	Doraville	Terminal	Owned
Georgia	Macon	Terminal	Owned
Georgia	Rome	Satellite	Leased
Georgia	Savannah	Terminal	Leased
North Carolina	Charlotte	Terminal	Leased
North Carolina	Wilmington	Terminal	Leased
Tennessee	Chattanooga	Terminal	Owned

Tennessee
Tennessee

Nashville
Knoxville

Terminal
Terminal

Leased
Owned

Item 3. LEGAL PROCEEDINGS.

Note 11 to the Consolidated and Combined Financial Statements included in the accompanying 2018 Annual Report to Shareholders is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES.

None.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

There were approximately 383 holders of record of Patriot Transportation Holding, Inc. common stock, \$.10 par value, as of September 30, 2018. The Company's common stock is traded on the Nasdaq Stock Market (Symbol PATI).

Price Range of Common Stock. Information concerning stock prices is included under the caption "Quarterly Results" on page 5 of the Company's 2018 Annual Report to Shareholders, and such information is incorporated herein by reference.

Dividends. The Company has not paid a cash dividend in the past and it is the present policy of the Board of Directors not to pay cash dividends. Information concerning restrictions on the payment of cash dividends is included in Note 3 to the consolidated financial statements included in the accompanying 2018 Annual Report to Shareholders and such information is incorporated herein by reference.

Securities Authorized for Issuance Under Equity Compensation Plans. Information regarding securities authorized for issuance under equity compensation plans is included in Item 12 of Part III of this Annual Report on Form 10-K and such information is incorporated herein by reference.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers. Share repurchase activity during the three months ended September 30, 2018 was as follows:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)</u>
July 1 Through July 31	—	\$ —	—	\$ 5,000,000
August 1 Through August 31	—	\$ —	—	\$ 5,000,000
September 1 Through September 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. SELECTED FINANCIAL DATA.

Information required in response to this Item 6 is included under the caption "Five Year Summary" on page 5 of the Company's 2018 Annual Report to Shareholders and such information is incorporated herein by reference.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

Information required in response to Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" on pages 6 through 12 of the Company's 2018 Annual Report to Shareholders and such information is incorporated herein by reference.

Item 7.A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. We are exposed to the impact of interest rate changes through our variable-rate borrowings under the Credit Agreement. Under the Wells Fargo revolving credit line, the applicable margin for borrowings at September 30, 2018 was 1.0% over LIBOR. The applicable margin for such borrowings will be increased in the event that our debt to capitalization ratio as calculated under the Credit Agreement Facilities exceeds a target level.

The Company did not have any variable or fixed rate debt outstanding at September 30, 2018, so a sensitivity analysis was not performed to determine the impact of hypothetical changes in interest rates on the Company's results of operations and cash flows.

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 lower diesel fuel prices. 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. In fiscal 2018 and 2017, a significant portion of fuel costs was recovered through fuel surcharges.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information required in response to this Item 8 is included under the caption "Quarterly Results" on page 5 and on pages 13 through 24 of the Company's 2018 Annual Report to Shareholders. Such information is incorporated herein by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls And Procedures. Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and chief accounting officer, we conducted an evaluation of our disclosure controls and procedures, as such terms is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our principal executive officer, our principal financial officer and our chief accounting officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

Management’s Annual Report On Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in the *Internal Control-Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of September 30, 2018.

This Annual Report does not include an attestation report of our Independent Registered Certified Public Accounting Firm, Hancock Askew & Co., LLP, regarding internal control over financial reporting. Management’s report was not subject to attestation by our Independent Registered Certified Public Accounting Firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Annual Report.

Change In Internal Control Over Financial Reporting. During the fourth quarter of 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations Over Internal Controls. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

ITEM 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding the Company's executive officers and directors (including the disclosure regarding audit committee financial experts), required in response to this Item 10, is included under the captions "Board of Directors and Corporate Governance- Our Board of Directors," "Board of Directors and Corporate Governance- Board Leadership," "Board of Directors and Corporate Governance- Board Committees," "Board of Directors and Corporate Governance- Business Conduct Policies," "Securities Ownership- Section 16(a) Beneficial Ownership Reporting Compliance," and "Compensation Discussion and Analysis" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2018.

The Company has adopted a Financial Code of Ethical Conduct applicable to its principal executive officers, principal financial officers and principal accounting officers. A copy of this Financial Code of Ethical Conduct is filed as Exhibit 14 to this Form 10-K. The Financial Code of Ethical Conduct is available on our web site at www.patriottrans.com under the heading *Corporate Governance*.

Item 11. EXECUTIVE COMPENSATION.

Information required in response to this Item 11 is included under the captions "Board of Directors and Corporate Governance- Board Committees- Compensation Committee," "Non-Employee Director Compensation," "Compensation Discussion and Analysis" and "Executive Compensation" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2018.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required in response to this Item 12 is included under the captions "Securities Ownership" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2018.

Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of Securities to be issued upon exercise of outstanding options, Warrants and rights (a)</u>	<u>Weighted Average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of Securities Remaining Available for future Issuance under equity Compensation Plans (excluding Securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders	175,551	\$ 21.52	38,507
Equity compensation plans not approved by security holders	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>175,551</u>	<u>\$ 21.52</u>	<u>38,507</u>

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Information required in response to this Item 13 is included under the caption "Related Party Transactions" and "Board of Directors and Corporate Governance- Director Independence " in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2018.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information required in response to this Item 14 is included under the captions "Independent Registered Public Accounting Firm" in the Company's Proxy Statement and such information is incorporated herein by reference. The Proxy Statement will be filed with the Securities and Exchange Commission not later than December 31, 2018.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE.

(a) (1) and (2) Financial Statements and Financial Statement Schedule.

The response to this item is submitted as a separate section. See Index to Financial Statements and Financial Statement Schedule on page 28 of this Form 10-K.

(3) Exhibits.

The response to this item is submitted as a separate section. See Exhibit Index on pages 27 of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Patriot Transportation Holding, Inc.

Date: December 11, 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)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on December 11, 2018.

ROBERT E. SANDLIN

Robert E. Sandlin
President and Executive Officer
(Principal Executive Officer)

THOMPSON S. BAKER II

Thompson S. Baker II
Chairman of the Board
Director

MATTHEW C. MCNULTY

Matthew C. McNulty
Vice President and Chief Financial
Officer (Principal Financial Officer)

JOHN E. ANDERSON

John E. Anderson
Director

JOHN D. KLOPFENSTEIN

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

LUKE E. FICHTHORN

Luke E. Fichthorn III
Director

EDWARD L. BAKER

Edward L. Baker
Director, Chairman Emeritus

CHARLES D. HYMAN

Charles D. Hyman
Director

PATRIOT TRANSPORTATION HOLDING, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
EXHIBIT INDEX
[Item 14(a)(3)]

- (2.1) Separation and Distribution Agreement, dated as of January 30, 2015, by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc.(incorporated by reference to Form 8-K filed February 2, 2015).
 - (3.1) Patriot Transportation Holding, Inc. Amended and Restated Articles of Incorporation (incorporated by reference to Form 10-Q filed May 15, 2015).
 - (3.2) Patriot Transportation Holding, Inc. Amended and Restated Bylaws (incorporated by reference to Form 10-Q filed May 15, 2015).
 - (10.1) Credit Agreement, dated January 30, 2015, among Patriot Transportation Holding, Inc. and Wells Fargo Bank, N.A. (incorporated by reference to Form 10-Q filed May 15, 2015).
 - (10.2) Tax Matters Agreement, dated January 30, 2015, by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc. (incorporated by reference to Form 8-K filed February 2, 2015).
 - (10.3) Transition Services Agreement, dated January 30, 2015, by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc. (incorporated by reference to Form 8-K filed February 2, 2015).
 - (10.4) Employee Matters Agreement, dated as of January 30, 2015, by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc. (incorporated by reference to Form 8-K filed February 2, 2015).
 - (10.5) 2014 Equity Incentive Plan for Patriot Transportation Holding, Inc. (incorporated by reference to Form 10-Q filed May 15, 2015).
 - (10.6) Management Incentive Compensation Plan (incorporated by reference to Form 10-Q filed May 15, 2015).
 - (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).
 - (21) Subsidiaries of Registrant at September 30, 2018: Florida Rock & Tank Lines, Inc. (a Florida corporation); Patriot Transportation of Florida, Inc. (a Florida corporation).
 - (23)(a) Consent of Hancock Askew & Co., Inc., Independent Registered Certified Public Accounting Firm, appears on page 29 of this Form 10-K.
 - (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

PATRIOT TRANSPORTATION HOLDING, INC.
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
(Item 15(a) (1) and 2))

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(a) Refers to the page number in the Company's 2018 Annual Report to Shareholders. Such information is incorporated by reference in Item 8 of this Form 10-K.

(b) Refers to the page number in this Form 10-K

All other schedules have been omitted, as they are not required under the related instructions, are inapplicable, or because the information required is included in the consolidated financial statements.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

Patriot Transportation Holding, Inc.
Jacksonville, Florida

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-201791 and 333-201792) of Patriot Transportation Holding, Inc. of our report dated December 11, 2018 relating to the consolidated financial statements which appear in the Annual Report to Shareholders incorporated by reference herein. We also consent to the incorporation by reference of our report dated December 11, 2018, relating to the financial statement schedule, which appears in this Form 10-K.

Respectfully submitted,

Hancock Askew & Co., LLP

Savannah, Georgia
December 11, 2018

**REPORT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM ON
FINANCIAL STATEMENT SCHEDULE**

The Shareholders and Board of Directors
Patriot Transportation Holding, Inc.:

Our audit of the consolidated financial statements referred to in our report dated December 11, 2018 appearing in the 2018 Annual Report to Shareholders of Patriot Transportation Holding, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Hancock Askew & Co., LLP

Savannah, Georgia
December 11, 2018

PATRIOT TRANSPORTATION HOLDING, INC.
SCHEDULE II (CONSOLIDATED) - VALUATION
AND QUALIFYING ACCOUNTS
YEARS ENDED SEPTEMBER 30, 2018, 2017 AND 2016

	<u>BALANCE AT BEGIN. OF YEAR</u>	<u>ADDITIONS CHARGED TO COST AND EXPENSES</u>	<u>ADDITIONS CHARGED TO OTHER ACCOUNTS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AT END OF YEAR</u>
Year Ended September 30, 2018:					
Allowance for doubtful accounts	\$ 150,066	\$ 26,930	\$ —	\$ 23,555(a)	\$ 153,441
Accrued risk Insurance:					
Tanklines	\$ (500,769) (b)	\$ 3,400,385	\$ —	\$ 2,692,115	\$ 207,501
Accrued health Insurance	750,455	4,301,603	—	4,392,642	659,416
Totals - Insurance	<u>\$ 249,686</u>	<u>\$ 7,701,988</u>	<u>\$ —</u>	<u>\$ 7,084,757(c)</u>	<u>\$ 866,917</u>
Year Ended September 30, 2017:					
Allowance for doubtful accounts	\$ 152,516	\$ 19,291	\$ —	\$ 21,741(a)	\$ 150,066
Accrued risk Insurance:					
Tanklines	\$ 6,909	\$ 2,400,754	\$ —	\$ 2,908,432	\$ (500,769)(b)
Accrued health Insurance	881,214	3,681,769	—	3,812,528	750,455
Totals - Insurance	<u>\$ 888,123</u>	<u>\$ 6,082,523</u>	<u>\$ —</u>	<u>\$ 6,720,960(c)</u>	<u>\$ 249,686</u>
Year Ended September 30, 2016:					
Allowance for doubtful accounts	\$ 143,988	\$ —	\$ —	\$ (8,528)(a)	\$ 152,516
Accrued risk Insurance:					
Tanklines	\$ 973,154	\$ 2,162,707	\$ —	\$ 3,128,952	\$ 6,909
Accrued health Insurance	1,174,950	3,501,849	(200,876)(d)	3,594,709	881,214
Totals - Insurance	<u>\$ 2,148,104</u>	<u>\$ 5,664,556</u>	<u>\$ (200,876)</u>	<u>\$ 6,723,661(c)</u>	<u>\$ 888,123</u>

(a) Accounts written off less recoveries

(b) Prepaid Insurance Claims

(c) Payments

(d) Other comprehensive income (ASC Topic 715).

Annual Report 2018

CONSOLIDATED FINANCIAL HIGHLIGHTS

Years ended September 30

(Amounts in thousands except per share amounts)

	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Revenues	\$ 114,065	112,165	1.7
Operating profit	\$ 2,046	2,372	(13.7)
Income before income taxes	\$ 2,197	2,298	(4.4)
Net income	\$ 5,119	1,829	179.9
Per common share:			
Basic	\$ 1.54	0.55	180.0
Diluted	\$ 1.54	0.55	180.0
Total Assets	\$ 69,817	67,954	2.7
Total Debt	\$ —	—	—
Shareholders' Equity	\$ 52,406	46,583	12.5
Common Shares Outstanding	3,328	3,304	.7
Book Value Per Common Share	\$ 15.75	14.10	11.7

BUSINESS. The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc. (Tank Lines), which is a Southeastern U.S. based tank truck company, is to transport petroleum and other liquids and dry bulk commodities.

OBJECTIVES. The Company's objectives are to continue building a substantial transportation company providing sound long-term growth and cash generation.

To Our Shareholders

Fiscal year 2018 proved to be a year that saw challenges as well as opportunities. Among the challenges, we lost legacy business in the second and third quarters of fiscal 2017 and we experienced difficulty quickly replacing a meaningful portion of that business. As a result, the first and second quarters of fiscal 2018 were negatively impacted by excess equipment and personnel expense as we worked to right size the company. As we entered the latter part of the second quarter, meaningful progress had been made selling excess equipment and reducing expenses. At that same time, we began taking on significant new business with an existing customer and, as we closed out the fiscal year, our year over year revenue increased in the second half of the year.

On the year, our total revenues increased from \$112,165,000 last year to \$114,065,000 this year. The Company reported net income per share of \$1.54 versus \$.55 last year (this year included a \$1.04 per share (\$3,444,000) benefit from revaluing the Company's net deferred tax liability as a result of the Tax Cuts and Jobs Act). We ended the year with no debt, grew cash and investments from \$11,000,000 to \$17,000,000 and increased our shareholders' equity by \$5,823,000 to \$52,406,000.

During the year we experienced an increase in turnover as the driver shortage and heightened competition for drivers continued. In the latter part of fiscal 2018, we implemented significant changes to our hiring process; we added a driver advocate position and introduced productivity based driver pay in an expanded effort to attract and retain drivers. We are encouraged by the increased number of drivers hired and in training since these implementations and will continue to monitor our progress for any needed adjustments to our plan. Management continues to monitor market conditions, including the capacity shortage caused by a lack of drivers, and will evaluate each opportunity and its potential impact to our bottom line results prior to making a pricing decision.

Management continues to make adjustments to the strategy and operating plan to reduce expenses and right size our fleet as illustrated by the reduced depreciation expense and improved revenue per tractor. Health Insurance costs were atypically high in fiscal 2018. Management has spent considerable time reviewing and evaluating every aspect of our health benefits package and will be implementing several changes in fiscal 2019 in an effort to control and manage these health related expenses. We remain focused on improving our safety results, which resulted in some significant cost in 2018. While we believe that increased driver turnover has contributed to increased incident frequency, we anticipate improvement based on feedback from our enhanced Driver Trainer Program introduced in 2018. Recently we have seen a willingness by our customers to help pay for these added costs; however, rates must continue to increase to keep up with these rising costs and to improve the return on investment for our capital intensive industry.

We continue to work through a number of IT projects, and we are making progress. We have nearly completed implementation of our new automated billing software, and plan to soon complete the conversion of our servers and systems to a 3rd party cloud services provider which includes an upgrade to the next generation of dispatch software. We believe all of these projects are critical to our future success as they provide significant benefits and efficiencies to our drivers, our employees and our customers.

I want to thank our employees for their dedication to our process and their understanding of the changes we are making and support of our strategic plan for the future. Our people continue to focus every day on Safely Delivering our Customer's Products On-Time and Accurately. I have been impressed with their tireless dedication, which was highlighted during Hurricanes Florence and Michael. These storms certainly had a negative impact on our financial results but, more importantly, on our employees in several of our locations. We can tell you that our people are all accounted for, many had significant damage to their homes and their lives disrupted, but they came back to work quickly and are doing everything they can to help the community and our customers recover from these catastrophic storms. We give heartfelt thanks for their loyalty and dedication.

I want to take this opportunity to recognize one of our drivers who had a particularly special year. Jacksonville driver, Dennis Rollins, was named as a Champion Finalist for the driver of the year by the National Tank Truck Carriers Association at its annual conference in Toronto, Canada. With 32 years as a professional driver and logging over 2.1 million accident free miles, Dennis exhibits all the qualities we look for in a company driver. Congratulations Dennis!

The overall financial results for 2018 did not meet our expectations. Management continues to make the necessary adjustments to our plan to improve our performance. With the addition of business in fiscal 2018, along with the right sizing of our fleet and fixed costs, we believe we are making progress. Our primary goal for our shareholders is to grow profitably while maintaining a strong balance sheet. While we certainly maintained and improved our already strong balance sheet, we missed our goal of growing profitably this year. In order to achieve our goals next year, we are focused on strategically growing revenues while controlling and reducing several of our key expenses. Our strategy going forward for revenue growth is to concentrate our efforts in the markets where we have been successful finding and retaining quality drivers. With regards to reducing fixed costs we are focused on increasing the utilization of our equipment and measuring our success based on revenues and drivers per tractor. We are consistently analyzing all costs associated with insurance and SG&A and making appropriate changes when, and where, we can. With these focuses in mind, we are encouraged in our pursuit of our targeted levels of revenue and profitable results in fiscal 2019.

As always, we are keenly appreciative of your investment in our Company; we wish to thank you, our loyal shareholders, for your continued interest and support.

Respectfully yours,

Robert E. Sandlin
President & Chief Executive Officer

Thompson S. Baker II
Chairman

OUR BUSINESS

On January 30, 2015, FRP Holdings, Inc. ("FRP") completed the tax-free spin-off (the "Spin-off") of Patriot Transportation Holding, Inc., (the "Company" or "Patriot"). In the Spin-off, FRP distributed all of the outstanding stock of the Company to FRP's shareholders as of the record date of January 9, 2015. FRP's shareholders received one share of Patriot (stock symbol "PATI") for every three shares of FRP owned on the record date resulting in 3,242,524 of Patriot shares outstanding on the distribution date. Patriot now is an independent, publicly traded company, and FRP retains no ownership in Patriot.

Patriot was incorporated on August 5, 2014 in connection with a corporate reorganization that preceded the Spin-off. The business of the Company is conducted through our wholly-owned subsidiary, Florida Rock & Tank Lines, Inc. ("Tank Lines"), the same subsidiary through which FRP operated the transportation business prior to the Spin-off.

Our business consists of hauling petroleum related products, dry bulk commodities and liquid chemicals. We are one of the largest regional tank truck carriers in North America. According to the Tank Truck Carrier 2017 Gross Revenue Report issued by Bulk Transporter, we are the 10th largest bulk tank carrier in North America by revenue. We operate terminals in Florida, Georgia, Alabama, South Carolina, North Carolina and Tennessee. We do not own any of the products we haul; rather, we act as a third party carrier to deliver our customers' products from point A to point B, using predominately Company employees and Company-owned tractors and tank trailers. Approximately 86% 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 14% of our business consists of hauling our customers' dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals. As of September 30, 2018, we employed 541 revenue-producing drivers who operated our fleet of 396 Company tractors (excluding 5 being prepared for sale), 19 owner operators and 532 trailers from our 20 terminals and 6 satellite locations.

We are an important link in our customers' fuel supply chain, transporting primarily from petroleum terminals to retail locations such as hypermarkets, convenience stores and truck stops. We also provide the last mile of delivery service in the liquid chemical and dry bulk business primarily from distribution facilities or manufacturing facilities to the end user. Cement and ash are delivered to concrete plants, powdered lime to industrial users and liquid chemicals primarily to the end user at a manufacturing plant or water treatment or storage facility.

During fiscal 2018, the Company purchased 12 new tractors. Our fiscal 2019 capital budget includes 60 new tractors. We anticipate this more modern fleet will result in reduced maintenance expenses, improved operating efficiencies and enhanced driver recruitment and retention. At September 30, 2018 the Company operated a fleet of 415 tractors (excluding 5 being prepared for sale), and 532 tank trailers. The Company owns all of the tank trailers and tractors used to conduct our business, except for 19 tractors owned by owner-operators and 30 full-service leased 2019 model year tractors located in key areas without Company maintenance shops.

Approximately 86% of our business consists of hauling petroleum related products. Our petroleum clients include major convenience store and hypermarket accounts, fuel wholesalers and major oil companies. We strive to build long-term relationships with major customers by providing outstanding customer service. During fiscal 2018, the Company's ten largest customers accounted for approximately 59.1% of revenue. One of these customers, Murphy USA, accounted for 17.3% of revenue. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income. Our transportation services agreements with our customers generally are terminable upon 90-120 days' notice, but nine of our top 10 accounts have been customers for at least 5 years. Our dry bulk and chemical customers include large industrial companies including cement and concrete accounts and product distribution companies. Our customer relationships are long-standing and have grown over time as a result of consistently high safety and service levels.

Financial information about the company is presented in the financial statements included in this Annual Report.

Five Year Summary-Years ended September 30

(Amounts in thousands except per share amounts)

	2018	2017	2016	2015	2014
Summary of Operations:					
Revenues	\$ 114,065	112,165	120,172	122,882	129,162
Operating profit	\$ 2,046	2,372	7,790	5,586	5,343
Interest expense	\$ 39	80	130	112	109
Income from continuing operations	\$ 5,119	1,829	5,705	3,339	3,197
Per Common Share (a):					
Basic	\$ 1.54	.55	1.74	1.02	.99
Diluted	\$ 1.54	.55	1.74	1.02	.99
Net income					
Per Common Share (a):	\$ 5,119	1,829	5,705	3,339	3,197
Basic	\$ 1.54	.55	1.74	1.02	.99
Diluted	\$ 1.54	.55	1.74	1.02	.99
Financial Summary:					
Current assets	\$ 31,444	23,721	17,737	11,796	11,685
Current liabilities	\$ 10,163	10,028	10,573	12,103	9,950
Property and equipment, net	\$ 33,911	39,592	43,703	42,620	42,174
Total assets	\$ 69,817	67,954	66,299	59,526	61,134
Long-term debt	\$ —	—	—	—	7,282
Shareholders' equity	\$ 52,406	46,583	43,946	37,202	32,722
Net Book Value Per common share (a)	\$ 15.75	14.10	13.36	11.37	10.09
Other Data:					
Weighted average common shares:					
Basic (a)	3,318	3,299	3,283	3,268	3,243
Diluted (a)	3,320	3,302	3,285	3,275	3,243
Number of employees	783	857	959	979	942
Shareholders of record	383	406	423	440	—

Quarterly Results (unaudited)

(Dollars in thousands except per share amounts)

	First		Second		Third		Fourth	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	\$ 27,901	28,758	27,979	27,393	29,404	28,104	28,781	27,910
Operating profit (loss)	\$ 744	1,248	(292)	325	1,353	534	241	265
Income (loss) before income taxes	\$ 736	1,218	(270)	294	1,407	520	324	266
Net income (loss)	\$ 3,592	912	(188)	260	1,086	456	629	201
Earnings per common share (a):								
Net income (loss)-								
Basic	\$ 1.09	.28	(.06)	.08	.33	.14	.19	.06
Diluted	\$ 1.09	.28	(.06)	.08	.33	.14	.19	.06
Market price per common share (b):								
High	\$ 20.31	26.42	20.33	26.60	22.65	23.50	22.06	20.33
Low	\$ 16.72	20.52	17.35	20.50	18.00	17.80	18.55	17.77

(a) Earnings per share of common stock is computed independently for each quarter presented. The sum of the quarterly net earnings per share of common stock for a year may not equal the total for the year due to rounding differences. For comparative purposes, for the year ended September 30, 2014 and for the first quarter 2015, the number of common shares outstanding utilized for the calculation is based on the 3,242,524 shares of our common stock that was distributed to the shareholders of FRP in connection with the Spin-off and distribution on January 30, 2015.

(b) All prices represent Nasdaq reported high and low daily closing prices.

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

Executive 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 86% 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 14% 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 September 30, 2018, we employed 541 revenue-producing drivers who operated our fleet of 396 Company tractors (excluding 5 being prepared for sale), 19 owner operators and 532 trailers from our 20 terminals and 6 satellite locations in Florida, Georgia, Alabama, South Carolina, North Carolina and Tennessee. We experience increased seasonal demand in Florida during 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.

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.

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 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 total revenue growth, 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	FY 2018 vs. FY 2017
Total Revenue	Up 1.7%
Transportation Revenue	Down 2.1%
Revenue Miles	Down by .2%
PAFR	Increased from 2.00 to 2.27
Operating Ratio	Increased from 97.9% to 98.2%
Driver Turnover Rate	Increased from 67% to 68%
Avg. Driver Count incl. owner oper.	Down 7%

Highlights of Fiscal 2018

- Total revenue increased \$1,900,000, or 1.7%.
- Annualized driver turnover rate increased from 67% last year to 68% this year.
- Insurance and losses increased \$1,001,000.
- Depreciation expense decreased \$783,000.
- The Company's net income was \$5,119,000, or \$1.54 per share, compared to net income of \$1,829,000, or \$.55 per share in the same period last year. This year's net income included \$3,444,000, or \$1.04 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*.

COMPARATIVE RESULTS OF OPERATIONS

(dollars in thousands)	Fiscal Years ended September 30					
	2018	%	2017	%	2016	%
Revenue miles (in thousands)	37,924		38,000		42,884	
Revenues:						
Transportation revenue	\$ 103,131	90.4%	105,334	93.9%	115,592	96.2%
Fuel surcharges	10,934	9.6%	6,831	6.1%	4,580	3.8%
Total Revenues	<u>114,065</u>	<u>100.0%</u>	<u>112,165</u>	<u>100.0%</u>	<u>120,172</u>	<u>100.0%</u>
Cost of operations:						
Compensation and benefits	48,010	42.1%	48,109	42.9%	51,069	42.5%
Fuel expenses	17,434	15.3%	14,991	13.4%	15,157	12.6%
Repairs & tires	7,194	6.3%	7,077	6.3%	7,777	6.5%
Other operating	4,679	4.1%	4,418	3.9%	4,719	3.9%
Insurance and losses	11,729	10.3%	10,728	9.6%	10,358	8.6%
Depreciation expense	8,759	7.7%	9,542	8.5%	8,870	7.4%
Rents, tags & utilities	3,385	3.0%	3,384	3.0%	3,834	3.2%
Sales, general & administrative	9,735	8.5%	9,404	8.4%	9,626	8.0%
Corporate expenses	2,124	1.8%	2,711	2.4%	2,946	2.4%
Gain on property sale	—	0.0%	—	0.0%	(1,277)	(1.1%)
Gain on equipment sales	(1,030)	(.9%)	(571)	(.5%)	(697)	(.5%)
Total cost of operations	<u>112,019</u>	<u>98.2%</u>	<u>109,793</u>	<u>97.9%</u>	<u>112,382</u>	<u>93.5%</u>
Total operating profit	<u>\$ 2,046</u>	<u>1.8%</u>	<u>2,372</u>	<u>2.1%</u>	<u>7,790</u>	<u>6.5%</u>

Fiscal Year 2018 versus 2017

Total revenues for the year were \$114,065,000, up \$1,900,000 from the prior year. Transportation revenues (excluding fuel surcharges) were \$103,131,000, down \$2,203,000 or 2.1% mainly due to the business losses in the second and third quarters of last year partially offset by the replacement of a meaningful portion of that business starting in the second quarter of this year. Miles declined by 76,000 to 37,924,000 versus 38,000,000 last year.

Compensation and benefits decreased \$99,000 as a result of reducing personnel costs (\$439,000) and lower driver pay and benefits expense (\$1,155,000) mostly offset by higher owner operator pay (\$1,495,000) as we added owner operators during the fiscal year. Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$1,660,000 due to higher fuel surcharges on higher average diesel prices. Other operating expenses increased \$261,000 due mainly to increased tolls (in most cases we bill our customers for toll expenses), environmental accruals and site maintenance and repairs at some of our terminal offices. Insurance and losses were up \$1,001,000 due mainly to higher liability (\$708,000) and medical (\$575,000) claims partially offset by lower workers' compensation expense. Depreciation expense was down \$783,000 as a result of right sizing our fleet. SG&A was up \$331,000 due mainly to severance expense, reorganizing our IT department, upgrading our IT infrastructure and higher advertising costs related to hiring drivers. Corporate expenses were down \$587,000 due mainly to a decrease in legal and consulting fees and corporate management changes that occurred at the beginning of fiscal 2018. Gain on sale of assets increased \$459,000 as we sold excess equipment, including excess trailers.

As a result, operating profit was \$2,046,000 compared to \$2,372,000 in the prior fiscal year. Operating ratio was 98.2 versus a 97.9 last year.

Fiscal Year 2017 versus 2016

Total revenues were \$112,165,000 in fiscal year 2017, down \$8,007,000 or 6.7% from the prior year. Transportation revenues (excluding fuel surcharges) were down \$10,258,000, or 8.9%, to \$105,334,000 for the year ended September 30, 2017. Revenue miles declined by 4,884,000, or 11.4%, to 38,000,000 in fiscal 2017 versus fiscal 2016 mostly attributable to (i) business loss in a competitive bid due to rates, (ii) privatization of a customer fleet, (iii) the lower demand for gasoline in the earlier part of fiscal year 2017 and (iv) Hurricanes Harvey and Irma. Revenue per mile increased by 2.8% over fiscal year 2016 which partially offset the reduced miles. Fuel surcharge revenues were up \$2,251,000 to \$6,831,000 due to higher diesel prices and the positive benefits of renegotiating fuel surcharge tables with several key customers in the prior year.

Compensation and benefits decreased \$2,960,000, or 5.8%, in fiscal year 2017 due to fewer miles driven partially offset by higher driver pay following the pay increase that went into effect June 30, 2017. Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$2,417,000, or 23%, due to fewer miles driven and higher fuel surcharges.

Insurance and losses were up \$370,000 in fiscal year 2017 versus fiscal year 2016 due mainly to increased risk and health claims. Depreciation increased \$672,000 but was offset by lower repair and equipment leasing costs as we replaced leased equipment from a prior acquisition with new equipment. SG&A was down \$222,000 and corporate expenses were down by \$235,000 due to no bonus compensation expense in fiscal year 2017 and lower legal fees.

As a result, operating profit was \$2,372,000 in fiscal year 2017 compared to \$7,790,000 in fiscal year 2016. Fiscal year 2016 included \$1,277,000 from the sale of the easement in Tampa, FL. Operating ratio was 97.9 in fiscal year 2017 compared to 94.6 in fiscal year 2016 excluding the gain on the Tampa easement sale.

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 September 30, 2018, we had no debt outstanding on this revolver, \$3,043,000 outstanding under letters of credit and \$21,957,000 available for additional borrowings. The Company expects our fiscal year 2019 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):

	Years Ended September 30,		
	2018	2017	2016
Total cash provided by (used for):			
Operating activities	\$ 7,772	10,660	14,955
Investing activities	(19,809)	(5,376)	(8,348)
Financing activities	749	—	(602)
Increase (decrease) in cash and cash equivalents	\$ (11,288)	5,284	6,005
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 \$7,772,000 for the year ended September 30, 2018, \$10,660,000 in 2017 and \$14,955,000 in 2016. The total of net income plus depreciation and amortization less gains on asset dispositions increased \$2,025,000 versus the same period last year. These changes are described above under “Comparative Results of Operations”. Deferred income taxes decreased \$3,671,000 resulting from revaluing the Company’s net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*. Prepaid expenses increased due to prepayment of Fiscal 2019 insurance and higher net insurance captive assets. 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, purchase and sale of Treasury bills, any business acquisitions and proceeds from sales of these assets upon retirement. For the year ended September 30, 2018, we spent \$19,809,000 on investing activities which included \$2,574,000 for the purchase of equipment net of proceeds from retirements and \$17,235,000 for the purchase of Treasury bills. For the year ended September 30, 2017, we spent \$5,376,000 for the purchase of equipment net of proceeds from retirements.

In 2017, cash required by investing activities was \$5,376,000 compared to \$8,348,000 in 2016. The Company received \$1,330,000 for an easement granted to the state of Florida over the Company's 25.2 acre terminal facility in Tampa, Florida resulting in a \$1,277,000 gain during 2016.

Financing Activities – Financing activities primarily include net changes to our outstanding revolving debt. For the year ended September 30, 2018 cash provided by financing activities was \$749,000. For the year ended September 30, 2017 we had no financing activities. The Company had no outstanding long-term debt on September 30, 2018 or September 30, 2017.

Cash used by financing activities in the year ended September 30, 2016, was \$602,000.

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 September 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 \$17.8 million combined.

Cash Requirements - The Company currently expects its fiscal 2019 capital expenditures to be approximately \$10 million for 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.

While the Company is affected by environmental regulations, such regulations are not expected to have a major effect on the Company's capital expenditures or operating results.

The Company expects that cash flows from operating activities, cash on hand and the funds available under its revolving credit agreement will be adequate to finance these capital expenditures and its working capital needs for the next 12 months and the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the letters of credit described above under "Liquidity and Capital Resources," the Company does not have any off balance sheet arrangements that either have, or are reasonably likely to have, a current or future material effect on its financial condition.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Accounting estimates are considered to be critical if (1) the nature of the estimates and assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and (2) the impact of the estimates and assumptions on financial condition or operating performance is material. Actual results could differ from the estimates and assumptions used. Management of the Company considers the following accounting policies critical to the reported operations of the Company:

Accounts Receivable Valuation. The Company is subject to customer credit risk that could affect the collection of outstanding accounts receivable. To mitigate these risks, the Company performs credit reviews on all new customers and periodic credit reviews on existing customers. A detailed analysis of late and slow pay customers is prepared monthly and reviewed by senior management. The overall collectability of outstanding receivables is evaluated and allowances are recorded as appropriate. Significant changes in customer credit could require increased allowances and affect cash flows.

Property and Equipment and Impairment of Assets. Property and equipment is recorded at cost less accumulated depreciation. Provision for depreciation of property and equipment is computed using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	7-39
Revenue equipment	7-10
Other equipment	3-10

The Company periodically reviews property and equipment for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The analysis consists of a review of future anticipated results considering business prospects and asset utilization. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the assets, the Company would record an impairment loss based on the fair value of the assets with the fair value of the assets generally based upon an estimate of the discounted future cash flows expected with regards to the assets and their eventual disposition as the measure of fair value. The Company performs an annual impairment test on goodwill and other intangible assets. Changes in estimates or assumptions could have an impact on the Company's financials.

Claims and Insurance Accruals. The nature of the transportation business subjects the Company to risks arising from workers' compensation, automobile liability, and general liability claims. The Company retains the exposure on liability claims of \$250,000 and \$500,000 for worker's compensation claims and has third party coverage for amounts exceeding the retention up to the amount of the policy limits. The Company expenses during the year an estimate of risk insurance

losses based upon independent actuarial analysis, insurance company estimates, and our monthly review of claims reserve changes. In making claim reserve changes we rely upon estimates of our insurance company adjusters, attorney evaluations, and judgment of our management. Our estimates require judgment concerning the nature, severity, comparative liability, jurisdiction, legal and investigative costs of each claim. Claims involving serious injury have greater uncertainty of the eventual cost. In the past, our estimate of the amount of individual claims has increased from insignificant amounts to the full deductible as we learn more information about the claim in subsequent periods. We obtain an independent actuarial analysis at least twice annually to assist in estimating the total loss reserves expected on claims including claim development and incurred but not reported claims. We also retain exposure on employee health benefits up to \$250,000 per covered participant each calendar year plus a \$84,500 aggregate deductible for any claims exceeding \$250,000. We estimate claim liability using historical payment trends and specific knowledge of larger claims. Health claims are expensed as the health services are rendered so there is only a two month lag in payments on average. We are usually aware of the larger claims before closing each accounting period reducing the amount of uncertainty of the estimate. Our accrued insurance liabilities for retiree benefits are recorded by actuarial calculation. Our accrued insurance liabilities for claims as of September 30, 2018, 2017, and 2016 amounted to \$2.1 million, \$.8 million and \$.9 million, respectively. Payments made under a captive agreement for each year's loss fund are scheduled in advance using actuarial methodology. The captive agreement provides that we will share in the underwriting results, good or bad, within a \$250,000 per occurrence layer of loss through retrospective premium adjustments. Including the potential exposure in the captive we have \$4.5 million of estimated insurance liabilities. In the event that actual costs for these claims are different than estimates we will have adjustments in future periods. It is likely that we will experience either gains or losses of 5-10% of prior year estimated insurance liabilities in any year.

Income Taxes. The Company accounts for income taxes under the asset-and-liability method. Deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which the related tax expense or benefit has already been recorded in our statement of earnings. Deferred tax accounts arise as a result of timing differences between when items are recognized in the consolidated financial statements compared with when they are recognized in the tax returns. The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent recovery is not probable, a valuation allowance is established and included as an expense as part of our income tax provision. No valuation allowance was recorded at September 30, 2018, as all deferred tax assets are considered more likely than not to be realized. Significant judgment is required in determining and assessing the impact of complex tax laws and certain tax-related contingencies on the provision for income taxes. As part of the calculation of the provision for income taxes, we assess whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our financial statements. Such accruals require estimates and judgments, whereby actual results could vary materially from these estimates. Further, a number of years may elapse before a particular matter, for which an established accrual was made, is audited and resolved.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of September 30, 2018:

Contractual Obligations (thousands of dollars)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Leases	\$ 4,024	1,021	1,615	1,337	51
Purchase Commitments	6,519	6,289	230	—	—
Other Long-Term Liabilities	1,031	76	154	154	647
Total Obligations	\$ 11,574	7,386	1,999	1,491	698

INFLATION

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. During the past three years, inflation has been fairly modest with its impacts mostly related to equipment prices, tire prices and the compensation paid to drivers.

In addition to inflation, fluctuations in fuel prices can affect profitability. Most of the Company's contracts with customers contain fuel surcharge provisions. Although the Company historically has been able to pass through most long-term increases in fuel prices and operating taxes to customers in the form of surcharges and higher rates, there is no guarantee that this will be possible in the future. See "Risk Factors—We may be adversely impacted by fluctuations in the price and availability of fuel."

SEASONALITY

Our business is subject to seasonal trends common in the refined petroleum products delivery industry. We typically face reduced demand for refined petroleum products delivery services during the winter months and increased demand during the spring and summer months. Further, operating costs and earnings are generally adversely affected by inclement weather conditions. These factors generally result in lower operating results during the first and second fiscal quarters of the year and cause our operating results to fluctuate from quarter to quarter. Our operating expenses also have been somewhat higher in the winter months, due primarily to decreased fuel efficiency and increased maintenance costs for tractors and trailers in colder months.

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.

CONSOLIDATED STATEMENTS OF INCOME - Years ended September 30

(In thousands, except per share amounts)

	Years Ended September 30,		
	2018	2017	2016
Revenues:			
Transportation revenues	\$ 103,131	105,334	115,592
Fuel surcharges	10,934	6,831	4,580
Total revenues	<u>114,065</u>	<u>112,165</u>	<u>120,172</u>
Cost of operations:			
Compensation and benefits	48,010	48,109	51,069
Fuel expenses	17,434	14,991	15,157
Repairs & tires	7,194	7,077	7,777
Other operating	4,679	4,418	4,719
Insurance and losses	11,729	10,728	10,358
Depreciation expense	8,759	9,542	8,870
Rents, tags & utilities	3,385	3,384	3,834
Sales, general & administrative	9,735	9,404	9,626
Corporate expenses	2,124	2,711	2,946
Gain on property sale	—	—	(1,277)
Gain on equipment sales	(1,030)	(571)	(697)
Total cost of operations	<u>112,019</u>	<u>109,793</u>	<u>112,382</u>
Total operating profit	2,046	2,372	7,790
BP claim settlement	—	—	1,687
Interest income and other	190	6	6
Interest expense	<u>(39)</u>	<u>(80)</u>	<u>(130)</u>
Income before income taxes	2,197	2,298	9,353
(Benefit from) provision for income taxes	<u>(2,922)</u>	<u>469</u>	<u>3,648</u>
Net income	<u><u>\$ 5,119</u></u>	<u><u>1,829</u></u>	<u><u>5,705</u></u>
Earnings per common share:			
Net income-			
Basic	\$ 1.54	.55	1.74
Diluted	\$ 1.54	.55	1.74
Number of shares (in thousands) used in computing:			
-basic earnings per common share	3,318	3,299	3,283
-diluted earnings per common share	3,320	3,302	3,285

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - Years ended September 30 (In thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net income	\$ 5,119	1,829	5,705
Other comp. income (loss) net of tax:			
Actuarial gain retiree health	—	—	123
Unrealized investment losses, net	(9)	—	—
Loss on retiree health, net	(32)	—	—
Tax reform gain on retiree health	32	—	—
Comprehensive income	<u>\$ 5,110</u>	<u>1,829</u>	<u>5,828</u>

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS - As of September 30
(In thousands, except share data)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1	11,289
Treasury bills available for sale	17,298	—
Accounts receivable (net of allowance for doubtful accounts of \$153 and \$150, respectively)	7,866	7,642
Federal and state taxes receivable	547	516
Inventory of parts and supplies	895	855
Prepaid tires on equipment	1,746	1,913
Prepaid taxes and licenses	609	612
Prepaid insurance	2,348	823
Prepaid expenses, other	134	71
Total current assets	31,444	23,721
Property, plant and equipment, at cost:		
Land	2,773	2,773
Buildings	5,713	5,639
Equipment	86,224	93,511
	94,710	101,923
Less accumulated depreciation	60,799	62,331
	33,911	39,592
Goodwill		
	3,431	3,431
Intangible assets, net		
	855	1,021
Other assets, net		
	176	189
Total assets	\$ 69,817	67,954
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,271	4,948
Bank Overdraft	625	—
Accrued payroll and benefits	3,963	4,143
Accrued insurance	1,896	558
Accrued liabilities, other	408	379
Total current liabilities	10,163	10,028
Deferred income taxes		
	5,940	10,045
Accrued insurance		
	204	193
Other liabilities		
	1,104	1,105
Commitments and contingencies (Note 11)		
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	37,436	36,726
Retained earnings	14,472	9,353
Accumulated other comprehensive income, net	165	174
Total shareholders' equity	52,406	46,583
Total liabilities and shareholders' equity	\$ 69,817	67,954

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS - Years ended September 30

(In thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:			
Net income	\$ 5,119	1,829	5,705
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,469	10,293	9,729
Deferred income taxes	(4,105)	(434)	2,145
Gain on asset dispositions	(1,043)	(602)	(2,222)
Stock-based compensation	589	808	745
Net changes in operating assets and liabilities:			
Accounts receivable	(224)	(599)	339
Inventory of parts and supplies	(40)	(44)	(31)
Prepaid expenses	(1,418)	198	(98)
Other assets	(64)	14	132
Accounts payable and accrued liabilities	(490)	(545)	(448)
Income taxes payable and receivable	(31)	(255)	(146)
Long-term insurance liabilities and other long-term liabilities	10	(3)	(895)
Net cash provided by operating activities	<u>7,772</u>	<u>10,660</u>	<u>14,955</u>
Cash flows from investing activities:			
Purchase of property and equipment	(4,656)	(6,332)	(11,503)
Purchase of Treasury bills	(17,235)	—	—
Proceeds from the sale of property, plant and equipment	2,082	956	3,155
Net cash used in investing activities	<u>(19,809)</u>	<u>(5,376)</u>	<u>(8,348)</u>
Cash flows from financing activities:			
(Decrease) Increase in bank overdrafts	625	—	(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	—	—	171
Proceeds from exercised stock options	124	—	—
Net cash provided by (used in) financing activities	<u>749</u>	<u>—</u>	<u>(602)</u>
Net increase (decrease) in cash and cash equivalents	(11,288)	5,284	6,005
Cash and cash equivalents at beginning of year	11,289	6,005	—
Cash and cash equivalents at end of the year	<u>\$ 1</u>	<u>11,289</u>	<u>6,005</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 33	53	74
Income taxes	\$ 1,427	1,578	1,909

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY - Years ended September 30
(In thousands, except share amounts)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income, net	Total Stockholders' Investment
	Shares	Amount				
Balance as of September 30, 2015	3,272,804	\$ 327	\$ 35,005	\$ 1,819	\$ 51	\$ 37,202
Excess tax benefits from exercise of stock options			171			171
Stock-based compensation			384			384
Shares granted to Directors	16,549	2	359			361
Net income				5,705		5,705
Actuarial (loss) gain, net					123	123
Balance as of September 30, 2016	<u>3,289,353</u>	<u>\$ 329</u>	<u>\$ 35,919</u>	<u>\$ 7,524</u>	<u>\$ 174</u>	<u>\$ 43,946</u>
Stock-based compensation			440			440
Shares granted to Directors	14,449	1	367			368
Net income				1,829		1,829
Balance as of September 30, 2017	<u>3,303,802</u>	<u>\$ 330</u>	<u>\$ 36,726</u>	<u>\$ 9,353</u>	<u>\$ 174</u>	<u>\$ 46,583</u>
Exercise of stock options	5,801	1	123			124
Stock-based compensation			221			221
Shares granted to Directors	18,863	2	366			368
Net income				5,119		5,119
Unrealized loss on investment, net					(9)	(9)
Loss on retiree health, net					(32)	(32)
Tax reform gain on retiree health					32	32
Balance as of September 30, 2018	<u>3,328,466</u>	<u>\$ 333</u>	<u>\$ 37,436</u>	<u>\$ 14,472</u>	<u>\$ 165</u>	<u>\$ 52,406</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies.

DESCRIPTION OF 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 86% 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 14% of our business consists of hauling our customer's dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts, certain assets, liabilities, and expenses of Patriot and its wholly owned subsidiaries that comprise the Company. All significant intercompany transactions within the consolidated entity have been eliminated.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid debt instruments with maturities of three months or less at time of purchase to be cash equivalents. Bank overdrafts consist of outstanding checks not yet presented to a bank for settlement, net of cash held in accounts with right of offset.

TREASURY BILLS AVAILABLE FOR SALE - Consists of maturities of 3 months to 1 year at time of purchase.

INVENTORY - Inventory of parts and supplies is valued at the lower of cost (first-in, first-out) or market.

TIRES ON EQUIPMENT - The value of tires on tractors and trailers is accounted for as a prepaid expense and amortized over the life of the tires as a function of miles driven.

REVENUE AND EXPENSE RECOGNITION - Transportation revenue, including fuel surcharges, is recognized when the services have been rendered to customers or delivery has occurred, the pricing is fixed or determinable and collectibility is reasonably assured. Transportation expenses are recognized as incurred.

ACCOUNTS RECEIVABLE - Accounts receivable are recorded net of discounts and provisions for estimated allowances. We estimate allowances on an ongoing basis by considering historical and current trends. We record estimated bad debts expense as a selling, general and administrative expense. We estimate the net collectibility of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms. Any trade accounts receivable balances written off are charged against the allowance for doubtful accounts. The Company has not experienced any significant credit-related losses in the past three years.

PROPERTY AND EQUIPMENT - Property and equipment is recorded at cost less accumulated depreciation. Provision for depreciation of property and equipment is computed using the straight-line method based on the following estimated useful lives:

	Years
Building and improvements	7-39
Revenue equipment	7-10
Other equipment	3-10

The Company recorded depreciation expenses for 2018, 2017 and 2016 of \$9,298,000, \$10,089,000 and \$9,487,000,

respectively.

IMPAIRMENT OF LONG-LIVED ASSETS - The Company periodically reviews its long-lived assets, which include property and equipment and purchased intangible assets subject to amortization, for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. The analysis consists of a review of future anticipated results considering business prospects and asset utilization. If the sum of these future cash flows (undiscounted and without interest charges) is less than the carrying amount of the assets, the Company would record an impairment loss based on the fair value of the assets with the fair value of the assets generally based upon an estimate of the discounted future cash flows expected with regards to the assets and their eventual disposition.

GOODWILL – Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in the acquisition of a business. Goodwill is not amortized, but rather is tested for impairment annually and when events or changes in circumstances indicate that the fair value of a reporting unit with goodwill has been reduced below carrying value. The impairment test requires allocating goodwill and other assets and liabilities to reporting units. The fair value of each reporting unit is determined and compared to the book value of the reporting unit. If the fair value of the reporting unit is less than the book value, including goodwill, then the recorded goodwill is impaired to its implied fair value with a charge to operating expense.

INSURANCE - The Company has a \$250,000 to \$500,000 self-insured retention per occurrence in connection with certain of its workers' compensation, automobile liability, and general liability insurance programs ("risk insurance"). The Company is also self-insured for its employee health insurance benefits and carries stop loss coverage for losses over \$250,000 per covered participant per year plus a \$84,500 aggregate. The Company has established an accrued liability for the estimated cost in connection with its portion of its risk and health insurance losses incurred and reported. Claims paid by the Company are charged against the liability. Additionally, the Company maintains an accrued liability for incurred but not reported claims based on historical analysis of such claims. Payments made under a captive agreement for each year's loss fund are scheduled in advance using actuarial methodology. The captive agreement provides that we will share in the underwriting results, good or bad, within a \$250,000 per occurrence layer of loss through retrospective premium adjustments. The method of calculating the accrual liability is subject to inherent uncertainty. If actual results are less favorable than the estimates used to calculate the liabilities, the Company would have to record expenses in excess of what has been accrued.

INCOME TAXES - Deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates. Deferred income taxes result from temporary differences between pre-tax income reported in the financial statements and taxable income. The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the amounts rely upon the determination of the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law and expiration of statutes of limitations, effectively settled issues under audit, and audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision. It is the Company's policy to recognize as additional income tax expense the items of interest and penalties directly related to income taxes.

STOCK BASED COMPENSATION – The Company accounts for compensation related to share based plans by recognizing the grant date fair value of stock options and other equity-based compensation issued to Company employees in Patriot's income statement over the requisite employee service period using the straight-line attribution model. In addition, compensation expense must be recognized for the change in fair value of any awards modified, repurchased or cancelled after the grant date. The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model. The assumptions used in the model and related impact are discussed in Footnote 6.

PENSION PLAN - The Company accounts for its pension plan following the requirements of FASB ASC Topic 715,

“Compensation – Retirement Benefits”, which requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer’s fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

EARNINGS PER COMMON 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 and restricted stock.

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

Certain accounting policies and estimates are of more significance in the financial statement preparation process than others. The most critical accounting policies and estimates include the economic useful lives and salvage values of our vehicles and equipment, provisions for uncollectible accounts receivable, estimates of exposures related to our insurance claims plans, and estimates for taxes. To the extent that actual, final outcomes are different than these estimates, or that additional facts and circumstances result in a revision to these estimates, earnings during that accounting period will be affected.

ENVIRONMENTAL - Environmental expenditures that benefit future periods are capitalized. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded for the estimated amount of expected environmental assessments and/or remedial efforts. Estimation of such liabilities includes an assessment of engineering estimates, continually evolving governmental laws and standards, and potential involvement of other potentially responsible parties.

COMPREHENSIVE INCOME – Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) refers to expenses, gains, and losses that are not included in net income, but rather are recorded directly in shareholder’s equity.

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. The new standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This update also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. 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. Management has identified that a legally enforceable contract with its customers is executed by both parties at the point of pickup of the shipper’s product, as evidenced by the bill of lading. Although the Company may have master agreements with its customers, these master agreements only establish terms. There is no financial obligation to the shipper until the Company takes possession of the load. Revenue is recognized for each individual load and the amount of revenue in progress at the end of each quarter is insignificant. There is no significant amount of judgment or uncertainty in recording revenue. The new standard is effective for the Company on October 1, 2018, the beginning of the first quarter of fiscal 2019. The Company’s adoption of this guidance did not 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, primarily the corporate office and 30 leased tractors. The total gross contractual obligation for leases with commitments greater than 12 months at September 30, 2018 was \$3,875,000.

2. Related Party Agreements.

The Company provides FRP Holdings, Inc. (FRP) certain services including the services of certain shared executive officers. A written agreement exists outlining the terms of such services and the boards of the respective companies amended and extended this agreement for one year effective October 1, 2018.

The consolidated statements of income reflect charges and/or allocation to FRP Holdings, Inc. for these services of \$1,441,000, \$1,606,000, and \$1,542,000 for fiscal 2018, 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.

We employ an allocation method 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.

Patriot provided 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 \$16,000 and \$599,000 to the Company for fiscal 2017 and 2016, respectively, for such information technology services and office space. The services to Bluegrass ceased on December 31, 2016. Patriot paid \$7,000 to Bluegrass for information technology services for fiscal 2017.

3. Debt.

The Company had no long-term debt outstanding at September 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 September 30, 2018, we had no outstanding debt borrowed on this revolver, \$3,043,000 in commitments under letters of credit and \$21,957,000 available for additional borrowings. The letter of credit fee is 1% and the applicable interest rate on borrowings would have been 3.242% on September 30, 2018.

The 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 September 30, 2018.

4. Operating Leases.

The Company leases certain assets under operating leases, which primarily consist of real estate leases for the corporate office and some of our terminal locations and 30 full-service leased 2019 model year tractors located in key areas without Company maintenance shops. Certain operating leases provide for renewal options, which can vary by lease and are typically offered at their fair rental value. The Company has not made any residual value guarantees related to its operating leases; therefore, there is no corresponding liability recorded on the Balance Sheets.

Future minimum annual lease payments for assets under operating leases as of September 30, 2018 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Total</u>
2019	1,021
2020	808
2021	807
2022	740
2023	597
Thereafter	51
Total minimum lease payments	<u>\$ 4,024</u>

Aggregate expense under operating leases was \$1,274,000, \$1,198,000 and \$1,656,000 for 2018, 2017 and 2016, respectively. Certain operating leases include rent escalation provisions, which are recognized as expense on a straight-line basis.

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.)

	<u>Years Ended September 30</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Common shares:			
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	3,318	3,299	3,283
Common shares issuable under share based payment plans which are potentially dilutive	<u>2</u>	<u>3</u>	<u>2</u>
Common shares used for diluted earnings per common share	<u>3,320</u>	<u>3,302</u>	<u>3,285</u>
Net income	<u>\$ 5,119</u>	<u>1,829</u>	<u>5,705</u>
Earnings per common share			
Basic	<u>\$ 1.54</u>	<u>.55</u>	<u>1.74</u>
Diluted	<u>\$ 1.54</u>	<u>.55</u>	<u>1.74</u>

For 2018 and 2017, 147,909 and 121,449 shares, respectively, 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

Prior to January 2015, The Company's directors, officers and key employees previously were 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.

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 38,507 at September 30, 2018.

Patriot utilizes the Black-Scholes valuation model for estimating fair value of stock compensation for options awarded to officers and employees. Each grant is evaluated based upon assumptions at the time of grant. The assumptions are no dividend yield, expected volatility between 26% and 46%, risk-free interest rate of .3 to 3.9% and expected life of 3.0 to 7.0 years.

The dividend yield of zero is based on the fact that Patriot does not pay cash dividends and has no present intention to pay cash dividends. Expected volatility is estimated based on historical experience over a period equivalent to the expected life in years. The risk-free interest rate is based on the U.S. Treasury constant maturity interest rate at the date of grant with a term consistent with the expected life of the options granted. The expected life calculation is based on the observed and expected time to exercise options by the employees.

The realized tax benefit pertaining to options exercised and the remaining compensation cost of options previously granted are 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 accrued liability under this plan as of September 30, 2018 and 2017 was \$161,000 and \$71,000, respectively.

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 expired 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.

The annual director stock grant was 18,863 shares in fiscal 2018 at \$19.53, 14,449 shares in fiscal 2017 at \$25.50, and 16,549 shares in fiscal 2016 at \$21.81 based on the market prices indicated on the date of the grants.

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

	Years Ended September 30		
	2018	2017	2016
Stock option grants	\$ 221	440	384
Annual director stock award	368	368	361
	<u>\$ 589</u>	<u>808</u>	<u>745</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(000's)</u>
Outstanding at October 1, 2015	75,315	\$ 21.95	5.8	\$ 666
Granted	38,794	23.78		362
Forfeited	<u>(3,298)</u>	24.24		<u>(29)</u>
Outstanding at September 30, 2016	110,811	\$ 22.52	6.2	\$ 999
Granted	<u>40,780</u>	21.25		<u>272</u>
Outstanding at September 30, 2017	151,591	\$ 22.18	6.3	\$ 1,271
Granted	33,960	18.57		240
Exercised	(5,801)	21.44		(53)
Forfeited	<u>(4,199)</u>	21.44		<u>(39)</u>
Outstanding at September 30, 2018	175,551	\$ 21.52	6.3	\$ 1,419
Exercisable at September 30, 2018	100,816	\$ 22.05	4.9	\$ 809
Vested during twelve months ended September 30, 2018	25,891			\$ 188

The following table summarizes information concerning stock options outstanding at September 30, 2018:

<u>Range of Exercise Prices per Share</u>	<u>Shares Under Option</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Non-exercisable:			
\$16.50 – \$20.63	33,960	18.57	9.1
\$20.64 - \$25.78	36,600	22.08	7.8
\$25.79-32.23	<u>4,175</u>	<u>28.01</u>	<u>5.9</u>
	74,735	\$ 20.81	8.3 Years
Exercisable:			
\$16.50 - \$20.63	40,062	18.55	2.5
\$20.64 - \$25.78	45,711	22.89	6.7
\$25.79 - \$32.23	<u>15,043</u>	<u>28.83</u>	<u>5.7</u>
	100,816	\$ 22.05	4.9 Years
Total	<u>175,551</u>	<u>\$ 21.52</u>	<u>6.3 Years</u>

The aggregate intrinsic value of exercisable Company options was \$31,000 and the aggregate intrinsic value of all outstanding in-the-money options was \$57,000 based on the Company's market closing price of \$19.23 on September 28, 2018 less exercise prices.

The realized tax benefit from option exercises during fiscal 2018 was \$261,000 including \$259,000 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 September 30, 2018 was \$490,000, which is expected to be recognized over a weighted-average period of 3.1 years.

7. Income Taxes.

Fiscal 2018 net income included \$3,444,000 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. The tax rate for any year could be higher due to the impact of net worth taxes, permanent differences, and penalties and interest on lower than projected book income.

The provision for or benefit from income taxes for continuing operations for fiscal years ended September 30 consists of the following (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current:			
Federal	\$ 865	739	1,247
State	304	164	334
	<u>1,169</u>	<u>903</u>	<u>1,581</u>
Deferred	<u>(4,091)</u>	<u>(434)</u>	<u>2,067</u>
Total	<u>\$ (2,922)</u>	<u>469</u>	<u>3,648</u>

A reconciliation between the amount of tax shown above and the amount computed at the statutory Federal income tax rate follows (in thousands):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Amount computed at statutory			
Federal rate	\$ 532	781	3,180
State income taxes (net of Federal income tax benefit)	131	108	440
Excess tax benefits from stock option exercises	(170)	(427)	—
Gain on rate change due to Tax Cut and Jobs Act of 2017	(3,444)	—	—
Other, net	29	7	28
Provision for income taxes	<u>\$ (2,922)</u>	<u>469</u>	<u>3,648</u>

In this reconciliation, the category "Other, net" consists of changes in permanent tax differences related to non-deductible expenses, goodwill tax amortization, interest and penalties, and adjustments to prior year estimates.

The types of temporary differences and their related tax effects that give rise to deferred tax assets and deferred tax liabilities at September 30, are presented below (in thousands):

	<u>2018</u>	<u>2017</u>
Deferred tax liabilities:		
Property and equipment	\$ 6,849	11,568
Prepaid expenses	478	121
Gross deferred tax liabilities	<u>7,327</u>	<u>11,689</u>
Deferred tax assets:		
Insurance liabilities	448	159
Employee benefits and other	939	1,485
Gross deferred tax assets	<u>1,387</u>	<u>1,644</u>
Net deferred tax liability	<u>\$ 5,940</u>	<u>10,045</u>

The Company has no unrecognized tax benefits.

Patriot tax returns in the U.S. and various states that include the Company are subject to audit by taxing authorities. As of September 30, 2018, the earliest tax year that remains open for audit in the United States is 2013.

8. Accrued Insurance.

The Company has established an accrued liability for the estimated cost in connection with its portion of its risk and health insurance losses incurred and reported. Payments made under a captive agreement for each year's risk loss fund are scheduled in advance using actuarial methodology. Captive insurance assets available to us to settle risk insurance liabilities are not reported on our balance sheet as we do not control or consolidate the captive.

The accrued insurance liability at September 30 is summarized as follows (in thousands):

	<u>2018</u>	<u>2017</u>
Accrued insurance, current portion	\$ 1,896	558
Prepaid insurance claims	(1,235)	(501)
Accrued insurance, non-current	204	193
Total accrued insurance	<u>\$ 865</u>	<u>250</u>
Captive agreement assets	<u>3,644</u>	<u>4,506</u>
Gross accrued insurance	\$ 4,509	4,756

9. Employee Benefits.

The Company and certain subsidiaries and related entities (FRP) have a savings/profit sharing plan for the benefit of qualified employees. The savings feature of the plan incorporates the provisions of Section 401(k) of the Internal Revenue Code under which an eligible employee may elect to save a portion (within limits) of their compensation on a tax deferred basis. Patriot contributes to a participant's account an amount equal to 50% (with certain limits) of the participant's contribution. Additionally, the Company may make an annual discretionary contribution to the plan as determined by the Board of Directors, with certain limitations. The plan provides for deferred vesting with benefits payable upon retirement or earlier termination of employment. The Company's cost was \$784,000 in 2018, \$768,000 in 2017 and \$792,000 in 2016.

The Company has a Management Security Plan (MSP) for certain key employees. The accruals for future benefits are based upon the remaining years to retirement of the participating employees and other actuarial assumptions. The expense for fiscal 2018, 2017 and 2016 was \$22,000, \$23,000 and \$25,000, respectively. The accrued benefit related to the Company under this plan as of September 30, 2018 and 2017 was \$613,000 and \$658,000, respectively.

The Company provides certain health benefits for retired employees. Employees may become eligible for those benefits if they were employed by the Company prior to December 10, 1992, meet the service requirements and reach retirement age while working for Patriot. The plan is contributory and unfunded. The Company accrues its allocated estimated cost of retiree health benefits over the years that the employees render service. The accrued postretirement benefit obligation for this plan related to the Company as of September 30, 2018 and 2017 was \$204,000 and \$192,000, respectively. The net periodic postretirement benefit credit or cost allocated to the Company was (\$32,000), (\$33,000) and \$16,000 for fiscal 2018, 2017 and 2016, respectively. The discount rate used in determining the Net Periodic Postretirement Benefit Cost was 3.7% for 2018, 3.7% for 2017 and 3.7% for 2016. The discount rate used in determining the Accumulated Postretirement Benefit Obligation (APBO) was 3.73% for 2018, 3.73% for 2017, and 4.25% for 2016. No medical trend is applicable because the Company's share of the cost is frozen.

10. 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

During the quarter ending September 30, 2018 the Company invested in treasury bills with maturities at time of purchase of 3 months to 1 year. The unrealized loss on these investments of \$13,000 was recorded as part of comprehensive income and was based on the market value (Level 1). The amortized cost of the investments was \$17,311,000 and the carrying amount and fair value was \$17,298,000 as of September 30, 2018.

11. 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.

12. 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 fiscal 2018, the Company's ten largest customers accounted for approximately 59.1% of our revenue and one of these customers accounted for 17.3% of our revenue. Accounts receivable from the ten largest customers was \$4,875,000 and \$4,070,000 at September 30, 2018 and September 30, 2017 respectively. The loss of any one of these ten 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 may exceed FDIC limits.

13. Unusual or Infrequent Items Impacting Results.

On September 30, 2016, the Company received \$1,330,000 for an easement granted to the state of Florida over the Company's 25.2 acre terminal facility in Tampa, Florida resulting in a \$1,277,000 gain. The easement prohibits residential development on the site and prohibits hotel development on a portion of the site.

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. This amount is included in other income.

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.

Fourth quarter 2018 net income included \$403,000, or \$.12 per share, due to a deferred tax benefit resulting from finalizing the revaluation of the company's net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*.

14. Goodwill and Intangible Assets.

The changes in gross carrying amounts of goodwill are as follows (in thousands):

	Goodwill
October 1, 2015	\$ 3,431
No activity	—
September 30, 2016	3,431
No activity	—
September 30, 2017	3,431
No activity	—
September 30, 2018	<u>\$ 3,431</u>

The Company assesses goodwill for impairment on an annual basis in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The Company reviews intangible assets, including customer value, trade name and non-compete agreements, for impairment, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets.

The gross amounts and accumulated amortization (including impairment) of identifiable intangible assets are as follows (in thousands):

	September 30, 2018		September 30, 2017	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer value (useful life 10.5 years)	4,004	3,150	4,004	2,997
Trade name (useful life 3.5 years)	72	72	72	72
Non-compete (useful life 5 years)	62	61	62	48
	<u>\$ 4,138</u>	<u>\$ 3,283</u>	<u>\$ 4,138</u>	<u>\$ 3,117</u>

Amortization expense for intangible assets was \$165,000 for 2018 and it is included in sales, general and administrative expense. Estimated amortization expense for the five succeeding years follows (in thousands):

	Amount
2019	\$ 154
2020	153
2021	153
2022	153
2023	153
Total	<u>\$ 766</u>

Report of Management

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with accounting principles generally accepted in the United States appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report on Form 10-K is consistent with that in the financial statements.

Management of the Company is responsible for establishing and maintaining a system of internal controls and procedures to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control system is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel, and a written Code of Business Conduct adopted by our Company's Board of Directors, applicable to all officers and employees of our Company and subsidiaries.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 ("Exchange Act"). Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2017 Framework) ("COSO") in Internal Control—Integrated Framework. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of September 30, 2018.

The Company's independent auditors, Hancock Askew & Co., LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company's Board of Directors, subject to ratification by our Company's shareowners. Hancock Askew & Co., LLP has audited and reported on the consolidated financial statements of Patriot Transportation Holding, Inc. The report of the independent auditors is contained in this annual report.

Audit Committee's Responsibility

The Audit Committee of our Company's Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the Nasdaq Stock Market listing standards, the Exchange Act, and the Company's Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal controls and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit Committee. Our Audit Committee's Report can be found in the Company's Proxy Statement.

Report of Independent Registered Certified Public Accounting Firm

The Shareholders and Board of Directors
Patriot Transportation Holding, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Patriot Transportation Holding, Inc. (the “Company”) as of September 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for the years ended September 30, 2018, 2017 and 2016, and the related notes to the consolidated financial statements (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2018 and 2017, and the results of their operations and their cash flows for the years ending September 30, 2018, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Hancock Askew & Co., LLP

We have served as the Company’s auditor since 2006.

Savannah, Georgia
December 11, 2018

DIRECTORS AND OFFICERS

Directors

Thompson S. Baker II (1)
Chairman of the Board of the Company
Senior Vice President, Vulcan Materials

Edward L. Baker (1)
Chairman Emeritus

John E. Anderson (2)(3)(4)
Former President and Chief Executive
Officer of Patriot Transportation Holding, Inc.

Luke E. Fichthorn III (2)(3)(4)
Private Investment Banker,
Twain Associates

Charles D. Hyman (2)(3)(4)
President/Founder
Charles D. Hyman & Company

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee
(4) Member of the Nominating Committee

Officers

Robert E. Sandlin
President and Chief Executive Officer

Matthew C. McNulty
Vice President and Chief Financial Officer

John D. Milton, Jr.
Executive Vice President, General Counsel,
Treasurer, and Secretary

John D. Klopfenstein
Controller and Chief Accounting Officer

James N. Anderson IV
Vice President of Safety and Risk Management

Patriot Transportation Holding, Inc.

200 West Forsyth Street, 7th Floor
Jacksonville, Florida, 32202
Telephone: (904) 396-5733

Annual Meeting

Shareholders are cordially invited to attend the Annual Shareholders Meeting which will be held at 10 a.m. local time, on Wednesday, January 30, 2019, at the River Club, Florida Room, on the 34th Floor of the Wells Fargo Building, One Independent Drive, Jacksonville, Florida 32202.

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, NY 10038
Telephone: 1-800-937-5449

General Counsel

Nelson Mullins Riley & Scarborough LLP
Jacksonville, Florida

Independent Registered Certified Public Accounting Firm

Hancock Askew & Co., LLP
Savannah, Georgia

Common Stock Listed

The Nasdaq Stock Market
(Symbol: PATI)

Form 10-K

Shareholders may receive without charge a copy of Patriot Transportation Holding, Inc.'s annual report on Form 10-K for the fiscal year ended September 30, 2018 as filed with the Securities and Exchange Commission by writing to the Treasurer at 200 West Forsyth Street, 7th Floor, Jacksonville, Florida 32202. The most recent certifications by our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K.

Company Website

The Company's website may be accessed at www.patriottrans.com. All of our filings with the Securities and Exchange Commission can be accessed through our website promptly after filing. This includes annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports filed or furnished on Form 8-K and all related amendments.

I, Robert E. Sandlin, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal annual 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: December 11,2018

/s/Robert E. Sandlin

President and Chief Executive Officer

I, Matthew C. McNulty., certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal annual 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: December 11,2018

/s/Matthew C. McNulty

Vice President and Chief Financial Officer

I, John D. Klopfenstein, certify that:

1. I have reviewed this annual report on Form 10-K of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal annual 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: December 11,2018

/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.

December 11, 2018

ROBERT E. SANDLIN

Robert E. Sandlin
President and Chief Executive Officer

MATTHEW C. MCNULTY

Matthew C. McNulty
Vice President and Chief Financial Officer

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 Annual Report on Form 10-K and is not filed as provided in SEC Release Nos. 33-8212, 34-4751 and IC-25967, dated June 30, 2003.