

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ [X]

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

For the quarterly period ended March 31, 2021.

or

☐ [ ]

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

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

Commission File Number: **001-36605**

**PATRIOT TRANSPORTATION HOLDING, INC.**

(Exact name of registrant as specified in its charter)

**Florida**

(State or other jurisdiction of  
incorporation or organization)

**47-2482414**

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

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

(Address of principal executive offices)

**32202**

(Zip Code)

**904-396-5733**

(Registrant's telephone number, including area code)

**Title of each class**  
Common Stock, \$.10 par value

**Trading Symbol**  
PATI

**Name of each exchange on which registered**  
NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ [x] No ☐ [ ]

Indicate by check mark 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 ☒ [x] No ☐ [ ] 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," "non-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 ☒ [x]

Emerging growth company ☐ [ ]

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

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

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

Class

Common Stock

May 13, 2021

3,402,146

PATRIOT TRANSPORTATION HOLDING, INC.  
FORM 10-Q  
QUARTER ENDED MARCH 31, 2021

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## Preliminary Note Regarding Forward-Looking Statements.

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

These forward-looking statements relate to, among other things, capital expenditures, liquidity, capital resources and competition and may be indicated by words or phrases such as "anticipate", "estimate", "plans", "projects", "continuing", "ongoing", "expects", "management believes", "the Company believes", "the Company intends" and similar words or phrases. The following factors and others discussed in the Company's periodic reports and filings with the Securities and Exchange Commission are among the principal factors that could cause actual results to differ materially from the forward-looking statements: freight demand for petroleum products including the impact of the COVID-19 pandemic and "stay home" orders, as well as increased vehicle fuel efficiency, other impacts on the COVID-19 pandemic on our operations and financial results; the increased popularity of electric vehicles; 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, including regulations regarding the transportation industry and regulations intended to reduce greenhouse gas emissions; cyber-attacks; availability and terms of financing; competition in our markets; interest rates, and inflation and general economic conditions. However, this list is not a complete statement of all potential risks or uncertainties.

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

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

(In thousands)

(Unaudited)

	March 31, 2021	September 30, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,396	15,962
Accounts receivable (net of allowance for doubtful accounts of \$76 and \$87, respectively)	4,941	5,005
Inventory of parts and supplies	935	903
Prepaid tires on equipment	1,344	1,414
Prepaid taxes and licenses	261	522
Prepaid insurance	1,971	2,444
Prepaid expenses, other	328	291
Total current assets	<u>19,176</u>	<u>26,541</u>
Property and equipment, at cost	80,819	83,204
Less accumulated depreciation	<u>54,053</u>	<u>52,805</u>
Net property and equipment	<u>26,766</u>	<u>30,399</u>
Operating lease right-of-use assets	2,444	2,964
Goodwill	3,637	3,637
Intangible assets, net	857	957
Other assets, net	<u>164</u>	<u>171</u>
Total assets	<u>\$ 53,044</u>	<u>64,669</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,064	2,679
Federal and state taxes payable	730	284
Accrued payroll and benefits	2,745	3,156
Accrued insurance	1,042	1,210
Accrued liabilities, other	1,508	1,281
Operating lease liabilities, current portion	<u>1,065</u>	<u>1,065</u>
Total current liabilities	<u>9,154</u>	<u>9,675</u>
Operating lease liabilities, less current portion	1,525	2,073
Deferred income taxes	4,069	5,087
Accrued insurance	1,886	1,886
Other liabilities	<u>891</u>	<u>900</u>
Total liabilities	<u>17,525</u>	<u>19,621</u>
Commitments and contingencies		
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; 3,402,146 and 3,377,279 shares issued and outstanding, respectively)	340	338
Capital in excess of par value	39,009	38,670
(Accumulated deficit) Retained earnings	(3,935)	5,935
Accumulated other comprehensive income, net	<u>105</u>	<u>105</u>
Total shareholders' equity	<u>35,519</u>	<u>45,048</u>
Total liabilities and shareholders' equity	<u>\$ 53,044</u>	<u>64,669</u>

See notes to consolidated financial statements.

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

(In thousands)

(Unaudited)

	<b>THREE MONTHS ENDED MARCH 31,</b>		<b>SIX MONTHS ENDED MARCH 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>				
Transportation revenues	\$ 18,224	21,560	\$ 37,441	44,159
Fuel surcharges	1,504	1,967	2,515	4,177
Total revenues	<u>19,728</u>	<u>23,527</u>	<u>39,956</u>	<u>48,336</u>
<b>Cost of operations:</b>				
Compensation and benefits	8,687	10,381	17,738	21,379
Fuel expenses	2,464	2,946	4,562	6,409
Repairs & tires	1,336	1,571	2,717	3,322
Other operating	755	975	1,568	1,931
Insurance and losses	1,929	2,555	4,051	5,324
Depreciation expense	1,671	1,839	3,416	3,789
Rents, tags & utilities	703	753	1,399	1,503
Sales, general & administrative	2,141	2,609	4,277	5,090
Corporate expenses	689	814	1,090	1,351
Gain on sale of land	(1,431)	—	(1,431)	—
Loss (gain) on disposition of PP&E	113	(328)	199	(450)
Total cost of operations	<u>19,057</u>	<u>24,115</u>	<u>39,586</u>	<u>49,648</u>
Total operating profit (loss)	671	(588)	370	(1,312)
Interest income and other	1	42	3	127
Interest expense	<u>(7)</u>	<u>(7)</u>	<u>(15)</u>	<u>(15)</u>
Income (loss) before income taxes	665	(553)	358	(1,200)
Provision for (benefit from) income taxes	<u>181</u>	<u>(152)</u>	<u>96</u>	<u>(335)</u>
<b>Net income (Loss)</b>	<u>\$ 484</u>	<u>(401)</u>	<u>\$ 262</u>	<u>(865)</u>
Reclassification adjust for net investment gains realized in net income	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5)</u>
<b>Comprehensive income (loss)</b>	<u>\$ 484</u>	<u>(401)</u>	<u>\$ 262</u>	<u>(870)</u>
<b>Earnings per common share:</b>				
Net Income (loss) -				
Basic	\$ 0.14	(0.12)	0.08	(0.26)
Diluted	\$ 0.14	(0.12)	0.08	(0.26)
<b>Number of shares (in thousands) used in computing:</b>				
-basic earnings per common share	3,393	3,354	3,385	3,352
-diluted earnings per common share	3,394	3,354	3,390	3,352

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED MARCH 31, 2021 AND 2020**

(In thousands)  
(Unaudited)

	<b>Six months ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 262	(865)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,205	4,629
Non-cash gain of acquisition-related contingent consideration	(16)	—
Deferred income taxes	(1,018)	(454)
Gain on asset dispositions	(1,246)	(450)
Stock-based compensation	341	454
Net changes in operating assets and liabilities:		
Accounts receivable	64	918
Inventory of parts and supplies	(32)	4
Prepaid expenses	767	1,726
Other assets	37	(17)
Accounts payable and accrued liabilities	(967)	(782)
Income taxes payable and receivable	446	134
Operating lease assets and liabilities, net	(548)	(571)
Long-term insurance liabilities and other long-term liabilities	(9)	19
Net cash provided by operating activities	<u>2,286</u>	<u>4,745</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(594)	(4,279)
Business acquisition	—	(1,000)
Proceeds from the sale of property, plant and equipment	1,874	1,220
Net cash provided by (used in) investing activities	<u>1,280</u>	<u>(4,059)</u>
<b>Cash flows from financing activities:</b>		
Dividends paid	(10,132)	(10,557)
Net cash used in financing activities	<u>(10,132)</u>	<u>(10,557)</u>
Net decrease in cash and cash equivalents	(6,566)	(9,871)
Cash and cash equivalents at beginning of period	15,962	21,216
Cash and cash equivalents at end of the period	<u>\$ 9,396</u>	<u>11,345</u>

See notes to consolidated financial statements.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**THREE AND SIX MONTHS ENDED MARCH 31, 2021 AND 2020**  
(In thousands)  
(Unaudited)

	Six Months Ended March 31, 2021					
	Common Stock Shares	Amount	Capital in Excess of Par Value	(Accum. Deficit) Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance as of September 30, 2020	3,377,279	\$ 338	\$ 38,670	\$ 5,935	\$ 105	\$ 45,048
Stock-based compensation			122			122
Director grant	24,867	2	217			219
Cash dividends declared (\$3.00 per share)				(10,132)		(10,132)
Net income				262		262
Balance as of March 31, 2021	<u>3,402,146</u>	<u>\$ 340</u>	<u>\$ 39,009</u>	<u>\$ (3,935)</u>	<u>\$ 105</u>	<u>\$ 35,519</u>

	Three Months Ended March 31, 2021					
	Common Stock Shares	Amount	Capital in Excess of Par Value	(Accum. Deficit) Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance as of December 31, 2020	3,377,279	\$ 338	\$ 38,729	\$ (4,419)	\$ 105	\$ 34,753
Stock-based compensation			63			63
Director grant	24,867	2	217			219
Net income				484		484
Balance as of March 31, 2021	<u>3,402,146</u>	<u>\$ 340</u>	<u>\$ 39,009</u>	<u>\$ (3,935)</u>	<u>\$ 105</u>	<u>\$ 35,519</u>

	Six Months Ended March 31, 2020					
	Common Stock Shares	Amount	Capital in Excess of Par Value	(Accum. Deficit) Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance as of September 30, 2019	3,351,329	\$ 335	\$ 38,099	\$ 16,235	\$ 128	\$ 54,797
Stock-based compensation			119			119
Director grant	25,950	3	332			335
Cash dividends declared (\$3.15 per share)				(10,557)		(10,557)
Net loss				(865)		(865)
Reclassification adjustment of realized gain, net					(5)	(5)
Balance as of March 31, 2020	<u>3,377,279</u>	<u>\$ 338</u>	<u>\$ 38,550</u>	<u>\$ 4,813</u>	<u>\$ 123</u>	<u>\$ 43,824</u>

	Three Months Ended March 31, 2020					
	Common Stock Shares	Amount	Capital in Excess of Par Value	(Accum. Deficit) Retained Earnings	Accumulated Other Comprehensive Income, net	Total Shareholders' Equity
Balance as of December 31, 2019	3,351,329	\$ 335	\$ 38,158	\$ 5,214	\$ 123	\$ 43,830
Stock-based compensation			60			60
Director grant	25,950	3	332			335
Net loss				(401)		(401)
Balance as of March 31, 2020	<u>3,377,279</u>	<u>\$ 338</u>	<u>\$ 38,550</u>	<u>\$ 4,813</u>	<u>\$ 123</u>	<u>\$ 43,824</u>



**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**  
(Unaudited)

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

*Description of Business*

Company's Business. The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul; rather, we act as a third party carrier to deliver our customers' products from point A to point B, using predominantly Company employees driving Company owned tractors and tank trailers. Approximately 88% 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 customers' fuel storage tanks for ultimate sale to the retail consumer. The remaining 12% of our business consists of hauling dry bulk commodities such as cement, lime and various industrial powder products, water and liquid chemicals. As of March 31, 2021, we employed 360 revenue-producing drivers who operated our fleet of 306 Company tractors, 21 owner operators and 421 trailers from our 18 terminals and 6 satellite locations in Florida, Georgia, Alabama, and Tennessee.

*Basis of Presentation*

These statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (primarily consisting of normal recurring accruals) considered necessary for a fair statement of the results for the interim periods have been included. Operating results for the six months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2021. The accompanying consolidated financial statements and the information included under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read in conjunction with the audited financial statements and notes for the year ended September 30, 2020.

**(2) Recently Issued Accounting Standards.** None.

**(3) Related Party Agreements.** The Company provides FRP Holdings, Inc. (FRP) certain services including the services of certain shared executive officers. FRP may be considered a related party due to common significant shareholder ownership and shared common 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 April 1, 2021.

The consolidated statements of income reflect charges and/or allocation to FRP Holdings, Inc. for these services of \$256,000 and \$290,000 for the three months ended March 31, 2021 and 2020, and \$691,000 and \$703,000 for the six months ended March 31, 2021 and 2020, respectively. These charges to FRP are reflected as a reduction to the Company's 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.

(4) **Long-Term debt.** The Company had no long-term debt outstanding at March 31, 2021 and September 30, 2020. On December 28, 2018 the Company entered into a First Amendment to the 2015 Credit Agreement (the "Credit Agreement") with Wells Fargo Bank, N.A. ("Wells Fargo"), effective December 14, 2018. The Credit Agreement modifies the Company's prior Credit Agreement with Wells Fargo, dated January 30, 2015. The Credit Agreement establishes a five year revolving credit facility with a maximum facility amount of \$35 million, with a separate sublimit for standby letters of credit. The credit facility limit may be increased to \$50 million upon request by the Company, subject to the lender's discretion and the satisfaction of certain conditions. The interest rate under the Credit Agreement will be a maximum of 1.50% over LIBOR, which may be reduced quarterly to 1.25% or 1.0% over LIBOR if the Company meets a specified ratio of consolidated total debt to consolidated total capital. A commitment fee of 0.144% per annum is payable quarterly on the unused portion of the commitment but the amount may be reduced to 0.1145% or 0.086% if the Company meets a specified ratio of consolidated total debt to consolidated total capital. The applicable unused fee for the first six months of the fiscal year was 0.086%. As of March 31, 2021, we had no outstanding debt borrowed on this revolver, \$3,579,000 in commitments under letters of credit and \$31,421,000 available for additional borrowings. The letter of credit fee is 1% and the applicable borrowing rate would have been 1.1085% on March 31, 2021. This credit agreement contains certain conditions, affirmative financial covenants and negative covenants including a minimum tangible net worth. The Company was in compliance with all of its loan covenants as of March 31, 2021.

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

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

	Three Months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Weighted average common shares outstanding during the period				
- shares used for basic earnings per common share	3,393	3,354	3,385	3,352

Common shares issuable under share based payment plans which are potentially dilutive	<u>1</u>	<u>—</u>	<u>5</u>	<u>—</u>
Common shares used for diluted earnings per common share	<u>3,394</u>	<u>3,354</u>	<u>3,390</u>	<u>3,352</u>
Net income (loss)	<u>\$ 484</u>	<u>(401)</u>	<u>262</u>	<u>(865)</u>
Earnings (loss) per common share:				
-basic	<u>\$ 0.14</u>	<u>(0.12)</u>	<u>0.08</u>	<u>(0.26)</u>
-diluted	<u>\$ 0.14</u>	<u>(0.12)</u>	<u>0.08</u>	<u>(0.26)</u>

For the three and six months ended March 31, 2021, 604,005 and 500,950 shares attributable to outstanding stock options, respectively, were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. For the three and six months ended March 31, 2020, 400,722 shares attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

#### **(6) Stock-Based Compensation Plans.**

##### *Participation in FRP Plans*

Prior to the Company's spin-off from FRP Holdings, Inc. (FRP) in 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.

##### *Post Spin-Off Patriot Incentive Stock Plan*

As part of the spin-off transaction, the Board of Directors of the Company adopted the Patriot Transportation Holding, Inc. Incentive Stock Plan ("Patriot Plan") in January, 2015. In exchange for all outstanding FRP options held on January 30, 2015, existing Company directors, officers and key employees holding option grants in the FRP Stock Option Plan(s) were issued new grants in the Patriot and FRP Plans based upon the relative value of Patriot and FRP immediately following the completion of the spin-off with the same remaining terms. All related compensation expense has been allocated to the Company (rather than FRP) and included in corporate expenses. The number of common shares available for future issuance in the Patriot Plan was 69,820 at March 31, 2021.

On December 30, 2020, the Company paid an extraordinary dividend of \$3.00 per share to all shareholders of record. In accordance with Section 4.2 of the 2006 Stock Incentive Plan, Section 11 of the 2014 Equity Incentive Plan, and Section 409A of the Internal Revenue Code, the Company has adjusted the terms of all stock option grants outstanding and the stock appreciation rights as of the close of business on December 30, 2020.

In December 2016, the Company approved and issued a long-term performance incentive to an officer in the form of stock appreciation rights. As adjusted for the extraordinary dividend the Company granted 174,011 stock appreciation rights. The adjusted market price of the grant was \$12.79, and the executive will get a cash award at age 65 based upon the stock price at that date

compared to the adjusted market price of \$12.79 but in no event will the award be less than \$500,000. The Company is expensing the fair value of the award over the 9.1 year vesting period to the officer's attainment of age 65, with periodic adjustments to the liability estimate based upon changes in the assumptions used to calculate the liability. The accrued liability under this plan as of March 31, 2021 and 2020 was \$357,000 and \$297,000, respectively.

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

	Three Months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Stock option grants	\$ 63	60	122	119
Annual director stock award	219	335	219	335
	<u>\$ 282</u>	<u>395</u>	<u>341</u>	<u>454</u>

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

<u>Options</u>	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term (yrs)</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at September 30, 2020	400,722	\$ 14.96	6.6	\$ 1,749
Granted	78,345	10.00		275
Forfeited	(9,632)	13.88		(48)
Term Adjustment	<u>148,067</u>			
Outstanding at March 31, 2021 (a)	617,502	\$ 10.76	6.8	\$ 1,976
Exercisable at March 31, 2021	317,208	\$ 11.97	5.2	\$ 1,195
Vested during six months ended March 31, 2021	77,845			\$ 242

(a) The Company stock option intrinsic values were adjusted as of December 30, 2020, the date of the extraordinary dividend. Stock option activity, including the weighted average exercise price, was not retroactively adjusted.

The aggregate intrinsic value of exercisable Company options was \$87,000 and the aggregate intrinsic value of all outstanding in-the-money options was \$558,000 based on the Company's market closing price of \$11.01 on March 31, 2021 less exercise prices.

The unrecognized compensation expense of Patriot options granted as of March 31, 2021 was \$692,000, which is expected to be recognized over a weighted-average period of 3.5 years.

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

At March 31, 2021 and September 30, 2020, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable and other financial instruments approximate their fair value based upon the short-term nature of these items.

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

(9) **Concentrations.**

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

*Customers:* During the first six months of fiscal 2021, the Company's ten largest customers accounted for approximately 60.2% of our revenue and one of these customers accounted for 21.9% of our revenue. Accounts receivable from the ten largest customers was \$2,967,000 and \$3,121,000 at March 31, 2021 and September 30, 2020 respectively. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

*Deposits:* Cash and cash equivalents are comprised of cash and an FDIC insured investment account at Wells Fargo Bank, N.A. The balance in the cash account may exceed FDIC limits.

(10) **Business Acquisition.**

The Company acquired certain assets of Danfair Transport out of Americus, GA on November 4, 2019.

The Company has accounted for this acquisition in accordance with the provisions of ASC 805, Business Combinations (ASC 805). The Company has allocated the purchase price of the business based upon the fair value of the assets acquired and liabilities assumed as follows (in thousands):

Consideration:

Fair value of consideration transferred		<u>(1,425)</u>
Acquisition related costs expensed	\$	38
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Property and equipment	\$	759
Prepaid tires		25
Customer relationships		436
Non-compete agreement		12
Vacation liability assumed		<u>(13)</u>
Total identifiable net assets assumed	\$	1,219
Goodwill		<u>206</u>
Total	\$	<u>1,425</u>

The goodwill recorded resulting from the acquisition is tax deductible. The earned payout liability, estimated to be \$425,000 on the date of acquisition, was later determined to be \$69,000 based upon the total revenues for the 12 months following the acquisition. Changes in the estimated earned payout liability, up to the total contractual amount, are reflected in our results of operations in the periods in which they were identified. For the six months ended March 31, 2021 the Company recorded a gain of \$16,000. During fiscal year 2020 the Company recorded gains of \$340,000 on the contingent consideration.

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

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

### **Overview**

The business of the Company, conducted through our wholly owned subsidiary, Florida Rock & Tank Lines, Inc., is to transport petroleum and other liquids and dry bulk commodities. We do not own any of the products we haul, rather, we act as a third party carrier to deliver our customers' products from point A to point B predominately using Company employees driving Company owned tractors and tank trailers. Approximately 88% 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 customers' fuel storage tanks for ultimate sale to the retail consumer. The remaining 12% of our business consists of hauling dry bulk commodities such as cement, lime and various industrial powder products and liquid chemicals. As of March 31, 2021, we employed 360 revenue-producing drivers who operated our fleet of 306 company tractors, 21 owner operators and 421 trailers from our 18 terminals and 6 satellite locations in Florida, Georgia, Alabama, and Tennessee. We experience increased seasonal demand in Florida in the spring and in most of our other locations during the summer months.

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

Our ability to provide superior customer service at competitive rates and to operate safely and efficiently is important to our success in growing our revenues and increasing profitability. Our focus is to grow our profitability by executing on our key strategies of (i) increasing our business with existing and new customers, particularly hypermarket and large convenience store chains, that are willing to compensate us for our ability to provide superior, safe and reliable service, (ii) expanding our service offerings with respect to dry bulk, liquid 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 shortage of qualified professional drivers with a tenured safe driving career. 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, short driving careers in other lines of trucking, poor safety records and a pattern of job instability in their work history. As a result, in many markets we serve it is difficult to grow the driver count and, in some cases, to even maintain our historical or desired driver counts.

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 cover 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 Disposition of Property, Plant & Equipment* - Our financial results for any period may be impacted by any gain or loss that we realize on the sale of used equipment, losses on wrecked equipment, and disposition of other assets. We periodically sell used equipment as we replace older tractors and trailers. Gains or losses on equipment sales can vary significantly from period to period depending on the timing of our equipment replacement cycle, market prices for used equipment and losses on wrecked equipment.

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

ITEM	Six months 2021 vs. 2020
Total Revenue	Down 17.3%
Transportation Revenue	Down 15.2%
Revenue Miles	Down 19.0%
PAFR (incidents per 1M miles) goal of 2.1	Down to 1.93 from 1.95
Operating Ratio	99.1% vs. 102.7%
Driver Turnover Rate	106.6% vs. 77.8%
Avg. Driver Count incl. owner operators	Down 23.0%

## Second Quarter Highlights

- Transportation revenue per mile was up \$.13, or 4.5%, due to an improved business mix and rate increases.
- The quarter’s net income included \$1,037,000, or \$.31 per share, from gains on real estate sales.

## Comparative Results of Operations for the Three Months ended March 31, 2021 and 2020

(dollars in thousands)	Three months ended March 31			
	2021	%	2020	%
<b>Revenue miles (in thousands)</b>	5,993		7,410	
<b>Revenues:</b>				
Transportation revenue	\$ 18,224	92.4%	21,560	91.6%
Fuel surcharges	1,504	7.6%	1,967	8.4%
Total Revenues	19,728	100.0%	23,527	100.0%
<b>Cost of operations:</b>				
Compensation and benefits	8,687	44.0%	10,381	44.1%
Fuel expenses	2,464	12.5%	2,946	12.5%
Repairs & tires	1,336	6.8%	1,571	6.7%
Other operating	755	3.8%	975	4.1%
Insurance and losses	1,929	9.8%	2,555	10.9%
Depreciation expense	1,671	8.5%	1,839	7.8%
Rents, tags & utilities	703	3.6%	753	3.2%
Sales, general & administrative	2,141	10.8%	2,609	11.1%
Corporate expenses	689	3.5%	814	3.5%
Gain on sale of land	(1,431)	-7.3%	—	0.0%
Loss (gain) on disposition of PP&E	113	0.6%	(328)	-1.4%
Total cost of operations	19,057	96.6%	24,115	102.5%
Total operating profit (loss)	\$ 671	3.4%	(588)	-2.5%

The Company reported net income of \$484,000, or \$.14 per share for the quarter ended March 31, 2021, compared to a net loss of (\$401,000), or (\$.12) per share, in the same quarter last year. The quarter's net income included \$1,037,000, or \$.31 per share, from gains on real estate sales net of income taxes.

Total revenues for the quarter were \$19,728,000, down \$3,799,000 from the same quarter last year primarily resulting from the downsizing of one customer account (\$1,488,000) and the closure of our Wilmington terminal in April, 2020 (\$685,000). The remainder of the revenue variance is primarily attributable to a smaller driver force. Transportation revenues (excluding fuel surcharges) were \$18,224,000, down \$3,336,000 or 15%. Revenue miles were down 1,417,000, or 19%, over the same quarter last year. Transportation revenue per mile was up \$.13, or 4.5%, due to an improved business mix and rate increases. Fuel surcharge revenue was \$1,504,000, down \$463,000 from the same quarter last year.

Compensation and benefits decreased \$1,694,000, mainly due to lower company miles, as well as the elimination of minimum driver pay expense and reductions in non-driver support positions. Gross fuel expense decreased \$482,000 as a result of lower company miles. Repairs and tire expense decreased \$235,000 due to lower miles this quarter. Insurance and losses decreased \$626,000, primarily from lower health care. Depreciation expense was down \$168,000 in the quarter as we continue to reduce our fleet size to meet our business levels. SG&A expense was

lower by \$468,000 resulting from permanent cost reductions. Corporate expense was lower by \$125,000 due mainly to lower director stock compensation expense of \$116,000, a one-time expense that occurs in the 2<sup>nd</sup> quarter each year. Gain on sale of land was \$1,431,000 due to the sale of our former terminal location in Pensacola, FL. Loss on disposition of assets was \$113,000 versus a gain of \$328,000 in the same quarter last year due to a single tractor rollover accident requiring the buyout of a leased tractor. During the quarter, we experienced an unfortunate single tractor rollover accident which negatively impacted the quarter by \$466,500 through a combination of charges to the Insurance and losses line as well as the loss on disposition of assets. We do not anticipate any further material expenses from this accident.

As a result, operating profit this quarter was \$671,000 compared to an operating loss of (\$588,000) in the same quarter last year. Excluding the gain on sale of land and the negative impacts of the rollover accident, operating loss was (\$293,500). Operating ratio was 96.6 this quarter versus 102.5 the same quarter last year.

### Comparative Results of Operations for the Six Months ended March 31, 2021 and 2020

(dollars in thousands)	Six months ended March 31			
	2021	%	2020	%
<b>Revenue miles (in thousands)</b>	12,443		15,370	
<b>Revenues:</b>				
Transportation revenue	\$ 37,441	93.7%	44,159	91.4%
Fuel surcharges	2,515	6.3%	4,177	8.6%
Total Revenues	39,956	100.0%	48,336	100.0%
<b>Cost of operations:</b>				
Compensation and benefits	17,738	44.4%	21,379	44.2%
Fuel expenses	4,562	11.4%	6,409	13.3%
Repairs & tires	2,717	6.8%	3,322	6.9%
Other operating	1,568	3.9%	1,931	4.0%
Insurance and losses	4,051	10.2%	5,324	11.0%
Depreciation expense	3,416	8.6%	3,789	7.8%
Rents, tags & utilities	1,399	3.5%	1,503	3.1%
Sales, general & administrative	4,277	10.7%	5,090	10.5%
Corporate expenses	1,090	2.7%	1,351	2.8%
Gain on sale of land	(1,431)	-3.6%	—	0.0%
Loss (gain) on disposition of PP&E	199	0.5%	(450)	-0.9%
Total cost of operations	39,586	99.1%	49,648	102.7%
Total operating profit (loss)	\$ 370	0.9%	(1,312)	-2.7%

The Company reported net income of \$262,000, or \$.08 per share, compared to a net loss of (\$865,000), or (\$.26) per share, in the same period last year. The first six months' net income included \$1,037,000, or \$.31 per share, from gains on real estate sales net of income taxes.

Total revenues for the period were \$39,956,000, down \$8,380,000 from the same period last year, of which \$3,175,000 resulted from the downsizing of one customer account and \$1,352,000 from the closure of our Wilmington terminal in April, 2020. The remainder of the revenue variance was primarily attributable to the declining driver count and the impacts of COVID-19 prior to demand spiking in mid-February as the Country started to reopen. Transportation revenues (excluding fuel surcharges) were \$37,441,000, down \$6,718,000 or 15%. Revenue miles were down 2,927,000 miles, or 19%, over the same period last year. Transportation revenue per mile was up \$.14, or 4.9%, due to an improved business mix and rate increases. Fuel surcharge revenue was \$2,515,000, down \$1,662,000 from the same period last year.

Compensation and benefits decreased \$3,641,000, mainly due to lower company miles, as well as the elimination of minimum driver pay expense and reductions in non-driver support positions. Gross fuel expense decreased \$1,847,000 as a result of lower company miles and a lower cost per gallon. Repairs and tire expense decreased \$605,000 due to lower miles this quarter. Insurance and losses decreased \$1,273,000, primarily from lower health care claims and workers' compensation expense somewhat offset by the single tractor rollover accident and several product mixes. Depreciation expense was down \$373,000 as we continue to reduce our fleet size to meet our business levels. SG&A expense was lower by \$813,000 resulting from permanent cost reductions. Corporate expenses were down \$261,000 due mainly to lower compensation expense. Gain on sale of land was \$1,431,000 due to the sale of our former terminal location in Pensacola, FL. Loss on disposition of assets was \$199,000 primarily due to the write off of the equipment involved in the single tractor rollover accident versus a gain of \$450,000 in the same period last year.

As a result, operating income was \$370,000 compared to an operating loss of (\$1,312,000) in the same period last year. Excluding the gain on sale of land and the negative impacts of the rollover accident, operating loss was (\$594,500). Operating ratio was 99.1 in the first six months versus 102.7 the same period last year.

**Liquidity and Capital Resources.** The Company maintains its operating accounts with Wells Fargo Bank, N.A. and these accounts directly sweep overnight against the Wells Fargo revolver. As of March 31, 2021, we had no debt outstanding on this revolver, \$3,579,000 letters of credit and \$31,421,000 available for additional borrowings. The Company expects our fiscal year 2021 cash generation to cover the cost of our operations and 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):

	Six months Ended March 31,	
	2021	2020
Total cash provided by (used for):		
Operating activities	\$ 2,286	4,745
Investing activities	1,280	(4,059)
Financing activities	(10,132)	(10,557)
Decrease in cash and cash equivalents	\$ (6,566)	(9,871)
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 \$2,286,000 for the six months ended March 31, 2021, compared to \$4,745,000 in the same period last year. The total of net income plus depreciation and amortization and less gains on sales of property and equipment decreased \$93,000 versus the same period last year. These changes are described above under "Comparative Results of Operations." These changes comprise the majority of the decrease in net cash provided by operating activities.

**Investing Activities** – Investing activities include the purchase of property and equipment, any business acquisitions and proceeds from sales of property and equipment upon retirement. For the six months ended March 31, 2021, cash provided by investing activities was \$1,280,000 which included the proceeds from retirements net of the purchase of plant, property and equipment. For the six months ended March 31, 2020, we spent \$4,059,000 on investing activities which included \$3,059,000 for the purchase of plant, property and equipment net of proceeds from retirements and \$1,000,000 for the acquisition of Danfair Transport.

**Financing Activities** – Financing activities primarily include net changes to our outstanding revolving debt and proceeds from the sale of shares of common stock through employee equity incentive plans. For the six months ended March 31, 2021, cash used in financing activities was \$10,132,000 due to dividends paid. For the six months ended March 31, 2020, cash used in financing activities was \$10,557,000 due to dividends paid in the second quarter. We had no outstanding long-term debt on March 31, 2021 or March 31, 2020.

**Credit Facilities** - The Company has a five-year credit agreement with Wells Fargo Bank N.A. which provides a \$35 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 0.144% per annum is payable quarterly on the unused portion of the commitment but the amount may be reduced to 0.1145% or 0.086% if the Company meets a specified ratio of consolidated total debt to consolidated total capital. The applicable unused fee for the first six months of the fiscal year was 0.086%. The credit agreement contains certain conditions and financial covenants, including a minimum tangible net worth. As of March 31, 2021, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of \$2.1 million combined.

**Cash Requirements** - The Company currently expects its fiscal 2021 capital expenditures to be approximately \$1 million which we expect to be fully funded by our cash generated from our operations. The amount of capital expenditures through March 31, 2021 were \$594,000.

**Impact of the COVID-19 Pandemic.** The COVID-19 pandemic continues to have some impact on demand for oil and petroleum products in certain markets but, mainly due to the rollout of the vaccine, that impact was far less in this quarter than had been experienced since the beginning of the pandemic. As an essential business, we have continued to operate throughout the pandemic in accordance with CDC guidance and orders issued by state and local authorities.

**Summary and Outlook.** While most of the revenue declines this quarter were anticipated due to

the known business reductions with a single customer, there was a portion that was not as we continued to struggle with a declining driver count due primarily to high driver turnover and a tightening hiring market. We ended the quarter down ~25 drivers from where we started the quarter. In addition, Florida and Georgia began reopening quickly starting in the middle of February and we have experienced an intense level of customer demand ever since. We have put a lot of emphasis on turnover and finding ways to improve over the past several quarters. However, due to the intensity in the marketplace today, both in demand for our services and the race to hire drivers across the entire transportation industry, we determined it was imperative to implement a material increase on overall driver pay across all segments of our business. During the month of April, we increased several aspects of our compensation package to reward and retain our existing drivers for their continued efforts and to entice new drivers to apply and remain as long-term employees. If we are successful, it will allow us to grow back our driver force to meet the extremely high demand in the marketplace and improve our profitability. We do expect our customers to assist in offsetting these added costs and are working closely with them to form a stronger strategic alliance with higher rates and longer term contracts.

Our balance sheet remains solid with \$9.4 million of cash and cash equivalents as of March 31, 2021, and no outstanding debt. We do not anticipate replacing any equipment until the first quarter of fiscal year 2022 putting our current planned capital expenditures at ~\$1,000,000 for fiscal year 2021 and then returning to a more normalized capex spend in FY 2022. The Tampa property remains under contract in the 120-150 day “free look” Inspection Period with an outside closing date of September 19, 2021 at a sales price of \$9,500,000.

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

**Interest Rate Risk** - We are exposed to the impact of interest rate changes through our variable-rate borrowings under the credit agreement. Under the Wells Fargo revolving line of credit, the applicable spread for borrowings at March 31, 2021 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 exceeds a target level.

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

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

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

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

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

As of March 31, 2021, the Company, under the supervision and with the participation of the Company's management, including the CEO, CFO and CAO, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Company's CEO, CFO and CAO concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely manner to material information required to be included in periodic SEC filings.

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

## PART II. OTHER INFORMATION

### Item 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2020, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

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

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

### Item 6. EXHIBITS

- (a) Exhibits. The response to this item is submitted as a separate Section entitled "Exhibit Index", on page 26.



## **SIGNATURES**

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

PATRIOT TRANSPORTATION HOLDING, INC.

Date: May 14, 2021

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

By MATTHEW C. MCNULTY  
Matthew C. McNulty  
Vice President, Chief Financial Officer and  
Secretary  
(Principal Financial Officer)

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

**PATRIOT TRANSPORTATION HOLDING, INC.**  
**FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2021**  
**EXHIBIT INDEX**

(31)(a)	Certification of Robert E. Sandlin
(31)(b)	Certification of Matthew C. McNulty
(31)(c)	Certification of John D. Klopfenstein
(32)	Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.XSD	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

CERTIFICATIONS

Exhibit 31(a)

I, Robert E. Sandlin, certify that:

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

Date: May 14, 2021

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

I, Matthew C. McNulty, certify that:

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

Date: May 14, 2021

/s/Matthew C. McNulty  
 Vice President, Chief Financial Officer  
 and Secretary

I, John D. Klopfenstein, certify that:

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

Date: May 14, 2021

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

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

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

PATRIOT TRANSPORTATION HOLDING, INC.

Date: May 14, 2021

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

By /s/MATTHEW C. MCNULTY  
Matthew C. McNulty  
Vice President, Chief Financial Officer and  
Secretary

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

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

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