

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

FORM 10-Q

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

For the quarterly period ended June **30, 2006**

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: **33-26115**

PATRIOT TRANSPORTATION HOLDING, INC.

(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

59-2924957

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

1801 Art Museum Drive, Jacksonville, FL
(Address of principal executive offices)

32207
(Zip Code)

904-396-5733

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x]

No []

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

Large accelerated filer []

Accelerated filer []

Non-accelerated filer [x]

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.

| <u>Class</u> | <u>Outstanding at June 30, 2006</u> |
|--|-------------------------------------|
| Common Stock, \$.10 par value per share | 3,011,789 shares |

PATRIOT TRANSPORTATION HOLDING, INC.
FORM 10-Q
QUARTER ENDED JUNE 30, 2006

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

(In thousands, except share data)
(Unaudited)

| | June 30, <u>2006</u> | September 30, <u>2005</u> |
|--|-------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 658 | 2,966 |
| Accounts receivable (including related party of \$616 and \$288 and net of allowance for doubtful accounts of \$375 and \$525, respectively) | 10,851 | 11,731 |
| Inventory of parts and supplies | 755 | 799 |
| Prepaid tires on equipment | 2,107 | 1,959 |
| Prepaid taxes and licenses | 242 | 1,291 |
| Prepaid insurance | 1,230 | 259 |
| Prepaid expenses, other | 1,039 | 564 |
| Total current assets | <u>16,882</u> | <u>19,569</u> |
| Property, plant and equipment, at cost | 271,292 | 246,725 |
| Less accumulated depreciation and depletion | <u>(85,295)</u> | <u>(81,789)</u> |
| Net property, plant and equipment | <u>185,997</u> | <u>164,936</u> |
| Real estate held for investment, at cost | 1,093 | 1,093 |
| Goodwill | 1,087 | 1,087 |
| Unrealized rents | 2,052 | 1,608 |
| Other assets | <u>5,396</u> | <u>5,422</u> |
| Total assets | <u>\$212,507</u> | <u>193,715</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 5,341 | 5,674 |
| Federal and state income taxes payable | 2,005 | 642 |
| Accrued payroll | 3,991 | 3,247 |
| Accrued insurance reserves | 4,753 | 3,774 |
| Accrued liabilities, other | 358 | 452 |
| Long-term debt due within one year | 2,517 | 2,432 |
| Total current liabilities | <u>18,965</u> | <u>16,221</u> |
| Long-term debt | 57,192 | 48,468 |
| Deferred income taxes | 14,080 | 14,394 |
| Accrued insurance reserves | 4,993 | 4,993 |
| Other liabilities | 2,046 | 1,738 |
| Commitments and contingencies (Note 10) | | |
| Shareholders' equity: | | |
| Preferred stock, no par value; 5,000,000 shares authorized; none issued | - | - |
| Common stock, \$.10 par value; 25,000,000 shares authorized, 3,011,789 and 2,965,075 shares issued and outstanding, respectively | 301 | 297 |
| Capital in excess of par value | 28,979 | 27,100 |
| Retained earnings | 85,951 | 80,504 |
| Total shareholders' equity | <u>115,231</u> | <u>107,901</u> |
| Total liabilities and shareholders' equity | <u>\$212,507</u> | <u>193,715</u> |
| See accompanying notes. | | |

PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share amounts)

(Unaudited)

| | THREE MONTHS ENDED JUNE 30, | | NINE MONTHS ENDED JUNE 30, | |
|---|--------------------------------|----------------|-------------------------------|----------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| | (restated) | | (restated) | |
| Revenues: | | | | |
| Transportation | \$ 32,435 | 28,638 | 93,080 | 83,169 |
| Real estate | <u>5,176</u> | <u>4,468</u> | <u>15,515</u> | <u>13,415</u> |
| Total revenues (including revenue from related parties of \$2,257, \$1,784, \$6,104 and \$4,981, respectively) | 37,611 | 33,106 | 108,595 | 96,584 |
| Cost of operations: | | | | |
| Transportation | 28,114 | 24,396 | 80,472 | 72,288 |
| Real estate | <u>2,157</u> | <u>1,858</u> | <u>7,164</u> | <u>5,768</u> |
| Total cost of operations | <u>30,271</u> | <u>26,254</u> | <u>87,636</u> | <u>78,056</u> |
| Gross profit: | | | | |
| Transportation | 4,321 | 4,242 | 12,608 | 10,881 |
| Real estate | <u>3,019</u> | <u>2,610</u> | <u>8,351</u> | <u>7,647</u> |
| Total gross profit | <u>7,340</u> | <u>6,852</u> | <u>20,959</u> | <u>18,528</u> |
| Selling, general and administrative expense (including expenses paid to a related party of \$48, \$39, \$143 and \$127, respectively) | <u>3,286</u> | <u>2,561</u> | <u>9,209</u> | <u>7,290</u> |
| Operating profit | 4,054 | 4,291 | 11,750 | 11,238 |
| Interest income and other | 28 | 2 | 125 | 17 |
| Interest expense | <u>(1,036)</u> | <u>(785)</u> | <u>(3,018)</u> | <u>(2,410)</u> |
| Income before income taxes | 3,046 | 3,508 | 8,857 | 8,845 |
| Provision for income taxes | <u>(1,202)</u> | <u>(1,368)</u> | <u>(3,410)</u> | <u>(3,448)</u> |
| Net income | \$ <u>1,844</u> | <u>2,140</u> | <u>5,447</u> | <u>5,397</u> |
| Earnings per common share: | | | | |
| Basic | \$.62 | .72 | 1.83 | 1.83 |
| Diluted | \$.59 | .70 | 1.77 | 1.78 |
| Number of shares (in thousands) used in computing: | | | | |
| -basic earnings per common share | 2,985 | 2,958 | 2,974 | 2,946 |
| -diluted earnings per common share | 3,105 | 3,040 | 3,085 | 3,026 |

See accompanying notes.

PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JUNE 30, 2006 AND 2005

(In thousands)
(Unaudited)

| | <u>2006</u> | <u>2005</u> (restated) |
|---|----------------------|---------------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 5,447 | 5,397 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 9,995 | 9,331 |
| Deferred income taxes | (845) | (2,870) |
| Gain on sale of equipment | (917) | (584) |
| Tax benefit from stock option exercise | - | 283 |
| Stock-based compensation | 778 | - |
| Net changes in operating assets and liabilities: | | |
| Accounts receivable | 880 | 954 |
| Inventory of parts and supplies | 44 | (74) |
| Prepaid expenses and other current assets | (14) | (85) |
| Other assets | (831) | (941) |
| Accounts payable and accrued liabilities | 1,296 | 1,608 |
| Income taxes payable | 1,363 | (5,559) |
| Long-term insurance reserves and other long-term liabilities | <u>308</u> | <u>119</u> |
| Net cash provided by operating activities | <u>17,504</u> | <u>7,579</u> |
| Cash flows from investing activities: | | |
| Purchase of transportation group property and equipment | (13,815) | (9,031) |
| Purchase of real estate group property and equipment | (17,194) | (16,405) |
| Cash held in escrow | - | 16,553 |
| Proceeds from sale of real estate held for investment and property and equipment | <u>1,283</u> | <u>1,155</u> |
| Net cash used in investing activities | <u>(29,726)</u> | <u>(7,728)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 2,084 | 5,745 |
| Net increase (decrease) in revolving debt | 8,420 | (3,201) |
| Repayment of long-term debt | (1,695) | (1,345) |
| Excess tax benefits from exercise of stock options | 406 | - |
| Proceeds from exercised stock options | <u>699</u> | <u>808</u> |
| Net cash provided by financing activities | <u>9,914</u> | <u>2,007</u> |
| Net (decrease) increase in cash and cash equivalents | (2,308) | 1,858 |
| Cash and cash equivalents at beginning of period | <u>2,966</u> | <u>199</u> |
| Cash and cash equivalents at end of the period | <u><u>\$ 658</u></u> | <u><u>2,057</u></u> |

See accompanying notes.

PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(Unaudited)

(1) **Basis of Presentation.** The accompanying consolidated financial statements include the accounts of Patriot Transportation Holding, Inc. and its subsidiaries (the "Company"). These statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (primarily consisting of normal recurring accruals) considered necessary for a fair statement of the results for the interim periods have been included. Operating results for the nine months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2006. 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 Company's consolidated financial statements and related notes included in the Company's Form 10-K for the year ended September 30, 2005.

(2) **Restatement of Prior Financial Information.** The Company restated its consolidated balance sheet as of September 30, 2004 and its consolidated statement of shareholders' equity for the year then ended. The Company also restated its consolidated statements of income, shareholders' equity and cash flows for the year ended September 30, 2003. In addition, the Company restated its quarterly results of operations for fiscal 2005. The restatement corrects our historical accounting for recognizing rental revenue for scheduled rate increases on operating leases. For information with respect to the restatement, see Note 2 to the consolidated financial statements contained in the Company's Annual Report on 10-K for fiscal 2005. Throughout this Form 10-Q, all referenced amounts for affected prior periods and prior period comparisons reflect the balances and amounts on a restated basis. As a result of this restatement, the Company's financial results have been adjusted as follows (in thousands, except per share data):

| <u>Three Months Ended June 30, 2005</u> | | | |
|---|-----------------------------------|--------------------|--------------------|
| | <u>As Previously Reported</u> | <u>Adjustments</u> | <u>As Restated</u> |
| Total revenues | \$ 33,061 | 45 | 33,106 |
| Gross profit | 6,807 | 45 | 6,852 |
| Operating profit | 4,246 | 45 | 4,291 |
| Income before tax | 3,463 | 45 | 3,508 |
| Provision for income taxes | 1,351 | 17 | 1,368 |

| | | | |
|----------------------------|--------|-----|-------|
| Net income | 2,112 | 28 | 2,140 |
| Earnings per common share: | | | |
| Basic | \$.71 | .01 | .72 |
| Diluted | \$.69 | .01 | .70 |

| Nine Months Ended June 30, 2005 | | | |
|---|---------------------------|-------------|-------------|
| | As Previously Reported | Adjustments | As Restated |
| Total revenues | \$ 96,449 | 135 | 96,584 |
| Gross profit | 18,393 | 135 | 18,528 |
| Operating profit | 11,103 | 135 | 11,238 |
| Income before tax | 8,710 | 135 | 8,845 |
| Provision for income taxes | 3,397 | 51 | 3,448 |
| Net income | 5,313 | 84 | 5,397 |
| Earnings per common share: | | | |
| Basic | \$ 1.80 | .03 | 1.83 |
| Diluted | \$ 1.76 | .02 | 1.78 |
| Cash flows from operating activities: | | | |
| Net income | \$ 5,313 | 84 | 5,397 |
| Deferred income taxes | (2,921) | 51 | (2,870) |
| Net changes in operating assets and liabilities: | | | |
| Other assets | (806) | (135) | (941) |
| Net cash provided by operating activities | 7,579 | - | 7,579 |

(3) **Recent Accounting Pronouncements.** In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes" which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN 48 will be effective for the Company beginning October 1, 2007. The Company is in the process of determining the effect, if any, the adoption of FIN 48 will have on its financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), which clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional

asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 is effective for the Company no later than the end of fiscal 2006. The impact of this new pronouncement is not expected to be material to the Company's financial statements.

(4) **Accrued Vacation Liability.** The Company recorded a liability of \$1,055,000 in the third quarter of 2006 to reflect the Company's obligation for vacation pay. Under generally accepted accounting principles, compensated absences must be accrued for both hourly and salaried employees. Under FAS No. 43 "Accounting for Compensated Absences," the accrual must consist of the vested liability as well as the portion of the unvested liability that is deemed to be earned. In prior years, the Company did not accrue for this liability but made a determination that the accrual was not material to the Company's financial statements. The Company expensed payments of vacation pay to hourly and salaried employees when paid. The Company's policy does not permit vacation to be rolled over from year to year for salaried employees but permits hourly employees to rollover a maximum of five days. The Company's payroll systems do not permit the Company to determine accrued vacation liability as of the end of prior fiscal periods; accordingly, the Company has determined that the accrued liability should be recorded in the third quarter of 2006. The impact on the balance sheet of recording this liability was to increase payroll liability by \$1,055,000, to increase the current portion of deferred tax benefits by \$406,000 and to reduce shareholder's equity by \$649,000. These entries did not affect net cash provided by operations. The effect of these entries on the income statement is shown in the table below:

| | <u>Increase/(Decrease)</u> |
|---|----------------------------|
| Cost of operations: | |
| Transportation | \$ 712 |
| Real estate | 82 |
| Total cost of operations | <u>794</u> |
| Selling, general and administrative expense | <u>261</u> |
| Income before income taxes | (1,055) |
| Provision for income taxes | <u>(406)</u> |
| Net income | \$ <u>(649)</u> |
| Earnings per common share: | |
| Basic | \$ (.22) |
| Diluted | \$ (.21) |

(5) **Business Segments.** The Company has identified two business segments, each of which is managed separately along product lines. The Company's operations are substantially in the Southeastern and Mid-Atlantic states.

The transportation segment hauls liquid and dry bulk commodities and

construction materials by motor carrier. The real estate segment owns real estate of which a substantial portion is under mining royalty agreements or leased. The real estate segment also holds certain other real estate for investment and develops commercial and industrial properties.

Operating results and certain other financial data for the Company's business segments are as follows (in thousands):

| | Three Months ended June 30, | | Nine Months ended June 30, | |
|------------------------------|--------------------------------|---------------------------|-------------------------------|---------------------------|
| | <u>2006</u> | <u>2005</u> (restated) | <u>2006</u> | <u>2005</u> (restated) |
| Revenues: | | | | |
| Transportation | \$ 32,435 | 28,638 | 93,080 | 83,169 |
| Real estate | <u>5,176</u> | <u>4,468</u> | <u>15,515</u> | <u>13,415</u> |
| | <u>\$ 37,611</u> | <u>33,106</u> | <u>108,595</u> | <u>96,584</u> |
| Operating profit | | | | |
| Transportation | \$ 2,097 | 2,059 | 5,988 | 4,872 |
| Real estate | <u>3,019</u> | <u>2,610</u> | <u>8,351</u> | <u>7,646</u> |
| Corporate expenses | <u>(1,062)</u> | <u>(378)</u> | <u>(2,589)</u> | <u>(1,280)</u> |
| | <u>\$ 4,054</u> | <u>4,291</u> | <u>11,750</u> | <u>11,238</u> |
| Identifiable assets | | June 30, | September 30, | |
| | | <u>2006</u> | <u>2005</u> | |
| Transportation | \$ 53,770 | | 47,435 | |
| Real estate | 155,832 | | 141,646 | |
| Cash items | 658 | | 2,966 | |
| Unallocated corporate assets | <u>2,247</u> | | <u>1,668</u> | |
| | <u>\$212,507</u> | | <u>193,715</u> | |

(6) **Long-Term debt.** Long-term debt is summarized as follows (in thousands):

| | June 30, <u>2006</u> | September 30, <u>2005</u> |
|---|-------------------------|------------------------------|
| Revolving credit (uncollateralized) | \$ 8,420 | - |
| Construction loan | - | 9,716 |
| 5.7% to 9.5% mortgage notes due in installments through 2021 | <u>51,289</u> | <u>41,184</u> |
| | <u>59,709</u> | <u>50,900</u> |
| Less portion due within one year | <u>2,517</u> | <u>2,432</u> |
| | <u>\$ 57,192</u> | <u>48,468</u> |

The Company has a \$37,000,000 uncollateralized Revolving Credit Agreement (the Revolver) with four banks which is scheduled to terminate on December 31, 2009. The Revolver currently bears interest at a rate of 1.25% over the selected LIBOR and may change quarterly based on the Company's ratio of Consolidated Total Debt to Consolidated Total Capital, as defined. A commitment fee of 0.20% per annum is payable quarterly on the unused portion of the commitment. The commitment fee

may also change quarterly based upon the ratio described above. The Revolver contains restrictive covenants including limitations on paying cash dividends.

(7) **Related Party Transactions.** The Company, through its transportation subsidiaries, hauls commodities by tank and flatbed trucks for Florida Rock Industries, Inc. (FRI). Charges for these services are based on prevailing market prices. The real estate subsidiaries lease certain construction aggregates mining and other properties to FRI. The Company also outsources certain administrative functions to FRI.

For information regarding a joint venture with FRI, see Note 12, Recent Developments.

(8) **Earnings per common share.** The following details the computations of the basic and diluted earnings per common share (In thousands, except per share amounts).

| | THREE MONTHS ENDED JUNE 30, | | NINE MONTHS ENDED JUNE 30, | |
|---|--------------------------------|--------------|-------------------------------|--------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| | (restated) | | (restated) | |
| Weighted average common shares outstanding during the period - shares used for basic earnings per share | 2,985 | 2,958 | 2,974 | 2,946 |
| Common shares issuable under stock options which are potentially dilutive | <u>120</u> | <u>82</u> | <u>111</u> | <u>80</u> |
| Common shares used for diluted earnings per share | <u>3,105</u> | <u>3,040</u> | <u>3,085</u> | <u>3,026</u> |
| Net income | \$ <u>1,844</u> | <u>2,140</u> | <u>5,447</u> | <u>5,397</u> |
| Earnings per common share | | | | |
| Basic | \$ <u>.62</u> | <u>.72</u> | <u>1.83</u> | <u>1.83</u> |
| Diluted | \$ <u>.59</u> | <u>.70</u> | <u>1.77</u> | <u>1.78</u> |

For the nine months ended June 30, 2006, all outstanding stock options were included in the calculation of diluted earnings per common share because the sum of the hypothetical amount of future proceeds from the exercise price, unrecorded compensation, and tax benefits to be credited to capital in excess of par for all grants of stock options were lower than the average price of the common shares, and therefore were dilutive. For the nine months ended June 30, 2006, all outstanding restricted shares were included in the calculation of diluted earnings per common share because the unrecorded compensation and tax benefits to be credited to capital in excess of par for all awards of restricted stock were lower than the average price of the common shares, and

therefore were dilutive. For the nine months ended June 30, 2005, all outstanding stock options were included in the calculation of diluted earnings per common share because the exercise prices of the stock options were lower than the average price of the common shares, and therefore were dilutive.

(9) **Stock-Based Compensation Plan.** Effective October 1, 2005, the Company adopted SFAS 123R "Share-Based Payment" for its stock-based employee compensation plans. Under SFAS 123R, compensation expense must be measured and recognized for all share-based payments at the grant date based on the fair value of the award and such costs must be included in the statement of operations over the requisite service period. Prior to October 1, 2005 the company followed APB Opinion No. 25, "Accounting for Stock Issued to Employees".

The Company has elected the modified prospective application transition method whereby the provisions of the statement will apply going forward only from the date of adoption to new share based payments, and for the portion of any previously issued and outstanding stock option awards for which the requisite service is rendered after the date of adoption. The Company did not restate prior years for pro forma expense amounts. In addition, compensation expense must be recognized for any awards modified, repurchased or cancelled after the date of adoption. The straight-line attribution model is used to measure compensation expense.

Prior to February 2006, the Company had two Stock Option Plans (the 1995 Stock Option Plan and the 2000 Stock Option Plan) under which options for shares of common stock were granted to directors, officers and key employees. The options awarded under the two plans have similar characteristics. All stock options are non-qualified and expire ten years from the date of grant. Options awarded to directors are exercisable immediately and options awarded to officers and employees become exercisable in cumulative installments of 20% at the end of each year following the date of grant. When stock options are exercised the Company issues new shares after receipt of exercise proceeds and taxes due, if any, from the grantee.

In February, 2006 the Shareholders approved the 2006 Stock Incentive Plan which replaced the 2000 Stock Option Plan. The 2006 plan permits the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, or stock awards. In February, 2006 15,960 shares of restricted stock were granted subject to forfeiture restrictions, tied to continued employment, that lapse 25% annually beginning on January 1, 2007. The number of common shares authorized for future issuance was 279,540 at June 30, 2006.

The Company utilized the Black-Scholes valuation model for estimating fair value of stock compensation for options awarded to officers and

employees in prior periods. Each grant was evaluated based upon assumptions at the time of grant. The assumptions were no dividend yield, expected volatility between 41% and 53%, risk-free interest rate of 3.2% to 4.9% and expected life of 6.2 to 7.0 years.

The dividend yield of zero is based on the fact that the Company does not pay cash dividends and has no present intention to pay cash dividends. Expected volatility is estimated based on the Company's 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 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.

Under provisions of SFAS 123R, the Company recorded \$192,000 of stock compensation expense in its consolidated statement of income for the three months ended June 30, 2006. This consisted of \$133,000 for stock options issued in prior years, and \$59,000 for restricted stock awards. Stock compensation expense was \$118,000 net of deferred income tax benefits. This represents \$.04 per common share for both basic and diluted earnings per common share. For the nine months ended June 30, 2006, the Company recorded \$778,000 of stock compensation expense in its consolidated statement of income. This consisted of \$286,000 for an annual stock award to non-employee directors, \$394,000 for stock options issued in prior years, and \$98,000 for restricted stock awards. Stock compensation expense was \$478,000 net of deferred income tax benefits. This represents \$.16 per common share for both basic and diluted earnings per common share.

SFAS 123R also amends FASB Statement No. 95, Statement of Cash Flows, to require that the benefits associated with the tax deduction in excess of recognized compensation cost be reported as financing cash flows, rather than as a reduction of taxes paid. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. Financing cash flows for the nine months ended June 30, 2006 included \$406,000 of excess tax benefits from the exercise of stock options.

A summary of changes in outstanding options is presented below (in thousands, except per share amounts):

| <u>Options</u> | <u>Number Of Shares</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Term (yrs)</u> | <u>Weighted Average Grant Date Fair Value</u> |
|-----------------------------------|---------------------------------|--|--|---|
| Outstanding at October 1, 2005 | 337,900 | \$30.72 | 7.8 | |
| Granted | 0 | \$ 0 | | \$ 0 |

| | | | | |
|---|--------------|---------|-----|----------|
| Exercised | 26,454 | \$26.41 | | \$ 359 |
| Forfeited | <u>6,700</u> | \$33.66 | | |
| Outstanding at June 30, 2006 | 304,746 | \$31.03 | 7.1 | \$ 4,760 |
| Exerciseable at June 30, 2006 | 201,546 | \$29.19 | 6.8 | \$ 3,086 |
| Vested during Nine months ended June 30, 2006 | 39,000 | | | \$ 572 |

The aggregate intrinsic value of exercisable in-the-money options was \$11,607,000 based on the market closing price of \$86.78 on June 30, 2006 less exercise prices. The aggregate intrinsic value of all outstanding options at June 30, 2006 was \$16,990,000. Gains of \$1,404,000 were realized by option holders during the nine months ended June 30, 2006. The realized tax benefit from options exercised for the nine months ended June 30, 2006 was \$528,000. Total compensation cost of options granted but not yet vested as of June 30, 2006 was \$1,292,000, which is expected to be recognized over a weighted-average period of 2.5 years.

A summary of changes in restricted stock awards is presented below (in thousands, except per share amounts):

| <u>Restricted Stock</u> | <u>Number Of Shares</u> | <u>Weighted Average Grant Price</u> | <u>Weighted Average Remaining Term (yrs)</u> | <u>Weighted Average Grant Date Fair Value</u> |
|-----------------------------------|---------------------------------|---|--|---|
| Outstanding at October 1, 2005 | 0 | | | |
| Granted | 15,960 | \$63.64 | | \$ 1,016 |
| Vested | 0 | | | \$ 0 |
| Forfeited | <u>200</u> | \$63.54 | | |
| Outstanding at June 30, 2006 | 15,760 | \$63.64 | 3.5 | \$ 1,003 |

Total compensation cost of restricted stock granted but not yet vested as of June 30, 2006 was \$765,000 which is expected to be recognized over a weighted-average period of 3.2 years.

SFAS 123R requires the presentation of pro forma information for the comparative periods prior to its adoption as if all employee stock options had been accounted for under the fair value method of the original SFAS 123, "Accounting for Stock-Based Compensation." The following table illustrates the effect on net income and earnings per common share if SFAS 123 had been applied to stock-based employee compensation to the prior-year periods (in thousands, except per share amounts):

| | Three months ended June 30, 2005 (restated) | Nine months ended June 30, 2005 (restated) |
|---|---|--|
| Net income | | |
| As reported | \$2,140 | \$5,397 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax effects | 179 | 658 |
| Pro forma | <u>\$1,961</u> | <u>\$4,739</u> |
| Basic earnings per common share | | |
| As reported | \$.72 | \$ 1.83 |
| Pro forma | \$.66 | \$ 1.61 |
| Diluted earnings per common share | | |
| As reported | \$.70 | \$ 1.78 |
| Pro forma | \$.65 | \$ 1.57 |

(10) **Contingent liabilities.** Certain of the Company's subsidiaries are involved in litigation on a number of matters and are 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. In the opinion of management none of these matters are expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

(11) **Customer Concentration.** During the first nine months of fiscal 2006, the transportation segment's ten largest customers accounted for approximately 47.1% of the transportation segment's revenue. One of these customers accounted for 11.5% of the transportation segment's revenue. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

(12) **Recent developments.** On August 2, 2006, the Company's independent directors approved a 50-50 real estate joint venture between a subsidiary of the Company (FRP) and Florida Rock Industries, Inc. (FRI) to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP will contribute its fee interest in 3,443 acres that it currently leases to FRI under a long-term mining lease. FRP also will reimburse FRI for one-half of the acquisition costs (approximately \$3 million) of a 288 acre contiguous parcel recently acquired by FRI from a third party. The 288 acre parcel will be contributed to the Joint Venture.

FRI will contribute 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leases from FRP. The joint venture will be jointly controlled by FRI and FRP, and they will each have a mandatory obligation to fund additional capital contributions of up to

\$2 million. Distributions will also be made on a 50-50 basis.

The property does not yet have the necessary entitlements for real estate development. Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and the outcome is inherently uncertain. The Company currently expects that the entitlement process may take several years to complete.

In connection with the Joint Venture, the independent directors of the Company also approved certain extensions of lease agreements between FRP and FRI on FRI's corporate headquarters in Jacksonville, Florida, the Astatula and Marion Sand mining properties, also in Florida. The Company and FRI also agreed that a 2,500 acre tract of the Grandin mining property, in Florida, due to be released will remain subject to the lease and available for future mining.

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

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, regulations regarding driver qualifications and hours of service, petroleum product usage in the Southeast which is driven in part by tourism and commercial aviation, fuel costs, construction activity, FRI's sales from the Company's mining properties, interest rates, market conditions and attendant prices for casualty insurance, demand for commercial warehouse space in the Baltimore/Washington area, and ability to obtain zoning and entitlements necessary for property development. Internal factors include revenue mix, capacity utilization, auto and workers' compensation accident frequencies and severity, other operating factors, administrative costs, group health claims experience, and construction costs of new projects.

During the first nine months of fiscal 2006, the transportation segment's ten largest customers accounted for approximately 47.1% of the transportation segment's revenue. One of those customers accounted for 11.5% of transportation segment's revenues. The loss of any one of these customers could have a material adverse effect on the Company's revenues and income.

Financial results of the Company for any individual quarter are not necessarily indicative of results to be expected for the year.

Restatement of Prior Financial Information - The Company restated its consolidated balance sheet as of September 30, 2004 and its consolidated statement of shareholders' equity for the year then ended. The Company also restated its consolidated statements of income, shareholders' equity and cash flows for the year ended

September 30, 2003. In addition, the Company restated its quarterly results of operations for fiscal 2005. The restatement corrects our historical accounting for recognizing rental revenue for scheduled rate increases on operating leases. For information with respect to the restatement, see Note 2 to the consolidated financial statements contained in the Company's Annual Report on 10-K for fiscal 2005. Throughout this Form 10Q, all referenced amounts for affected prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

Comparative Results of Operations for the Three Months Ended June 30, 2006 and 2005

Consolidated Results. - Net income for the third quarter of fiscal 2006 was \$1,844,000, a decrease of \$296,000 or 13.8% compared to \$2,140,000 for the same period last year. Diluted earnings per common share for the third quarter of fiscal 2006 was \$0.59 compared to \$0.70 in the third quarter of fiscal 2005. Net income for the third quarter of fiscal 2006 was adversely impacted by \$649,000 (\$.21 per diluted common share) of vacation expense, net of income tax benefits, that was not previously accrued.

Transportation

| (dollars in thousands) | Three Months Ended June 30 | | | |
|---------------------------|----------------------------|------------|---------------|------------|
| | 2006 | % | 2005 | % |
| Transportation revenue | \$ 27,967 | 86% | 25,823 | 90% |
| Fuel surcharges | <u>4,468</u> | <u>14%</u> | <u>2,815</u> | <u>10%</u> |
| Revenues | 32,435 | 100% | 28,638 | 100% |
| Compensation and benefits | 12,637 | 39% | 11,187 | 39% |
| Fuel expenses | 7,257 | 22% | 5,534 | 19% |
| Insurance and losses | 2,602 | 8% | 2,633 | 9% |
| Depreciation expense | 2,109 | 7% | 1,979 | 7% |
| Other, net | <u>3,509</u> | <u>11%</u> | <u>3,063</u> | <u>11%</u> |
| Cost of operations | <u>28,114</u> | <u>87%</u> | <u>24,396</u> | <u>85%</u> |
| Gross profit | <u>\$ 4,321</u> | <u>13%</u> | <u>4,242</u> | <u>15%</u> |

Transportation segment revenues were \$32,435,000 in the third quarter of 2006, an increase of \$3,797,000 over the same quarter last year. Fuel surcharges accounted for \$1,653,000 of the increase, resulting from higher diesel fuel costs during the quarter compared to the same quarter last year. Excluding fuel surcharges, revenue per mile increased 6.1%, reflecting better pricing for our services. Revenue miles in the current quarter were up 1.7% compared to the third quarter of 2005 and were hindered by low driver availability.

The Transportation segment's cost of operations in the third quarter of 2006 increased \$3,718,000 to \$28,114,000, as compared to \$24,396,000 in

the same quarter last year. The primary factor for the increase was higher diesel fuel costs. Average diesel fuel cost per gallon increased 28.7% in the third quarter of 2006 compared to the same quarter last year. Compensation and benefits were higher as a result of vacation expense not previously accrued, the increased miles and higher driver pay.

Real Estate

| (dollars in thousands) | Three Months Ended June 30 | | | |
|-------------------------------|----------------------------|------|------------|------|
| | 2006 | % | 2005 | % |
| | | | (restated) | |
| Royalties and rent | \$ 1,753 | 34% | 1,687 | 38% |
| Developed property rentals | 3,423 | 66% | 2,781 | 62% |
| Total Revenue | 5,176 | 100% | 4,468 | 100% |
| Mining and land rent expenses | 351 | 7% | 393 | 9% |
| Developed property expenses | 1,806 | 35% | 1,465 | 33% |
| Cost of Operations | 2,157 | 42% | 1,858 | 42% |
| Gross profit | \$ 3,019 | 58% | 2,610 | 58% |

Real Estate segment revenues for the third quarter of fiscal 2006 were \$5,176,000, an increase of \$708,000 or 15.8% over the same quarter last year. Lease revenue from developed properties increased \$642,000 or 23.1%, due to an increase in occupied square feet resulting from the completion of a pre-leased 145,180 square foot building in July 2005 along with higher rental rates on new leases and higher average occupancy. Royalties from mining operations increased \$66,000 as a result of increased royalties per ton.

Real estate segment expenses increased to \$2,157,000 during the third quarter of fiscal 2006 compared to \$1,858,000 for the same quarter last year. Expenses related to development activities increased as a result of the new building addition and increased staffing to facilitate continuing portfolio expansion.

Consolidated Results

Gross Profit - Consolidated gross profit was \$7,340,000 in the third quarter of fiscal 2006 compared to \$6,852,000 in the same period last year, an increase of 7.1%. Gross profit in the transportation segment increased \$79,000 or 1.9%, primarily due to improved pricing, operating efficiencies and increased miles partially offset by \$712,000 of vacation expense not previously accrued as compared to the same quarter last year. Gross profit in the real estate segment increased \$409,000 or 15.7% from the third quarter 2005, due to the increased revenues partially offset by costs associated with increased square footage leased, increased staffing and \$82,000 of vacation expense not

previously accrued.

Selling, general and administrative expense - Selling, general and administrative expenses increased \$725,000 over the same quarter last year. The increase included \$192,000 from stock compensation expense as required by SFAS 123R (see Note 9 of Condensed Notes to Consolidated Financial Statements), \$179,000 of audit fees and Sarbanes-Oxley compliance work and \$261,000 of vacation expense not previously accrued. SG&A expense was 8.7% of revenue for the third quarter of fiscal 2006 compared to 7.7% for the same period last year.

Interest expense - Interest expense increased \$251,000 over the same quarter last year. This is due to higher debt levels in the real estate segment resulting from development of properties and the purchase of land for future development combined with higher interest rates on the Company's Revolver.

Income taxes - Income tax expense decreased \$166,000 over the same quarter last year. This is due to lower earnings before taxes, partially offset by a decrease in the effective tax rate to 38.5% versus 39.0% for the same quarter last year.

Net income - Net income for the third quarter of fiscal 2006 was \$1,844,000, a decrease of \$296,000 or 13.8% compared to \$2,140,000 for the same period last year. Diluted earnings per common share for the third quarter of fiscal 2006 was \$0.59 compared to \$0.70 in the third quarter of fiscal 2005. Net income for the third quarter of fiscal 2006 was adversely impacted by \$649,000 (\$.21 per diluted common share) of vacation expense, net of income tax benefits, that was not previously accrued.

Comparative Results of Operations for the Nine Months Ended June 30, 2006 and 2005

Consolidated Results - Net income for the first nine months of fiscal 2006 was \$5,447,000, an increase of \$50,000 or .9% compared to \$5,397,000 for the same period last year. Diluted earnings per common share for the first nine months of fiscal 2006 was \$1.77 compared to \$1.78 for the same period last year. Net income for the first nine months of fiscal 2006 includes \$649,000 (\$.21 per diluted common share) of vacation expense, net of income tax benefits, that was not previously accrued.

Transportation

| (dollars in thousands) | Nine Months Ended June 30 | | | |
|------------------------|---------------------------|-----|--------|-----|
| | 2006 | % | 2005 | % |
| Transportation revenue | \$ 80,587 | 87% | 75,719 | 91% |
| Fuel surcharges | 12,493 | 13% | 7,450 | 9% |

| | | | | |
|---------------------------|------------------|------------|---------------|------------|
| Revenues | 93,080 | 100% | 83,169 | 100% |
| Compensation and benefits | 35,643 | 38% | 32,793 | 39% |
| Fuel expenses | 19,936 | 21% | 15,458 | 19% |
| Insurance and losses | 8,751 | 9% | 9,150 | 11% |
| Depreciation expense | 6,286 | 7% | 5,967 | 7% |
| Other, net | <u>9,856</u> | <u>11%</u> | <u>8,920</u> | <u>11%</u> |
| Cost of operations | <u>80,472</u> | <u>86%</u> | <u>72,288</u> | <u>87%</u> |
| Gross profit | <u>\$ 12,608</u> | <u>14%</u> | <u>10,881</u> | <u>13%</u> |

Transportation segment revenues were \$93,080,000 in the first nine months of 2006, an increase of \$9,911,000 over the same period last year. Fuel surcharges accounted for \$5,043,000 of the increase. Excluding fuel surcharges, revenue per mile increased 6.2%, reflecting better pricing for our services. Revenue miles in the first nine months of 2006 were flat compared to the first nine months of 2005 and were hindered by low driver availability.

The Transportation segment's cost of operations in the first nine months of 2006 increased \$8,184,000 to \$80,472,000, as compared to \$72,288,000 in the same period last year. Higher diesel fuel costs accounted for \$4,478,000 of the increase. Average diesel fuel cost per gallon increased 25.1% in the first nine months of 2006 compared to the same period last year. Compensation and benefits increased \$2,850,000 due to higher driver pay necessary to attract and retain qualified drivers and vacation expense not previously accrued.

Real Estate

| (dollars in thousands) | Nine Months Ended June 30 | | | |
|-------------------------------|---------------------------|------------|--------------|------------|
| | 2006 | % | 2005 | % |
| | | | (restated) | |
| Royalties and rent | \$ 4,979 | 32% | 4,570 | 34% |
| Developed property rentals | <u>10,536</u> | <u>68%</u> | <u>8,845</u> | <u>66%</u> |
| Total Revenue | 15,515 | 100% | 13,415 | 100% |
| Mining and land rent expenses | 1,214 | 8% | 1,024 | 8% |
| Developed property expenses | <u>5,950</u> | <u>38%</u> | <u>4,744</u> | <u>35%</u> |
| Cost of Operations | <u>7,164</u> | <u>46%</u> | <u>5,768</u> | <u>43%</u> |
| Gross profit | <u>\$ 8,351</u> | <u>54%</u> | <u>7,647</u> | <u>57%</u> |

Real Estate segment revenues for the first nine months of fiscal 2006 were \$15,515,000, an increase of \$2,100,000 or 15.7% over the same period last year. Lease revenue from developed properties increased \$1,690,000 or 19.1%, due to a 13.5% increase in occupied square feet resulting from the completion of a pre-leased 74,600 square foot building in January 2005 and the completion of a pre-leased 145,180

square foot building in July 2005 along with higher rental rates on new leases and higher average occupancy. Royalties from mining operations increased as a result of increased royalties per ton.

Real estate segment expenses increased \$1,396,000 to \$7,164,000 during the first nine months of fiscal 2006, compared to \$5,768,000 for the same period last year. Expenses related to development activities increased as a result of the new building additions, increased staffing and professional fees to facilitate continuing portfolio expansion.

Consolidated Results

Gross Profit - Consolidated gross profit was \$20,959,000 in the first nine months of fiscal 2006 compared to \$18,528,000 in the same period last year, an increase of 13.1%. Gross profit in the transportation segment increased \$1,727,000 or 15.9%, primarily due to improved pricing partially offset by \$712,000 of vacation expense not previously accrued as compared to the same period last year. Gross profit in the real estate segment increased \$704,000 or 9.2% over the same period in 2005 due to the increased revenues partially offset by costs associated with increased square footage leased, increased staffing and professional fees and \$82,000 of vacation expense not previously accrued.

Selling, general and administrative expense - Selling, general and administrative expenses increased \$1,919,000 over the same period last year. The increase included \$778,000 from stock compensation expense as required by SFAS 123R (see Note 9 of Condensed Notes to Consolidated Financial Statements), \$287,000 of increased compensation and benefits primarily due to additional support staff, \$223,000 of audit fees and Sarbanes-Oxley compliance work, \$146,000 of higher incentive compensation accrual related to management performance objectives and \$261,000 of vacation expense not previously accrued. SG&A expense was 8.5% of revenue for the first nine months of fiscal 2006 compared to 7.5% for the same period last year.

Interest expense - Interest expense increased \$608,000 over the same period last year. This is due to higher debt levels in the real estate segment resulting from development of properties and purchase of land for future development combined with higher interest rates on the Company's Revolver.

Income taxes - Income tax expense decreased \$38,000 over the same period last year. This is due to higher earnings before taxes, partially offset by a decrease in the effective tax rate to 38.5% versus 39.0% for the same period last year.

Net income - Net income for the first nine months of fiscal 2006 was \$5,447,000, an increase of \$50,000 or .9% compared to \$5,397,000 for the same period last year. Diluted earnings per common share for the first nine months of fiscal 2006 was \$1.77 compared to \$1.78 for the same period last year. Net income for the first nine months of fiscal 2006 includes \$649,000 (\$.21 per diluted common share) of vacation expense,

net of income tax benefits, that was not previously accrued.

Liquidity and Capital Resources

For the first nine months of fiscal 2006, the Company used cash provided by operating activities of \$17,504,000, borrowings of \$8,420,000 under its Revolver and additional long-term debt of \$2,084,000 to purchase \$31,009,000 in property and equipment and to make scheduled payments of \$1,695,000 on long-term debt.

The purchase of property and equipment included \$10,105,000 for the purchase of land for future development, \$7,089,000 for real estate development, and \$13,815,000 for the purchase of transportation group equipment.

The Company has a \$37,000,000 revolving credit agreement (the Revolver) of which \$28,580,000 was available at June 30, 2006. The Revolver contains restrictive covenants including limitations on paying cash dividends. The Revolver will expire on December 31, 2009.

During the second quarter of fiscal 2006 the Company converted a construction loan into a 15-year non-recourse mortgage of \$11,800,000 with an interest rate of 6.17%. The construction loan was used to develop a 145,000 square foot build-to-suit warehouse/office building pursuant to a 15-year triple net lease.

The Company had \$18,957,000 of irrevocable letters of credit outstanding as of June 30, 2006. Most of the letters of credit are irrevocable for a period of one year and are automatically extended for additional one-year periods unless notified by the issuing bank not less than thirty days before the expiration date. Substantially all of these are issued for workers' compensation and liability insurance retentions. If these letters of credit are not extended the Company will have to find alternative methods of collateralizing or funding these obligations.

The Board of Directors has authorized Management to repurchase shares of the Company's common stock from time to time as opportunities arise. As of June 30, 2006, \$3,490,000 was authorized to repurchase the Company's common stock. No shares were repurchased during the first nine months of fiscal 2006.

The Company does not currently pay any dividends on common stock.

The Company has committed to expend approximately \$5 million dollars in connection with a joint venture with FRI (see Related Party Transactions), approximately \$3 million of which will be funded in the quarter ending September 30, 2006.

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.

Management believes that the Company is financially postured to be able to take advantage of external and internal growth opportunities in both its real estate and transportation segments.

Adoption of SFAS 123R. Effective October 1, 2005, the Company adopted SFAS 123R "Share-Based Payment" for its stock-based employee compensation plans. Under SFAS 123R, compensation expense must be measured and recognized for all share-based payments at the grant date based on the fair value of the award and such costs must be included in the statement of operations over the requisite service period. Prior to October 1, 2005 the company followed APB Opinion No. 25, "Accounting for Stock Issued to Employees".

The Company has elected the modified prospective application transition method whereby the provisions of the statement will apply going forward only from the date of adoption to new share based payments, and for the portion of any previously issued and outstanding stock option awards for which the requisite service is rendered after the date of adoption. The Company did not restate prior years for pro forma expense amounts. In addition, compensation expense must be recognized for any awards modified, repurchased or cancelled after the date of adoption.

Under provisions of SFAS 123R, the Company recorded \$192,000 of stock compensation expense in its consolidated statement of income for the three months ended June 30, 2006. This consisted of \$133,000 for stock options issued in prior years and \$59,000 for restricted stock. Stock compensation expense was \$118,000 net of deferred income tax benefits. This represents \$.04 per common share for both basic and diluted earnings per common share. For the nine months ended June 30, 2006, the Company recorded \$778,000 of stock compensation expense in its consolidated statement of income. This consisted of \$286,000 for an annual stock award to non-employee directors, \$394,000 for stock options issued in prior years, and \$98,000 for restricted stock. Stock compensation expense was \$478,000 net of deferred income tax benefits. This represents \$.16 per common share for both basic and diluted earnings per common share.

SFAS 123R also amends FASB Statement No. 95, Statement of Cash Flows, to require that the benefits associated with the tax deduction in excess of recognized compensation cost be reported as financing cash flows, rather than as a reduction of taxes paid. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. Financing cash flows for the nine months ended June 30, 2006 included \$406,000 of excess tax benefits from the exercise of stock options.

Recent Accounting Pronouncements. In July 2006, the FASB issued FASB Interpretation No. 48 (FIN 48) "Accounting for Uncertainty in Income Taxes" which prescribes a recognition threshold and measurement

process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The accounting provisions of FIN 48 will be effective for the Company beginning October 1, 2007. The Company is in the process of determining the effect, if any, the adoption of FIN 48 will have on its financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), which clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 is effective for the Company no later than the end of fiscal 2006. The impact of this new pronouncement is not expected to be material to the Company's financial statements.

Related Party Transactions. The Company, through its transportation subsidiaries, hauls commodities by tank and flatbed trucks for Florida Rock Industries, Inc. (FRI). Charges for these services are based on prevailing market prices. Other wholly owned subsidiaries lease certain construction aggregates mining and other properties to FRI. In addition, the Company outsources certain administrative functions to FRI. The cost of these administrative functions was \$48,000 and \$39,000 for the quarters ending June 30, 2006 and 2005, respectively.

On August 2, 2006, the Company's independent directors approved a 50-50 real estate joint venture between a subsidiary of the Company (FRP) and Florida Rock Industries, Inc. (FRI) to develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP will contribute its fee interest in 3,443 acres that it currently leases to FRI under a long-term mining lease. FRP also will reimburse FRI for one-half of the acquisition costs (approximately \$3 million) of a 288 acre contiguous parcel recently acquired by FRI from a third party. The 288 acre parcel will be contributed to the Joint Venture.

FRI will contribute 553 acres that it owns as well as its leasehold interest in the 3,443 acres that it leases from FRP. The joint venture will be jointly controlled by FRI and FRP, and they will each have a mandatory obligation to fund additional capital contributions of up to \$2 million. Distributions will also be made on a 50-50 basis.

Management believes that the Company ultimately will realize greater value from development of the Brooksville property rather than continuing under the mining lease.

The property does not yet have the necessary entitlements for real estate development. Approval to develop real property in Florida entails an extensive entitlements process involving multiple and overlapping regulatory jurisdictions and the outcome is inherently uncertain. The Company currently expects that the entitlement process may take several years to complete.

In connection with the Joint Venture, the independent directors of the Company also approved certain extensions of lease agreements between FRP and FRI on FRI's corporate headquarters in Jacksonville, Florida, the Astatula and Marion Sand mining properties, also in Florida. The Company and FRI also agreed that a 2,500 acre tract of the Grandin mining property, in Florida, due to be released will remain subject to the lease and available for future mining.

Recent Developments. As previously reported, a subsidiary of the Company entered into an agreement to develop and sell to a homebuilder a minimum of 292 residential lots on the residential portion of the Bird River Property. The agreement was subject to a number of contingencies, including a zoning upgrade followed by an approval by Baltimore County of a Planned Unit Development (PUD) by July 1, 2006 allowing the development of a minimum of 292 residential lots. The Company was unable to obtain the necessary approval by July 1, 2006 and, therefore, has terminated the agreement with the homebuilder. The Company continues to pursue the zoning upgrade and to explore development strategies that will ultimately maximize the market value of this residential property.

Also as previously reported, the Company owns a 5.8 acre parcel of undeveloped real estate in Washington D.C. that fronts the Anacostia River and is one block from the construction site for the new Washington Nationals Baseball Stadium. The Company also owns a nearby 2.1 acre tract on the same bank of the Anacostia River. Currently, these properties are leased to Florida Rock Industries, Inc., on a month-to-month basis.

The Company has been pursuing development efforts with respect to the 5.8 acre parcel for several years. The Company previously obtained a Planned Unit Development (PUD) Zoning approval for development of the property and has been working to obtain approval of a modified PUD that would allow up to 625,000 square feet of commercial development and up to 440,000 square feet of residential development. A hearing on the Company's zoning application has been scheduled for September 18, 2006.

The Company remains optimistic that its zoning application will be approved while at the same time recognizing that there is inherent uncertainty in any zoning approval process.

Summary and Outlook. The Company's real estate development business has continued to benefit from positive inquiry trends from prospective

tenants for its warehouse-office product. The Company continues to explore opportunities for development of various properties owned by the Company, including certain properties leased by the Company to FRI. Freight-hauling demands for its transportation business remain challenged by an industry-wide, tight driver availability. Continuing volatile crude oil and diesel fuel price fluctuations remain likely to impact operating margins.

Higher interest rates, a slowing national housing market, sharply higher retail gasoline prices and forecasts for decreased GDP activity could temper market strength within both transportation and real estate. The Company will use periods of diminished economic activity to prospect for sound, long-term value opportunities.

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 these 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: driver availability and cost; regulations regarding driver qualification and hours of service; availability and terms of financing; freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company's markets; freight demand for building and construction materials in the Company's markets; risk insurance markets; competition; general economic conditions; demand for flexible warehouse/office facilities in the Baltimore/Washington area; ability to obtain zoning and entitlements necessary for property development; interest rates; levels of construction activity in FRI's markets; fuel costs; and inflation. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Company is exposed to market risk from changes in interest rates. For its cash and cash equivalents, a change in interest rates affects

the amount of interest income that can be earned. For its debt instruments with variable interest rates, changes in interest rates affect the amount of interest expense incurred. The Company prepared a sensitivity analysis of its variable rate borrowings to determine the impact of hypothetical changes in interest rates on the Company's results of operations and cash flows. The interest-rate analysis assumed a 50 basis point adverse change in interest rates on all borrowings under the credit agreement. However, the interest-rate analysis did not consider the effects of the reduced level of economic activity that could exist in such an environment. Based on this analysis, management has concluded that a 50 basis point adverse move in interest rates on the Company's outstanding borrowings under the credit agreement would have an immaterial impact on the Company's results of operations and cash flows.

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"), Chief Financial Officer ("CFO"), and Chief Accounting Officer ("CAO"), 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. Management is in the process of evaluating, upgrading and testing its internal control systems to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which becomes applicable to the Company at the end of the current fiscal year.

As of June 30, 2006, 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 and subject to the disclosure below, 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, except with respect to the matters described below.

In connection with management's work towards compliance with Section

404 of Sarbanes-Oxley Act of 2002 the Company determined that it should improve its tracking of vacation accruals. The Company had not previously monitored vacation accrual for salaried personnel because the Company's salaried employees are not entitled to roll over vacation pay from year to year. At June 30, 2006, accrued vacation liability for salaried personnel represented 47% of the Company's total vacation liability. Calculating accrued vacation liability is complicated by the fact that, for most employees, vacation vesting is based upon an anniversary year calculated from their date of hire. In prior years, the Company did not accrue for this liability but made a determination that the accrual was not material to the Company's financial statements. Management has now concluded that it is appropriate to record the accrued liability and to accrue for such liability in future periods in accordance with generally accepted accounting principles. In reviewing this issue, management also determined that the Company's payroll systems did not permit the Company to determine the accrued vacation liability as of the end of prior periods. Accordingly, the Company recorded the full amount of the accrued liability in the current quarter.

This adjustment did not have a material impact on the financial statements of prior interim or annual periods taken as a whole. In addition, the cumulative impact of the adjustments on shareholders' equity was not material on the financial statements of prior interim or annual periods.

The Company has taken steps to implement appropriate controls to assure that the Company will be able to accrue for compensated absences in future periods.

Subject to the foregoing, there have been no changes in the Company's internal controls over financial reporting during the third 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 6. EXHIBITS

- (a) Exhibits. The response to this item is submitted as a separate Section entitled "Exhibit Index", starting on page 24.

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.

August 14, 2006

PATRIOT TRANSPORTATION HOLDING, INC.

John E. Anderson

John E. Anderson

President and Chief Executive
Officer

Ray M. Van Landingham

Ray M. Van Landingham

Vice President, Treasurer,
Secretary and Chief
Financial Officer

John D. Klopfenstein

John D. Klopfenstein

Controller and Chief
Accounting Officer

PATRIOT TRANSPORTATION HOLDING, INC.
FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2006
EXHIBIT INDEX

- (3) (a) (1) Articles of Incorporation of Patriot Transportation Holding Inc., incorporated by reference to the corresponding exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
- (3) (a) (2) Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 19, 1991 incorporated by reference to the corresponding exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. File No. 33-26115.
- (3) (a) (3) Amendments to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 7, 1995, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.
- (3) (a) (4) Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc., filed with the Florida Secretary of State on May 6, 1999 incorporated by reference to a form of such amendment filed as Exhibit 4 to the Company's Form 8-K dated May 5, 1999. File No. 33-26115.
- (3) (a) (5) Amendment to the Articles of Incorporation of Patriot Transportation Holding, Inc. filed with the Secretary of State of Florida on February 21, 2000, incorporated by reference to the corresponding exhibit filed with Form 10-Q for the quarter ended March 31, 2000. File No. 33-26115.
- (3) (b) (1) Amended and Restated Bylaws of Patriot Transportation Holding, Inc. adopted August 3, 2005, incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated August 3, 2005. File No. 33-26115.
- (4) (a) Articles III, VII and XII of the Articles of Incorporation of Patriot Transportation Holding, Inc., incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. An amended Article III, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. And Articles XIII and XIV, incorporated by reference to an appendix filed

with the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.

- (4) (b) Specimen stock certificate of Patriot Transportation Holding, Inc., incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
- (4) (c) Rights Agreement, dated as May 5, 1999 between the Company and First Union National Bank, incorporated by reference to Exhibit 4 to the Company's Form 8-K dated May 5, 1999. File No. 33-26115.
- (10) (a) Various mining leases and mining royalty agreements with Florida Rock Industries, Inc., none of which are presently believed to be material individually, except for the Mining Lease Agreement dated September 1, 1986, between Florida Rock Industries Inc. and Florida Rock Properties, Inc., successor by merger to Grandin Land, Inc. (see Exhibit (10)(c)), but all of which may be material in the aggregate, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
- (10) (b) License Agreement, dated June 30, 1986, from Florida Rock Industries, Inc. to Florida Rock & Tank Lines, Inc. to use "Florida Rock" in corporate names, incorporated by reference to an exhibit filed with Form S-4 dated December 13, 1988. File No. 33-26115.
- (10) (c) Mining Lease Agreement, dated September 1, 1986, between Florida Rock Industries, Inc. and Florida Rock Properties, Inc., successor by merger to Grandin Land, Inc., incorporated by reference to an exhibit previously filed with Form S-4 dated December 13, 1988. File No. 33-26115.
- (10) (d) Summary of Medical Reimbursement Plan of Patriot Transportation Holding, Inc., incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. File No. 33-26115.
- (10) (e) Summary of Management Incentive Compensation Plans, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1994. File No. 33-26115.
- (10) (f) Management Security Agreements between the Company and certain officers, incorporated by reference to a form of agreement previously filed (as Exhibit

- (10)(I)) with Form S-4 dated December 13, 1988. File No. 33-26115.
- (10)(g)(1) Patriot Transportation Holding, Inc. 1995 Stock Option Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1994. File No. 33-26115.
- (10)(g)(2) Patriot Transportation Holding, Inc. 2000 Stock Option Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 15, 1999. File No. 33-26115.
- (10)(g)(3) Patriot Transportation Holding, Inc. 2006 Stock Incentive Plan, incorporated by reference to an appendix to the Company's Proxy Statement dated December 29, 2005. File No. 33-26115.
- (10)(h) Agreement of Purchase and Sale dated October 21, 2003 between FRP Bird River, LLC and The Ryland Group, Inc., incorporated by reference to an exhibit filed with Form 10-K for the year ended September 30, 2003. File No. 33-26115.
- (10)(i) Amended and Restated Revolving Credit Agreement dated November 10, 2004 among Patriot Transportation Holding, Inc. as Borrower, the Lenders from time to time party hereto and Wachovia Bank, National Association as Administrative Agent, incorporated by reference to the Company's Form 8-K dated November 16, 2004. File No. 33-26115.
- (10)(j) The Company and its consolidated subsidiaries have other long-term debt agreements, none of which exceed 10% of the total consolidated assets of the Company and its subsidiaries, and the Company agrees to furnish copies of such agreements and constituent documents to the Commission upon request.
- (10)(k) Letter of Credit Facility between Patriot Transportation Holding, Inc. and SunTrust Bank, N.A. dated February 16, 2005, incorporated by reference to the Company's Form 8-K dated February 16, 2005. File No. 33-26115.
- (10)(l) Summary of compensation arrangements with non-employee directors, incorporated by reference to the corresponding exhibit filed with Form 8-K dated October 11, 2005. File No. 33-26115.
- (10)(m) Summary of compensation arrangements with Named Executive Officers, incorporated by reference to the corresponding exhibit filed with Form 10-Q for

the quarter ended March 31, 2005 and Form 8-K filed December 2, 2005. File No. 33-26115.

- (14) Financial Code of Ethical Conduct between the Company, Chief Executive Officers and Financial Managers, adopted December 4, 2002, incorporated by reference to an exhibit filed with Form 10-K for the year ended September 30, 2003. File No. 33-26115.
- (31) (a) Certification of John E. Anderson.
- (31) (b) Certification of Ray M. Van Landingham.
- (31) (c) Certification of John D. Klopfenstein.
- (32) Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

CERTIFICATIONS

Exhibit 31(a)

I, John E. Anderson, certify that:

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

Date: August 14, 2006

/s/John E. Anderson
President and Chief Executive
Officer

I, Ray M. Van Landingham, certify that:

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

Date: August 14, 2006

/s/Ray M. Van Landingham
Vice President, Treasurer,
Secretary and Chief
Financial Officer

I, John D. Klopfenstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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, ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial report; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2006

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

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER AND
CHIEF ACCOUNTING OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned individuals certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that this periodic report of Patriot Transportation Holding, Inc. on Form 10-Q for the quarter ended June 30, 2006 fully complies with the requirements of Section 13(a) or 15(d) of the Securities exchange Act of 1934 and that the information contained in such periodic report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Patriot Transportation Holding, Inc.

August 14, 2006

PATRIOT TRANSPORTATION HOLDING, INC.

JOHN E. ANDERSON

John E. Anderson
President and Chief Executive
Officer

RAY M. VAN LANDINGHAM

Ray M. Van Landingham
Vice President, Treasurer,
Secretary 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 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.