

**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 March 31, 2012

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.)

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

(Address of principal executive offices)

**32202**

(Zip Code)

**904-396-5733**

(Registrant's telephone number, including area code)

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

Yes [ x ]

No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ x ]

No [ ]

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

Large accelerated filer [ ]

Accelerated filer [ x ]

Non-accelerated filer [ ]

Smaller reporting company [ ]

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 March 31, 2012</u>
Common Stock, \$.10 par value per share	9,372,551 shares

PATRIOT TRANSPORTATION HOLDING, INC.  
FORM 10-Q  
QUARTER ENDED MARCH 31, 2012

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## Preliminary Note Regarding Forward-Looking Statements.

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

These forward-looking statements relate to, among other things, capital expenditures, liquidity, capital resources and competition and may be indicated by words or phrases such as "anticipate", "estimate", "plans", "projects", "continuing", "ongoing", "expects", "management believes", "the Company believes", "the Company intends" and similar words or phrases. The following factors and others discussed in the Company's periodic reports and filings with the Securities and Exchange Commission are among the principal factors that could cause actual results to differ materially from the forward-looking statements: freight demand for petroleum products including recessionary and terrorist impacts on travel in the Company's markets; levels of construction activity in the markets served by our mining properties; fuel costs and the Company's ability to recover fuel surcharges; accident severity and frequency; risk insurance markets; driver availability and cost; the impact of future regulations regarding the transportation industry; availability and terms of financing; competition in our markets; interest rates, inflation and general economic conditions; demand for flexible warehouse/office facilities in the Baltimore-Washington-Northern Virginia area; and ability to obtain zoning and entitlements necessary for property development. 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**

(Unaudited)

(In thousands, except share data)

	March 31, <u>2012</u>	September 30, <u>2011</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 20,037	21,026
Accounts receivable (net of allowance for doubtful accounts of \$112 and \$111, respectively)	8,961	6,702
Federal and state income taxes receivable	958	93
Inventory of parts and supplies	1,050	1,121
Deferred income taxes	493	201
Prepaid tires on equipment	1,521	1,381
Prepaid taxes and licenses	862	1,860
Prepaid insurance	1,125	2,111
Prepaid expenses, other	114	85
Assets of discontinued operations	107	114
Total current assets	<u>35,228</u>	<u>34,694</u>
Property, plant and equipment, at cost	318,791	313,930
Less accumulated depreciation and depletion	<u>108,630</u>	<u>104,942</u>
Net property, plant and equipment	<u>210,161</u>	<u>208,988</u>
Real estate held for investment, at cost	6,848	6,848
Investment in joint venture	7,470	7,412
Goodwill	1,087	1,087
Unrealized rents	3,967	3,604
Other assets	3,782	3,757
Total assets	<u>\$268,543</u>	<u>266,390</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,590	3,948
Accrued payroll and benefits	3,882	4,992
Accrued insurance	3,115	3,303
Accrued liabilities, other	1,165	1,053
Long-term debt due within one year	5,068	4,902
Liabilities of discontinued operations	31	34
Total current liabilities	<u>16,851</u>	<u>18,232</u>
Long-term debt, less current portion	59,794	62,370
Deferred income taxes	18,147	16,919
Accrued insurance	2,154	2,548
Other liabilities	1,949	1,874
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized; none issued	-	-
Common stock, \$.10 par value; 25,000,000 shares authorized, 9,372,551 and 9,288,023 shares issued and outstanding, respectively	937	929
Capital in excess of par value	40,378	38,845
Retained earnings	128,302	124,642
Accumulated other comprehensive income, net	31	31
Total shareholders' equity	<u>169,648</u>	<u>164,447</u>
Total liabilities and shareholders' equity	<u>\$268,543</u>	<u>266,390</u>

See accompanying notes.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands except per share amounts)

(Unaudited)

	THREE MONTHS		SIX MONTHS	
	ENDED MARCH 31,		ENDED MARCH 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>				
Transportation	\$25,449	23,036	50,290	46,027
Mining royalty land	1,025	918	2,002	2,013
Developed property rentals	4,852	4,636	9,393	8,813
Total revenues	<u>31,326</u>	<u>28,590</u>	<u>61,685</u>	<u>56,853</u>
<b>Cost of operations:</b>				
Transportation	23,659	21,034	47,057	42,037
Mining royalty land	323	352	616	691
Developed property rentals	3,341	3,499	6,503	6,645
Unallocated corporate	559	521	851	1,108
Total cost of operations	<u>27,882</u>	<u>25,406</u>	<u>55,027</u>	<u>50,481</u>
<b>Operating profit:</b>				
Transportation	1,790	2,002	3,233	3,990
Mining royalty land	702	566	1,386	1,322
Developed property rentals	1,511	1,137	2,890	2,168
Unallocated corporate	(559)	(521)	(851)	(1,108)
Total operating profit	<u>3,444</u>	<u>3,184</u>	<u>6,658</u>	<u>6,372</u>
Gain on termination of sale contract	-	-	1,039	-
Interest income and other	12	99	21	201
Equity in loss of joint venture	(1)	(2)	(8)	(2)
Interest expense	<u>(794)</u>	<u>(838)</u>	<u>(1,598)</u>	<u>(1,744)</u>
Income before income taxes	2,661	2,443	6,112	4,827
Provision for income taxes	<u>(1,022)</u>	<u>(938)</u>	<u>(2,348)</u>	<u>(1,854)</u>
<b>Income from continuing operations</b>	<u>1,639</u>	<u>1,505</u>	<u>3,764</u>	<u>2,973</u>
Income from discontinued operations, net	<u>4</u>	<u>178</u>	<u>3</u>	<u>5,105</u>
<b>Net income</b>	<u>\$ 1,643</u>	<u>1,683</u>	<u>3,767</u>	<u>8,078</u>
<b>Comprehensive Income</b>	<u>\$ 1,643</u>	<u>\$ 1,683</u>	<u>\$ 3,767</u>	<u>\$ 8,078</u>
<b>Earnings per common share:</b>				
Income from continuing operations -				
Basic	\$ .18	.16	.40	.32
Diluted	\$ .17	.16	.40	.31
Discontinued operations (Note 11) -				
Basic	\$ -	.02	-	.55
Diluted	\$ -	.02	-	.54
Net income - basic	\$ .18	.18	.40	.87
Net income - diluted	\$ .17	.18	.40	.85
Number of shares (in thousands)				
used in computing:				
-basic earnings per common share	9,353	9,272	9,321	9,272
-diluted earnings per common share	9,471	9,453	9,446	9,457

See accompanying notes.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED MARCH 31, 2012 AND 2011**

(In thousands)  
(Unaudited)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Net income	\$ 3,767	8,078
Adjustments to reconcile net income to net cash provided by continuing operating activities:		
Depreciation, depletion and amortization	6,306	6,161
Deferred income taxes	936	(476)
Equity in loss of joint venture	8	2
Gain on sale of equipment and property	(1,536)	(233)
Income from discontinued operations, net	(3)	(5,105)
Stock-based compensation	547	545
Net changes in operating assets and liabilities:		
Accounts receivable	(9)	(687)
Inventory of parts and supplies	71	(450)
Prepaid expenses and other current assets	1,815	1,887
Other assets	(737)	218
Accounts payable and accrued liabilities	(1,544)	(1,629)
Income taxes payable and receivable	(865)	1,324
Long-term insurance liabilities and other long-term liabilities	(319)	135
Net cash provided by operating activities of continuing operations	8,437	9,770
Net cash provided by (used in) operating activities of discontinued operations	7	(593)
Net cash provided by operating activities	<u>8,444</u>	<u>9,177</u>
<b>Cash flows from investing activities:</b>		
Purchase of transportation group property and equipment	(5,403)	(3,159)
Investments in developed property rentals segment	(4,046)	(5,010)
Investment in joint venture	(70)	(114)
Proceeds from the sale of property, plant and equipment	1,609	416
Proceeds received on note for sale of SunBelt	-	1,064
Net cash used in investing activities	<u>(7,910)</u>	<u>(6,803)</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(2,410)	(2,256)
Repurchase of Company Stock	(137)	(1,145)
Excess tax benefits from exercises of stock options and vesting of restricted stock	353	249
Exercise of employee stock options	671	251
Net cash used in financing activities	<u>(1,523)</u>	<u>(2,901)</u>
<b>Net decrease in cash and cash equivalents</b>	(989)	(527)
Cash and cash equivalents at beginning of period	21,026	17,151
Cash and cash equivalents at end of the period	<u>\$ 20,037</u>	<u>16,624</u>

The Company recorded non-cash transactions in fiscal 2012 for a \$2,250 receivable on previously capitalized real estate taxes on the Anacostia property and in fiscal 2011 from an exchange of real estate of \$4,941 along with a related deferred tax liability of \$1,792 and a \$2,053 permanent tax benefit on the value of donated minerals and aggregates which was recorded as a \$342 receivable and \$1,711 deferred tax.

See accompanying notes.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2012**  
(Unaudited)

(1) **Basis of Presentation.** The accompanying consolidated financial statements include the accounts of Patriot Transportation Holding, Inc. and its subsidiaries (the "Company"). Investment in the 50% owned Brooksville Joint Venture is accounted for under the equity method of accounting. 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, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2012. 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, 2011.

(2) **Stock Split.** On December 1, 2010, the board of directors declared a 3-for-1 stock split of the Company's common stock in the form of a stock dividend. The record date for the split was January 3, 2011 and the new shares were issued on January 17, 2011. The total authorized shares remained 25 million and par value of common stock remained unchanged at \$.10 per share. All share and per share information presented has been adjusted to reflect this stock split.

(3) **Recent Accounting Pronouncements.** In June 2011, accounting guidance was issued which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity. This standard was adopted by the Company on January 1, 2012. As the new adoption relates to presentation only, the adoption of this standard did not have a material effect on the Company's financial position or results of operations.

(4) **Business Segments.** The Company operates in three reportable business segments. The Company's operations are substantially in the Southeastern and Mid-Atlantic states. The transportation segment hauls petroleum and other liquids and dry bulk commodities by tank trailers. The Company's real estate operations consist of two

reportable segments. The Mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. The Developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development or related to its developments.

The Company's transportation and real estate groups operate independently and have minimal shared overhead except for corporate expenses. Corporate expenses are allocated in fixed quarterly amounts based upon budgeted and estimated proportionate cost by segment. Unallocated corporate expenses primarily include stock compensation and corporate aircraft expenses.

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

	<u>Three Months ended</u> <u>March 31, ____</u>		<u>Six Months ended</u> <u>March 31, ____</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Transportation	\$ 25,449	23,036	50,290	46,027
Mining royalty land	1,025	918	2,002	2,013
Developed property rentals	4,852	4,636	9,393	8,813
	<u>\$ 31,326</u>	<u>28,590</u>	<u>61,685</u>	<u>56,853</u>
Operating profit:				
Transportation	\$ 2,186	2,392	4,024	4,769
Mining royalty land	865	718	1,713	1,627
Developed property rentals	1,757	1,365	3,381	2,625
Corporate expenses:				
Allocated to transportation	(396)	(390)	(791)	(779)
Allocated to mining land	(163)	(152)	(327)	(305)
Allocated to developed property	(246)	(228)	(491)	(457)
Unallocated	(559)	(521)	(851)	(1,108)
	<u>(1,364)</u>	<u>(1,291)</u>	<u>(2,460)</u>	<u>(2,649)</u>
	<u>\$ 3,444</u>	<u>3,184</u>	<u>6,658</u>	<u>6,372</u>
Interest expense:				
Mining royalty land	\$ 9	9	19	18
Developed property rentals	785	829	1,579	1,726
	<u>\$ 794</u>	<u>838</u>	<u>1,598</u>	<u>1,744</u>
Capital expenditures:				
Transportation	\$ 614	1,363	5,403	3,159
Mining royalty land	-	-	-	-
Developed property rentals:				
Capitalized interest	284	316	578	583
Internal labor	117	149	258	260
Real estate taxes (a)	(90)	269	(1,697)	572
Other costs (b)	939	1,557	2,657	3,595
	<u>\$ 1,864</u>	<u>3,654</u>	<u>7,199</u>	<u>8,169</u>

(a)Includes \$2,250 receivable on previously capitalized real estate taxes on the Anacostia property for the 6 months ended March 31, 2012.

(b) Net of 1031 exchange of \$4,941 for the 3 and 6 months ending March 31, 2011.

Depreciation, depletion and amortization:

Transportation	\$ 1,720	1,563	3,328	3,098
Mining royalty land	27	26	59	51
Developed property rentals	1,373	1,316	2,714	2,617
Other	103	48	205	395
	\$ <u>3,223</u>	<u>2,953</u>	<u>6,306</u>	<u>6,161</u>

	March 31, <u>2012</u>	September 30, <u>2011</u>
Identifiable net assets		
Transportation	\$ 39,947	39,001
Discontinued transportation operations	107	114
Mining royalty land	28,215	28,295
Developed property rentals	176,847	175,618
Cash items	20,037	21,026
Unallocated corporate assets	3,390	2,336
	<u>\$268,543</u>	<u>266,390</u>

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

	March 31, <u>2012</u>	September 30, <u>2011</u>
5.6% to 8.6% mortgage notes		
due in installments through 2027	64,862	67,272
Less portion due within one year	5,068	4,902
	<u>\$ 59,794</u>	<u>62,370</u>

The Company has a \$37,000,000 uncollateralized Revolving Credit Agreement with three banks, which matures on December 13, 2013. The Revolver bears interest at a rate of 1.00% over the selected LIBOR, which may change quarterly based on the Company's ratio of Consolidated Total Debt to Consolidated Total Capital, as defined. A commitment fee of 0.15% 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 limitations on availability and restrictive covenants including limitations on paying cash dividends. Letters of credit in the amount of \$12,082,000 were issued under the Revolver. As of March 31, 2012, \$24,918,000 was available for borrowing and \$53,947,000 of consolidated retained earnings would be available for payment of dividends. The Company was in compliance with all covenants as of March 31, 2012.

The fair values of the Company's mortgage notes payable were estimated based on current rates available to the Company for debt of the same remaining maturities. At March 31, 2012, the carrying amount and fair value of such other long-term debt was \$64,862,000 and \$67,717,000, respectively.

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

	THREE MONTHS ENDED MARCH 31,		SIX MONTH ENDED MARCH 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	9,353	9,272	9,321	9,272
Common shares issuable under share based payment plans which are potentially dilutive	<u>118</u>	<u>181</u>	<u>125</u>	<u>185</u>
Common shares used for diluted earnings per common share	<u>9,471</u>	<u>9,453</u>	<u>9,446</u>	<u>9,457</u>
Net income	\$ <u>1,643</u>	<u>1,683</u>	<u>3,767</u>	<u>8,078</u>
Earnings per common share				
Basic	\$ <u>.18</u>	<u>.18</u>	<u>.40</u>	<u>.87</u>
Diluted	\$ <u>.17</u>	<u>.18</u>	<u>.40</u>	<u>.85</u>

For the three and six months ended March 31, 2012, 164,560 and 172,060 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, 2011, 132,870 shares attributable to outstanding stock options were excluded from the calculation of diluted earnings per common share because their inclusion would have been anti-dilutive.

(7) **Stock-Based Compensation Plans.** As more fully described in Note 7 to the Company's notes to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended September 30, 2011, the Company's stock-based compensation plan permits the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, and stock awards. The number of common shares available for future issuance was 603,560 at March 31, 2012.

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, _	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Stock option grants	\$ 91	79	227	211
Annual director stock award	320	334	320	334
	<u>411</u>	<u>413</u>	<u>547</u>	<u>545</u>

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

<u>Options</u>	<u>Number Of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Term (yrs)</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at October 1, 2011	606,025	\$14.96	3.5	\$ 4,216
Granted	31,690	\$22.25		\$ 281
Exercised	76,541	\$ 8.77		\$ 363
Forfeited	<u>3,000</u>	\$ 5.78		\$ 10
Outstanding at March 31, 2012	558,174	\$16.27	3.8	\$ 4,124
Exercisable at March 31, 2012	467,930	\$14.48	2.9	\$ 3,159
Vested during six months ended March 31, 2012	23,274			\$ 212

The aggregate intrinsic value of exercisable in-the-money options was \$4,446,000 and the aggregate intrinsic value of all outstanding in-the-money options was \$4,471,000 based on the market closing price of \$23.29 on March 30, 2012 less exercise prices. Gains of \$976,000 were realized by option holders during the six months ended March 31, 2012. The realized tax benefit from options exercised for the six months ended March 31, 2012 was \$374,000. Total compensation cost of options granted but not yet vested as of March 31, 2012 was \$752,000, which is expected to be recognized over a weighted-average period of 3.2 years.

(8) **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. There is a reasonable possibility that the Company's estimate of vehicle and workers' compensation liability for the transportation group or discontinued operations may be understated or overstated but the possible range can not 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 consolidated financial condition, results of operations or cash flows.

(9) **Concentrations.** The transportation segment primarily serves customers in the industries in the Southeastern U.S. Significant economic disruption or downturn in this geographic region or these industries could have an adverse effect on our financial statements.

During the first six months of fiscal 2012, the transportation segment's ten largest customers accounted for approximately 53.7% of the transportation segment's revenue. One of these customers accounted for 19.2% of the transportation segment's revenue. The loss of any one of these customers would have an adverse effect on the

Company's revenues and income. Accounts receivable from the transportation segment's ten largest customers was \$2,961,000 and \$3,115,000 at March 31, 2012 and September 30, 2011 respectively.

The mining royalty land segment has one lessee that accounted for 82.0% of the segment's revenues and \$134,000 of accounts receivable. The loss of this customer would have an adverse effect on the segment.

The Company places its cash and cash equivalents with high credit quality institutions. At times such amounts may exceed FDIC limits.

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

As of March 31, 2012 the Company had no assets or liabilities measured at fair value on a recurring basis or non-recurring basis. During fiscal 2011 the corporate aircraft was placed back into service and depreciation was recommenced. Prior to that it was recorded at fair value based on level 2 inputs for similar assets in the current market on a non-recurring basis as it was deemed to be other-than-temporarily impaired. The first quarter of fiscal 2011 included \$300,000 for the impairment to estimated fair value of the corporate aircraft.

The fair value of all other financial instruments with the exception of mortgage notes (see Note 5) approximates the carrying value due to the short-term nature of such instruments.

(11) **Discontinued operations.** In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. ("SunBelt"). Under the agreement, the Buyer purchased all of SunBelt's tractors and trailers, leased the SunBelt terminal facilities in Jacksonville, Florida for 36 months at a rental of \$5,000 per month and leased the terminal facilities in South Pittsburg, Tennessee for 60 months at a rental of \$5,000 per month with an option to purchase the Tennessee facilities at the end of the lease for payment of an additional \$100,000. The South Pittsburg lease was recorded as a sale under bargain purchase accounting. The purchase price received for the tractors and trailers and inventories was a \$1 million cash payment and the delivery of a Promissory Note requiring 60 monthly payments of \$130,000 each including interest at 7%, secured by the assets of the business conveyed. As of September 30, 2011 the note receivable was fully paid and the option to purchase the South Pittsburg facility was completed. The Company retained all pre-closing receivables and liabilities.

SunBelt has been accounted for as discontinued operations in accordance with ASC Topic 205-20 Presentation of Financial Statements - Discontinued Operations. All periods presented have been restated accordingly.

In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was \$5,200,000, subject to certain deductions. The Company also donated \$5,599,000 primarily for the value of minerals and aggregates and recognized a \$2,126,000 permanent tax benefit. The \$2,126,000 permanent tax benefit was recorded to income taxes receivable for \$303,000 and offset to long-term deferred tax liabilities of \$1,823,000. Actual realization of the \$1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was \$276,000.

A summary of discontinued operations is as follows (in thousands):

	Three months		Six months	
	Ended March 31,		Ended March 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue	\$ 15	15	30	30
Operating expenses	9	(274)	25	(260)
Gain on sale before taxes	-	-	-	4,665
Income before income taxes	\$ <u>6</u>	<u>289</u>	<u>5</u>	<u>4,955</u>
Permanent tax benefit	-	-	-	2,126
Provision for income taxes	(2)	(111)	(2)	(1,976)
Income from discontinued operations	\$ <u><u>4</u></u>	<u><u>178</u></u>	<u><u>3</u></u>	<u><u>5,105</u></u>

The amounts included in the above totals for the bargain sale is as follows (in thousands):

	Three months		Six months	
	Ended March 31,		Ended March 31,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue	\$ -	-	-	-
Operating expenses	-	-	-	-
Gain on sale before taxes	-	-	-	4,665
Income before income taxes	\$ -	-	-	4,665
Permanent tax benefit	-	-	-	2,126
Provision for income taxes	-	-	-	(1,792)
Income from discontinued operations	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,999</u></u>

The components of the balance sheet are as follows:

	March 31, <u>2012</u>	September 30, <u>2011</u>
Accounts receivable	\$ -	3
Deferred income taxes	5	4
Property and equipment, net	<u>102</u>	<u>107</u>
Assets of discontinued operations	<u>\$ 107</u>	<u>114</u>
Accounts payable	\$ 1	-
Accrued payroll and benefits	2	2
Accrued liabilities, other	-	3
Insurance liabilities	<u>28</u>	<u>29</u>
Liabilities of discontinued operations	<u>\$ 31</u>	<u>34</u>

**(12) Unusual or Infrequent Items Impacting Quarterly Results.** Income from continuing operations for the first quarter of fiscal 2012 included a gain on termination of sale contract in the amount of \$1,039,000 before income taxes for the receipt of non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property

Discontinued operations, net for the first quarter of fiscal 2011 included a book gain on the exchange of property of \$4,926,000 after tax (see note 11).

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

**Overview** - Patriot Transportation Holding, Inc. (the Company) is a holding company engaged in the transportation and real estate businesses.

The Company's transportation business, Florida Rock & Tank Lines, Inc. is engaged in hauling primarily petroleum and other liquids and dry bulk commodities in tank trailers.

The Company's real estate operations consist of two reportable segments. The Mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. The Developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development or related to its developments. Substantially all of the real estate operations are conducted within the Southeastern and Mid-Atlantic United States.

On December 1, 2010, the board of directors declared a 3-for-1 stock split of the Company's common stock in the form of a stock dividend. The record date for the split was January 3, 2011 and the new shares were issued on January 17, 2011. All share and per share information presented has been adjusted to reflect this stock split.

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, aggregates sales by lessees 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-Northern Virginia 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. There is a reasonable possibility that the Company's estimate of vehicle and workers' compensation liability for the transportation group or discontinued operations may be understated or overstated but the possible range can not be estimated. The liability at any point in time depends upon the relative ages and amounts of the individual open claims. Financial results of the Company for any individual quarter are not necessarily indicative of results to be expected for the year.

**Discontinued Operations.** In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. ("SunBelt"). Under the agreement, the buyer purchased all of SunBelt's tractors and trailers, leased the SunBelt terminal facilities in Jacksonville, Florida for 36 months at a rental of \$5,000 per month and leased the terminal facilities in South Pittsburg, Tennessee for 60 months at a rental of \$5,000 per month with an option to purchase the Tennessee facilities at the end of the lease for payment of an additional \$100,000. The South Pittsburg lease was recorded as a sale under bargain purchase accounting. The purchase price received for the tractors and trailers and inventories was a \$1 million cash payment and the delivery of a Promissory Note requiring 60 monthly payments of \$130,000 each including interest at 7%, secured by the assets of the business conveyed. As of September 30, 2011 the note receivable has been fully paid and the option to purchase the South Pittsburg facility was completed. The Company retained all pre-closing receivables and liabilities. SunBelt has been accounted for as discontinued operations in accordance with ASC Topic 205-20 Presentation of Financial Statements - Discontinued Operations. All periods presented have been restated accordingly.

In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was \$5,200,000, subject to certain deductions. The Company also donated \$5,599,000 primarily for the value of minerals and aggregates and recognized a \$2,126,000 permanent tax benefit. The \$2,126,000 permanent tax benefit was recorded to income taxes receivable for \$303,000 and offset to long-term deferred tax liabilities of \$1,823,000. Actual realization of the \$1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was \$276,000. Caroline County has been accounted for as discontinued operations in accordance with ASC Topic 205-20 Presentation of Financial Statements - Discontinued Operations. All periods presented have been restated accordingly.

### **Comparative Results of Operations for the Three months ended March 31, 2012 and 2011**

**Consolidated Results** - Net income for the second quarter of fiscal 2012 was \$1,643,000 compared to \$1,683,000 for the same period last year. Diluted earnings per common share for the second quarter of fiscal 2012 were \$.17 compared to \$.18 for the same quarter last year. Transportation segment results were lower due to increased workers compensation claim costs along with a sharp rise in fuel costs, higher vehicle repairs, increased tire prices and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. The mining royalty land segment's

results were higher due to an increase in timber sales and reduced allocation of indirect management company costs to this segment. The Developed property rentals segment's results were higher due to higher occupancy and lower real estate taxes partially offset by higher maintenance costs, professional fees and allocation of indirect management company costs.

### **Transportation Results**

(dollars in thousands)	Three months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Transportation revenue	\$ 20,656	81%	18,885	82%
Fuel surcharges	<u>4,793</u>	<u>19%</u>	<u>4,151</u>	<u>18%</u>
Revenues	25,449	100%	23,036	100%
Compensation and benefits	9,280	37%	8,460	37%
Fuel expenses	6,216	24%	5,381	23%
Insurance and losses	1,601	6%	1,237	5%
Depreciation expense	1,677	7%	1,535	7%
Other, net	2,406	9%	2,157	9%
Sales, general & administrative	2,083	8%	1,874	8%
Allocated corporate expenses	<u>396</u>	<u>2%</u>	<u>390</u>	<u>2%</u>
Cost of operations	<u>23,659</u>	<u>93%</u>	<u>21,034</u>	<u>91%</u>
Operating profit	<u>\$ 1,790</u>	<u>7%</u>	<u>2,002</u>	<u>9%</u>

Transportation segment revenues were \$25,449,000 in the second quarter of 2012, an increase of \$2,413,000 over the same quarter last year. Revenue miles in the current quarter were up 6.4% compared to the second quarter of fiscal 2011 due to business growth and a longer average haul length. Fuel surcharge revenue increased \$642,000. Excluding fuel surcharges, revenue per mile increased 3.0% over the same quarter last year. The average price paid per gallon of diesel fuel increased by \$.39 or 11.7% over the same quarter in fiscal 2011.

The Transportation segment's cost of operations was \$23,659,000 in the second quarter of 2012, an increase of \$2,625,000 over the same quarter last year. The Transportation segment's cost of operations in the second quarter of 2012 as a percentage of revenue was 93% compared to 91% in the second quarter of 2011. Compensation and benefits increased \$820,000 or 9.7% compared to the same quarter last year primarily due to a driver pay increase, the increase in miles driven, and expenses associated with increased driver hiring. Fuel surcharge revenue increased \$642,000 while fuel cost increased by \$835,000 leaving a negative impact to operating profit of \$193,000. There is a time lag between changes in fuel prices and surcharges and often fuel costs change more rapidly than the market indexes used to determine fuel surcharges. Insurance and losses increased \$364,000 compared to the same quarter last year primarily due to lower than expected workers compensation claim costs in the same quarter last year. Depreciation expense increased \$142,000 due to more trucks in service. Other expense increased \$249,000 due to higher vehicle repair costs, increased tire prices, increased miles driven, and growth initiatives

partially offset by higher gains on equipment sales and incremental profits on increased revenues. Selling general and administrative costs increased \$209,000 or 11.1% compared to the same quarter last year due to higher staffing and professional fees. Allocated corporate expenses increased \$6,000.

### **Mining Royalty Land Results**

(dollars in thousands)	Three months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Mining royalty land revenue	\$ 1,025	100%	918	100%
Property operating expenses	130	13%	133	14%
Depreciation and depletion	27	3%	26	3%
Management Company indirect	3	0%	41	4%
Allocated corporate expense	<u>163</u>	<u>16%</u>	<u>152</u>	<u>17%</u>
Cost of operations	<u>323</u>	<u>32%</u>	<u>352</u>	<u>38%</u>
Operating profit	<u>\$ 702</u>	<u>68%</u>	<u>566</u>	<u>62%</u>

Mining royalty land segment revenues for the second quarter of fiscal 2012 were \$1,025,000, an increase of \$107,000 or 11.7% over the same quarter last year due primarily to a \$62,000 increase in timber sales.

The mining royalty land segment's cost of operations was \$323,000 in the second quarter of 2012, a decrease of \$29,000 over the same quarter last year due primarily to reduced allocation of indirect management company costs to this segment. Allocated corporate expenses increased \$11,000.

### **Developed Property Rentals Results**

(dollars in thousands)	Three months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Developed property rentals revenue	\$ 4,852	100%	4,636	100%
Property operating expenses	1,228	26%	1,591	34%
Depreciation and amortization	1,373	28%	1,316	28%
Management Company indirect	494	10%	364	8%
Allocated corporate expense	<u>246</u>	<u>5%</u>	<u>228</u>	<u>5%</u>
Cost of operations	<u>3,341</u>	<u>69%</u>	<u>3,499</u>	<u>75%</u>
Operating profit	<u>\$ 1,511</u>	<u>31%</u>	<u>1,137</u>	<u>25%</u>

Developed property rentals segment revenues for the second quarter of fiscal 2012 were \$4,852,000, an increase of \$216,000 or 4.7% due to higher occupancy. Occupancy at March 31, 2012 was 86.0% as compared to 77.2% at March 31, 2011.

Developed property segment's cost of operations was \$3,341,000 in the second quarter of 2012, a decrease of \$158,000 or 4.5% over the same quarter last year. Property operating expenses decreased \$363,000 due to lower real estate taxes and snow removal costs partially offset by higher maintenance costs and professional fees. Depreciation and amortization increased \$57,000 primarily due to tenant improvements. Management Company indirect expenses (excluding internal allocations for lease related property management fees) increased \$130,000 due to increased allocation to this segment and growth initiatives. Allocated corporate expenses increased \$18,000.

## **Consolidated Results**

**Operating Profit** - Consolidated operating profit was \$3,444,000 in the second quarter of fiscal 2012, an increase of \$260,000 or 8.2% compared to \$3,184,000 in the same period last year. Operating profit in the transportation segment decreased \$212,000 or 10.6% primarily due to increased workers compensation claim costs along with a sharp rise in fuel costs, higher vehicle repairs, increased tire prices, and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. Operating profit in the mining royalty land segment increased \$136,000 or 24.0% due to an increase in timber sales and reduced allocation of indirect management company costs to this segment. Operating profit in the Developed property rentals segment increased \$374,000 or 32.9% due to higher occupancy and lower real estate taxes partially offset by higher maintenance costs, professional fees and allocation of indirect management company costs. Consolidated operating profit includes corporate expenses not allocated to any segment in the amount of \$559,000 in the second quarter of fiscal 2012, an increase of \$38,000 compared to the same period last year.

**Interest income and other** - Interest income and other decreased \$87,000 over the same quarter last year due to the prepayment of notes receivable from the sale of SunBelt Transport.

**Interest expense** - Interest expense decreased \$44,000 over the same quarter last year due to declining mortgage interest expense and higher capitalized interest.

**Income taxes** - Income tax expense increased \$84,000 over the same quarter last year due to higher earnings from continuing operations.

**Income from continuing operations** - Income from continuing operations was \$1,639,000 or \$.17 per diluted share in the second quarter of fiscal 2012, an increase of 8.9% compared to \$1,505,000 or \$.16 per diluted share for the same period last year. The \$134,000 increase was primarily due to the \$260,000 increase in operating profits offset by higher income taxes.

**Discontinued operations** - The after tax income from discontinued operations for the second quarter of fiscal 2012 was \$4,000 versus income of \$178,000 for the same period last year. Diluted earnings per share on discontinued operations for the second quarter of fiscal 2012 was \$.00 compared to \$.02 in the second quarter of fiscal 2011. The discontinued operations results are primarily due to lower than expected retained liabilities and losses from prior year operations.

**Net income** - Net income for the second quarter of fiscal 2012 was \$1,643,000 compared to \$1,683,000 for the same period last year. Diluted earnings per common share for the second quarter of fiscal 2012 were \$.17 compared to \$.18 for the same quarter last year. Transportation segment results were lower due to increased workers compensation claim costs along with a sharp rise in fuel costs, higher vehicle repairs, increased tire prices and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. The mining royalty land segment's results were higher due to an increase in timber sales and reduced allocation of indirect management company costs to this segment. The Developed property rentals segment's results were higher due to higher occupancy and lower real estate taxes partially offset by higher maintenance costs, professional fees and allocation of indirect management company costs.

#### **Comparative Results of Operations for the Six months ended March 31, 2012 and 2011**

**Consolidated Results** - Net income for the first six months of fiscal 2012 was \$3,767,000 compared to \$8,078,000 for the same period last year. Diluted earnings per common share for the first six months of fiscal 2012 were \$.40 compared to \$.85 in the first six months of fiscal 2011. Income from continuing operations increased \$791,000 primarily due to a gain of \$1,039,000 on the receipt of non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property. Income from discontinued operations favorably impacted net income in fiscal 2011 due to a book gain on the exchange of property of \$4,926,000 after tax or \$.52 per diluted share. Transportation segment results were lower due to increased workers compensation and health insurance claims along with a sharp rise in fuel costs, higher vehicle repairs, increased tire prices and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. The mining royalty land segment's results were higher due to reduced allocation of indirect management company costs to this segment. The Developed property rentals segment's results were higher due to higher occupancy and lower real estate taxes partially offset by higher maintenance costs and professional fees.

## **Transportation Results**

(dollars in thousands)	Six months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Transportation revenue	\$ 40,972	81%	38,509	84%
Fuel surcharges	<u>9,318</u>	<u>19%</u>	<u>7,518</u>	<u>16%</u>
Revenues	50,290	100%	46,027	100%
Compensation and benefits	18,062	36%	16,914	36%
Fuel expenses	12,096	24%	10,127	22%
Insurance and losses	3,596	7%	2,886	6%
Depreciation expense	3,252	7%	3,041	7%
Other, net	5,170	10%	4,407	10%
Sales, general & administrative	4,090	8%	3,883	8%
Allocated corporate expenses	<u>791</u>	<u>2%</u>	<u>779</u>	<u>2%</u>
Cost of operations	<u>47,057</u>	<u>94%</u>	<u>42,037</u>	<u>91%</u>
Operating profit	<u>\$ 3,233</u>	<u>6%</u>	<u>3,990</u>	<u>9%</u>

Transportation segment revenues were \$50,290,000 in the first six months of fiscal 2012, an increase of \$4,263,000 over the same period last year. Revenue miles in the first six months of fiscal 2012 were up 4.1% compared to the first six months of fiscal 2011 due to business growth and a longer average haul length. Fuel surcharge revenue increased \$1,800,000. Excluding fuel surcharges, revenue per mile increased 2.1% over the same period last year. The average price paid per gallon of diesel fuel increased by \$.54 or 17.1% over the same period in fiscal 2011.

The Transportation segment's cost of operations was \$47,057,000 in the first six months of fiscal 2012, an increase of \$5,020,000 over the same period last year. The Transportation segment's cost of operations in the first six months of fiscal 2012 as a percentage of revenue was 94% compared to 91% in the first six months of fiscal 2011. Compensation and benefits increased \$1,148,000 or 6.8% compared to the same period last year primarily due to a driver pay increase, the increase in miles driven and expenses associated with increased driver hiring. Fuel surcharge revenue increased \$1,800,000 while fuel cost increased by \$1,969,000 leaving a negative impact to operating profit of \$169,000. There is a time lag between changes in fuel prices and surcharges and often fuel costs change more rapidly than the market indexes used to determine fuel surcharges. Insurance and losses increased \$710,000 compared to the same period last year primarily due to lower than expected workers compensation and health insurance claims in the same period last year. Depreciation expense increased \$211,000 due to more trucks in service. Other expense increased \$763,000 due to higher vehicle repair costs, increased tire prices, increased miles driven, and growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. Selling general and administrative costs increased \$207,000 compared to the same period last year. Allocated corporate expenses increased \$12,000.

## Mining Royalty Land Results

(dollars in thousands)	Six months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Mining royalty land revenue	\$ 2,002	100%	2,013	100%
Property operating expenses	229	12%	257	13%
Depreciation and depletion	59	3%	51	2%
Management Company indirect	1	0%	78	4%
Allocated corporate expense	<u>327</u>	<u>16%</u>	<u>305</u>	<u>15%</u>
Cost of operations	<u>616</u>	<u>31%</u>	<u>691</u>	<u>34%</u>
Operating profit	<u>\$ 1,386</u>	<u>69%</u>	<u>1,322</u>	<u>66%</u>

Mining royalty land segment revenues for the first six months of fiscal 2012 were \$2,002,000, a decrease of \$11,000 or .5% over the same period last year, due to a shift in production at two locations reducing the share of mining on the property owned by the Company offset by higher timber sales.

The mining royalty land segment's cost of operations was \$616,000 in the first six months of fiscal 2012, a decrease of \$75,000 over the same period last year due primarily to reduced allocation of indirect management company costs to this segment. Allocated corporate expenses increased \$22,000.

## Developed Property Rentals Results

(dollars in thousands)	Six months ended March 31			
	<u>2012</u>	<u>%</u>	<u>2011</u>	<u>%</u>
Developed property rentals revenue	\$ 9,393	100%	8,813	100%
Property operating expenses	2,444	26%	2,872	32%
Depreciation and amortization	2,714	29%	2,617	30%
Management Company indirect	854	9%	699	8%
Allocated corporate expense	<u>491</u>	<u>5%</u>	<u>457</u>	<u>5%</u>
Cost of operations	<u>6,503</u>	<u>69%</u>	<u>6,645</u>	<u>75%</u>
Operating profit	<u>\$ 2,890</u>	<u>31%</u>	<u>2,168</u>	<u>25%</u>

Developed property rentals segment revenues for the first six months of fiscal 2012 were \$9,393,000, an increase of \$580,000 or 6.6% due to higher occupancy. Occupancy at March 31, 2012 was 86.0% as compared to 77.2% at March 31, 2011.

Developed property segment's cost of operations was \$6,503,000 in the first six months of fiscal 2012, a decrease of \$142,000 or 2.1% over the same period last year. Property operating expenses decreased

\$428,000 due to lower real estate taxes and snow removal costs partially offset by higher maintenance costs and professional fees. Depreciation and amortization increased \$97,000 primarily due to tenant improvements. Management Company indirect expenses (excluding internal allocations for lease related property management fees) increased \$155,000 due to increased allocation to this segment and growth initiatives. Allocated corporate expenses increased \$34,000.

## **Consolidated Results**

**Operating Profit** - Consolidated operating profit was \$6,658,000 in the first six months of fiscal 2012, an increase of \$286,000 or 4.5% compared to \$6,372,000 in the same period last year. Operating profit in the transportation segment decreased \$757,000 or 19.0% primarily due to increased workers compensation and health insurance claims along with a spike in fuel costs, higher vehicle repairs, increased tire prices and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. Operating profit in the mining royalty land segment increased \$64,000 or 4.8% primarily due to reduced allocation of indirect management company costs to this segment. Operating profit in the Developed property rentals segment increased \$722,000 or 33.3% due to higher occupancy and lower real estate taxes partially offset by increased maintenance costs and professional fees. Consolidated operating profit includes corporate expenses not allocated to any segment in the amount of \$851,000 in the first six months of fiscal 2012, a decrease of \$257,000 compared to the same period last year which included an adjustment to the fair value of the corporate aircraft of \$300,000.

**Gain on termination of sale contract** - The first six months of fiscal 2012 includes a gain of \$1,039,000 on the receipt of non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property.

**Interest income and other** - Interest income and other decreased \$180,000 over the same period last year due to the prepayment of notes receivable from the sale of SunBelt Transport.

**Interest expense** - Interest expense decreased \$146,000 over the same period last year due to declining mortgage interest expense and higher capitalized interest.

**Income taxes** - Income tax expense increased \$494,000 over the same period last year due to higher earnings from continued operations.

**Income from continuing operations** - Income from continuing operations was \$3,764,000 or \$.40 per diluted share in the first six months of fiscal 2012, an increase of 26.6% compared to \$2,973,000 or \$.31 per diluted share for the same period last year. The \$791,000 increase was primarily due to a pretax gain of \$1,039,000 on the receipt of

non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property.

**Discontinued operations** - The after tax income from discontinued operations for the first six months of fiscal 2012 was \$3,000 versus income of \$5,105,000 for the same period last year. Diluted earnings per share on discontinued operations for the first six months of fiscal 2012 was \$.00 compared to \$.54 in the first six months of fiscal 2011. The first six months of fiscal 2011 included a book gain on the exchange of property of \$4,926,000 after tax or \$.52 per diluted share.

**Net income** - Net income for the first six months of fiscal 2012 was \$3,767,000 compared to \$8,078,000 for the same period last year. Diluted earnings per common share for the first six months of fiscal 2012 were \$.40 compared to \$.85 in the first six months of fiscal 2011. Income from continuing operations increased \$791,000 primarily due to a gain of \$1,039,000 on the receipt of non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property. Income from discontinued operations favorably impacted net income in fiscal 2011 due to a book gain on the exchange of property of \$4,926,000 after tax or \$.52 per diluted share. Transportation segment results were lower due to increased workers compensation and health insurance claims along with a sharp rise in fuel costs, higher vehicle repairs, increased tire prices and cost of growth initiatives partially offset by higher gains on equipment sales and incremental profits on increased revenues. The mining royalty land segment's results were higher due to reduced allocation of indirect management company costs to this segment. The Developed property rentals segment's results were higher due to higher occupancy and lower real estate taxes partially offset by higher maintenance costs and professional fees.

**Liquidity and Capital Resources.** For the first six months of fiscal 2012, the Company used cash provided by operating activities of continuing operations of \$8,437,000, proceeds from the sale of plant, property and equipment of \$1,609,000, proceeds from the exercise of employee stock options of \$671,000, excess tax benefits from the exercise of stock options of \$353,000, and cash balances to purchase \$5,403,000 in transportation equipment, to expend \$4,046,000 in real estate development, to invest \$70,000 in the Brooksville Joint Venture, to make \$2,410,000 scheduled payments on long-term debt and to repurchase Company stock for \$137,000. Cash provided by the operating activities of discontinued operations was \$7,000. Cash decreased \$989,000.

Cash flows from operating activities for the first six months of fiscal 2012 were \$733,000 lower than the same period last year primarily due to increased income tax payments.

Cash flows used in investing activities for the first six months of fiscal 2012 were \$1,107,000 higher reflecting the increased purchase of transportation equipment for growth and replacement partially offset by a pretax gain of \$1,039,000 on the receipt of non-refundable deposits related to the termination of an agreement to sell the Company's Windlass Run Residential property.

Cash flows used in financing activities for the first six months of fiscal 2012 were \$1,378,000 lower than the same period last year due to lower repurchases of Company stock.

In August 2009 the Company sold its flatbed trucking company, SunBelt Transport, Inc. ("SunBelt"). The purchase price received for the tractors and trailers and inventories was a \$1 million cash payment and the delivery of a Promissory Note requiring 60 monthly payments of \$130,000 each including 7% interest, secured by the assets of the business conveyed. As of September 30, 2011 the note receivable was fully paid and the option to purchase the South Pittsburg facility was completed. The Company retained all pre-closing receivables and liabilities. SunBelt has been accounted for as discontinued operations. All periods presented have been restated accordingly.

In December 2010, a subsidiary of the Company, Florida Rock Properties, Inc., closed a bargain sale of approximately 1,777 acres of land in Caroline County, Virginia, to the Commonwealth of Virginia, Board of Game and Inland Fisheries. The purchase price for the property was \$5,200,000, subject to certain deductions. The Company also donated \$5,599,000 primarily for the value of minerals and aggregates and recognized a \$2,126,000 permanent tax benefit. The \$2,126,000 permanent tax benefit was recorded to income taxes receivable for \$303,000 and offset to long-term deferred tax liabilities of \$1,823,000. Actual realization of the \$1,823,000 in deferred taxes will depend on taxable income, income tax rates, and income tax regulations over the 5 year carry forward period. The Company's book value of the property was \$276,000. The Caroline County property has been accounted for as a discontinued operation and all periods presented have been restated accordingly. The Company used all the proceeds in a 1031 exchange to purchase Hollander 95 Business Park in a foreclosure sale auction through a qualified intermediary. Hollander 95 Business Park, in Baltimore City, Maryland, closed on October 22, 2010 by a 1031 intermediary for a purchase price totaling \$5,750,000. This property consists of an existing 82,800 square foot warehouse building (33.8% occupied) with an additional 42 acres of partially developed land with a development capacity of 490,000 square feet (a mix of warehouse, office, hotel and flex buildings).

The Company has a \$37,000,000 uncollateralized Revolving Credit Agreement with three banks, which matures on December 13, 2013. The Revolver contains limitations on availability and restrictive covenants including limitations on paying cash dividends. Letters of credit in the amount of \$12,082,000 were issued under the Revolver. As of March 31, 2012, \$24,918,000 was available for borrowing and

\$53,947,000 of consolidated retained earnings would be available for payment of dividends. The Company was in compliance with all covenants as of March 31, 2012.

The Company had \$12,082,000 of irrevocable letters of credit outstanding as of March 31, 2012. Most of the letters of credit are irrevocable for a period of one year and are automatically extended for additional one-year periods until notice of non-renewal is received from the issuing bank not less than thirty days before the expiration date. These were issued for insurance retentions and to guarantee certain obligations to state agencies related to real estate development. The Company issued replacement letters of credit through the Revolver to reduce fees.

The Board of Directors has authorized Management to repurchase shares of the Company's common stock from time to time as opportunities arise. During the first six months of fiscal 2012 the Company repurchased 7,013 shares for \$137,000. As of March 31, 2012, \$4,093,000 was authorized for future repurchases of common stock. The Company does not currently pay any cash dividends on common stock.

The Company has committed to make additional capital contributions of up to \$86,000 to Brooksville Quarry, LLC in connection with a joint venture with Vulcan.

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.

**Summary and Outlook.** Transportation segment miles for this year were 4.1% higher than last year. The Company continues to succeed in adding drivers and customers and anticipates increasing segment miles during fiscal 2012.

Developed property rentals occupancy has increased from 79.8% to 86.0% over last fiscal year end as the market for new tenants has improved and traffic for vacant space has increased. Occupancy at March 31, 2012 and 2011 included 104,226 square feet or 3.6% and 118,156 square feet or 4.0% respectively for temporary storage under a less than full market lease rate. Occupancy at March 31, 2012 was unfavorably impacted by vacancies representing 10.7% of the entire portfolio at two buildings in Delaware which were impacted by automobile plant closings and the residential housing downturn and the two parks that each has only one building completed. The Company has resumed development of Patriot Business Park effective April 1, 2012 due to two recent developments. On February 15, 2012, the Company signed an agreement to sell 15.18 acres of land at the site for a purchase price of \$4,774,577 which would result in a profit on the sale if completed. The Company also entered into a build to suit lease signed April 2 for a 117,600 square foot building.

With cap rates at historically low levels we have engaged the real estate brokerage firm of Jones, Lang, LaSalle to explore the market value of our existing office/warehouse portfolio in the investment community. We have no preconceived decision regarding the outcome of this exploration but will analyze the results we receive and make our decision at that time in keeping with our continuing effort to manage this Company's capital in the most efficient manner possible for the longer term.

Windlass Run Residential (previously Bird River), located in southeastern Baltimore County, Maryland, is a 121 acre tract of land adjacent to and west of our Windlass Run Business Park. The property was rezoned in September 2007 to allow for additional density and plans are being pursued to obtain an appropriate product mix. In July 2008, the Company entered into an agreement to sell the property at a purchase price of \$25,075,000 and closing was scheduled to occur in the first quarter of calendar 2012. The purchaser had placed non-refundable deposits of \$1,000,000 under this contract in escrow. Preliminary approval for the development as originally contemplated was previously received and the time for any appeals from that approval has expired. In October 2011 the purchaser terminated its agreement to purchase the property and released the \$1,000,000 escrow deposit to the company's subsidiary, FRP Bird River, LLC. along with all permits, engineering work, plans and other development work product with regards to the property. The Company intends to continue to complete the entitlement process for this parcel of land for residential development and will market it appropriately as the demand for residential property in this area improves in the future.

In March 30, 2012 the Company entered into a Contribution Agreement with MRP SE Waterfront Residential, LLC. ("MRP") to form a joint venture to develop the phase I of the four phase master development known as RiverFront on the Anacostia in Washington, D.C. The purpose of the Joint Venture is to develop, own, lease and ultimately sell an approximately 300,000 square foot residential apartment building (including some retail) on a portion of the roughly 5.82 acres of land owned by FRP adjacent to the Washington Nationals baseball stadium. The Contribution Agreement provides that the formation of the Joint Venture will be subject to customary conditions precedent, including approval of a planned unit development zoning modification and extension of the existing PUD to provide for approximately 300,000 square feet of residential development (including some retail) on the Property in lieu of 250,000 square feet of commercial office space (including some retail) as currently approved for phase 1 of the master development. If these conditions are satisfied, the parties will enter into a formal joint venture agreement wherein the Company will contribute the land comprising phase I to the joint venture in return for approximately a fifty percent (50%) interest in the venture. MRP will contribute capital of \$4,500,000 to the joint venture. MRP will raise any additional equity capital (currently estimated to be \$9,000,000, subject to revision based on various factors) and obtain a nonrecourse loan for the balance of the estimated construction and lease up costs. At this point the Company

anticipates commencement of construction in early 2014 with lease up scheduled between late 2015 and all of 2016.

### **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 cash and cash equivalents 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 cash and cash equivalents. 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 cash and cash equivalents 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.

As of March 31, 2012, 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 the first six months 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, 2011, 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

<u>Period</u>	(a) <u>Total Number of Shares Purchased</u>	(b) <u>Average Price Paid per Share</u>	(c) <u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs</u>	(d) <u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)</u>
January 1 through January 31	0	\$ -	0	\$ 4,093,000
February 1 through February 29	0	\$ -	0	\$ 4,093,000
March 1 through March 31	<u>0</u>	\$ -	<u>0</u>	\$ 4,093,000
Total	0	\$ -	0	

(1) In December, 2003, the Board of Directors authorized management to expend up to \$6,000,000 to repurchase shares of the Company's common stock from time to time as opportunities arise. On February 19, 2008, the Board of Directors authorized management to expend up to an additional \$5,000,000 to repurchase shares of the Company's common stock from time to time as opportunities arise.

### Item 6. EXHIBITS

(a) Exhibits. The response to this item is submitted as a separate Section entitled "Exhibit Index", on page 31.

**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.

May 2, 2012

PATRIOT TRANSPORTATION HOLDING, INC.

Thompson S. Baker II  
Thompson S. Baker II  
President and Chief Executive  
Officer

John D. Milton, Jr.  
John D. Milton, Jr.  
Executive 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 MARCH 31, 2012**  
**EXHIBIT INDEX**

- (10)(r) Joint Venture Agreement between Florida Rock Properties, Inc. and MRP SE Waterfront Residential, Inc., incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended March 31, 2012. File No. 000-17554.
- (14) Financial Code of Ethical Conduct between the Company, Chief Executive Officers and Financial Managers, as revised on January 28, 2004, which is available on the Company's website at [www.patriottrans.com](http://www.patriottrans.com).
- (31)(a) Certification of Thompson S. Baker II.  
(31)(b) Certification of John D. Milton, Jr.  
(31)(c) Certification of John D. Klopfenstein.
- (32) Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document  
101.XSD XBRL Taxonomy Extension Schema  
101.CAL XBRL Taxonomy Extension Calculation Linkbase  
101.DEF XBRL Taxonomy Extension Definition Linkbase  
101.LAB XBRL Taxonomy Extension Label Linkbase  
101.PRE XBRL Taxonomy Extension Presentation Linkbase

I, Thompson S. Baker II, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal 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 2, 2012

/s/Thompson S. Baker II  
President and Chief Executive  
Officer

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

1. I have reviewed this report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal 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 2, 2012

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

I, John D. Klopfenstein, certify that:

1. I have reviewed this report on Form 10-Q of Patriot Transportation Holding, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls to be designed under our supervision, 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal 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 2, 2012

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

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

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

May 2, 2012

PATRIOT TRANSPORTATION HOLDING, INC.

THOMPSON S. BAKER II  
Thompson S. Baker II  
President and Chief Executive  
Officer

JOHN D. MILTON, JR.  
John D. Milton, Jr.  
Executive 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.