

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017.

or

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

Commission File Number: 001-36769

FRP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

(State or other jurisdiction of
incorporation or organization)

47-2449198

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

200 W. Forsyth St., 7th Floor, Jacksonville, Florida

(Address of principal executive offices)

32202

(Zip Code)

(904) 396-5733

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the registrant's stock outstanding as of March 16, 2018 was 10,014,667. The aggregate market value of the shares of Common Stock held by non-affiliates of the registrant as of June 30, 2017, the last day of business of our most recently completed second fiscal quarter, was \$381,419,706. Solely for purposes of this calculation, the registrant has assumed that all directors, officers and ten percent (10%) shareholders of the Company are affiliates of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the FRP Holdings, Inc. 2017 Annual Report to Shareholders are incorporated by reference in Parts I and II.

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

Preliminary Note Regarding Forward-Looking Statements.

Certain matters discussed in the report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words or phrases "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. Such statements reflect management's current views with respect to financial results related to future events and are based on assumptions and expectations that may not be realized and are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Future events and actual results, financial or otherwise, may differ, perhaps materially, from the results discussed in the forward-looking statements. Risk factors discussed in Item 1A of this Form 10-K and other factors that might cause differences, some of which could be material, include, but are not limited to; levels of construction activity in the markets served by our mining properties, demand for flexible warehouse/office facilities in the Baltimore-Washington-Northern Virginia area, demand for apartments in Washington D.C., our ability to obtain zoning and entitlements necessary for property development, the impact of lending and capital market conditions on our liquidity, our ability to finance projects or repay our debt, general real estate investment and development risks, vacancies in our properties, risks associated with developing and managing properties in partnership with others, competition, our ability to renew leases or re-lease spaces as leases expire, illiquidity of real estate investments, bankruptcy or defaults of tenants, the impact of restrictions imposed by our credit facility, the level and volatility of interest rates, environmental liabilities, inflation risks, cyber security risks, as well as other risks listed from time to time in our SEC filings, including but not limited to, our annual and quarterly reports. We have no obligation to revise or update any forward-looking statements, other than as imposed by law, as a result of future events or new information. Readers are cautioned not to place undue reliance on such forward-looking statements.

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

PART I

Item 1. BUSINESS.

On January 30, 2015, FRP Holdings, Inc. ("FRP" or the "Company") completed the tax-free Spin-off ("Spin-off") of its transportation business into a new, separately traded public company, Patriot Transportation Holding, Inc. (Nasdaq GM: PATI) ("Patriot"). In the Spin-off, FRP distributed all of the outstanding stock of Patriot to FRP's shareholders as of the record date of January 9, 2015. FRP's shareholders received one share of Patriot for every three shares of FRP owned on the record date. Patriot now is an independent, publicly traded company, and FRP retains no ownership in Patriot. The Company retained the real estate business, which is now the sole business of the Company.

FRP Holdings, Inc. was incorporated on April 22, 2014 in connection with a corporate reorganization that preceded the Spin-off. The Company's successor issuer was formed on July 20, 1998. The business of the Company is conducted through our wholly-owned subsidiaries FRP Maryland, Inc., a Maryland corporation, FRP Development Corp., a Maryland corporation and Florida Rock Properties, Inc., a Florida corporation, and the various subsidiaries of each.

Our Business. FRP Holdings, Inc. (the "Company") is a holding company engaged in various real estate businesses. The segments of the Company include: (i) leasing and management of warehouse and office buildings owned by the Company (the "Asset Management Segment"), (ii) leasing and management of mining royalty land owned by the Company (the "Mining Royalty Lands Segment"), (iii) real property acquisition, entitlement, development and construction primarily for warehouse and office buildings (the "Land Development and Construction Segment") and (iv) leasing and management of a residential apartment building (the "RiverFront on the Anacostia Segment").

The Asset Management Segment owns, leases and manages warehouse and office buildings located predominately in the Baltimore, northern Virginia, and Washington, DC market areas. Price, location, rental space availability, flexibility of design and property management services are the major factors that affect competition in the flexible warehouse and office rental market. The Company experiences considerable competition in all of its markets. Tenants of our flexible warehouse/office properties are not concentrated in any one particular industry.

Our Mining Royalty Lands Segment owns several properties comprising approximately 15,000 acres currently under lease for mining rents or royalties (not including the 4,280 acres owned in our Brooksville joint venture with Vulcan Materials). Other than one location in Virginia, all of these properties are located in Florida and Georgia.

Our Land Development and Construction Segment owns and continuously monitors the "highest and best use" of parcels of land that are in various stages of development. The overall strategy for this segment is to convert all of our non-income producing property into income-producing property through (i) an orderly process of constructing new warehouse and office buildings to be operated by the Company or (ii) a sale to, or joint venture with, third parties.

The RiverFront on the Anacostia segment owns, leases and manages a 305 unit residential apartment building with approximately 18,000 sq. ft. of first floor retail space.

Competition. The Asset Management Segment owns, leases and manages warehouse and office buildings located predominately in the Baltimore, northern Virginia, Washington, DC market areas. As a developer of

flexible warehouse and office space, we compete with numerous developers, owners and operators of real estate, many of whom own properties similar to ours in the same submarkets in which our properties are located. Price, location, rental space availability, flexibility of design and property management services are the major factors that affect competition in the flexible warehouse and office rental market.

Customers. Primarily due to our preferred mid-sized (75,000-150,000 square feet) warehouse buildings, the Asset Management Segment mainly caters to local and regional tenants (versus larger national tenants). We do not have any material dependence on a particular industry for our tenants in this segment. With the completion and occupancy of three build to suits for VADATA at Patriot Business Park this particular tenant accounted for 10% of the Company's consolidated revenues during fiscal 2017. In the Mining Royalty Lands segment, we have a total of four tenants currently leasing our mining locations and one particular tenant (Vulcan Materials Company) accounted for 13.6% of the Company's consolidated revenues in fiscal 2017. An event affecting either VADATA's or Vulcan's ability to perform under its lease agreements could materially impact the Company's results.

Sales and Marketing. We use national brokerage firms to assist us in marketing our vacant warehouse rental properties. Our hands on in-house management team focuses on tenant satisfaction during the life of the lease which we have found to be very beneficial with respect to our tenant renewal success rate over the years.

Financial Information. Financial information is discussed by industry segment in Note 12 to the consolidated financial statements included in the accompanying 2017 Annual Report to Shareholders, which is incorporated herein by reference.

Environmental Matters. The Company incurs costs from time to time to investigate and remediate environmental contamination on its real estate. The Company's mining leases contain provisions under which the lessee is responsible for environmental liabilities and reclamation of mining sites at least to the extent required by law.

Seasonality. The Company's business is subject to limited seasonality factors due to the cyclical nature of our mining customers' businesses. Revenues generally decline slightly during winter months.

Employees. The Company employed 19 people in its real estate group at December 31, 2017.

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

Item 1A. RISK FACTORS.

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

Risks Relating to our Business

Since the Spin-off of Patriot, FRP has shared executives with Patriot so those executives do not devote their full time and attention to the Company.

Under the terms of the now amended Transition Services Agreement between FRP and Patriot, Patriot now provides the services of only two of its executive officers to FRP. John D. Milton, Jr., Chief Financial Officer serves as General Counsel for Patriot and John D. Klopfenstein, Controller and Chief Accounting Officer, serves in the same capacity with FRP under the Transition Services Agreement. John D. Klopfenstein spends approximately 50% of his time working for FRP pursuant to the terms of the Transition Services Agreement and both companies share in 50% of the costs (including overhead); John D. Milton, Jr. spends about 25% of

his time working for Patriot and 75% of his time for FRP and his costs (including overhead) are shared in these proportions. FRP could be adversely impacted by lack of the full-time focus of these executives during the term of the Transition Services Agreement. In addition, these executives may face conflicts of interest, or the appearance thereof, if there is a dispute under the agreements between Patriot and FRP or a future business transaction.

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

The Mining Royalty Lands Segment and the Land Development and Construction Segment could be adversely affected by reduced construction and mining activity during periods of inclement weather. These factors could cause our operating results to fluctuate from quarter to quarter. An occurrence of unusually harsh or long-lasting inclement weather such as hurricanes, tornadoes and heavy snowfalls could have an adverse effect on our operations and profitability.

Our revenues depend in part on construction sector activity, which tends to be cyclical.

Our Mining Royalty Lands Segment revenues are derived from royalties on construction aggregates mined on our properties. Thus, our results depend in part on residential, commercial and infrastructure construction activity and spending levels. The construction industry in our markets tends to be cyclical. Construction activity and spending levels vary across our markets and are influenced by interest rates, inflation, consumer spending habits, demographic shifts, environmental laws and regulations, employment levels and the availability of funds for public infrastructure projects. Economic downturns may lead to recessions in the construction industry, either in individual markets or nationally.

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties.

Liability for environmental contamination on real property owned by the Company may include the following costs, without limitation: investigation and feasibility study costs, remediation costs, litigation costs, oversight costs, monitoring costs, institutional control costs, penalties from state and federal agencies and third-party claims. These costs could be substantial and in extreme cases could exceed the value of the contaminated property. Moreover, on-site operations may be suspended until certain environmental contamination is remediated and/or permits are received, and governmental agencies can impose permanent restrictions on the manner in which a property may be used depending on the extent and nature of the contamination. This may result in a breach of the terms of the lease entered into with our tenants. Governmental agencies also may create liens on contaminated sites for damages it incurred to address such contamination. In addition, the presence of hazardous substances at, on, under or from a property may adversely affect our ability to sell the property or borrow funds using the property as collateral, thus harming our financial condition.

The presence of contaminated material at our RiverFront on the Anacostia development site will subject us to substantial environmental liability and costs as construction proceeds.

With respect to our RiverFront on the Anacostia site in Washington, D.C., preliminary environmental testing has indicated the presence of contaminated material that will have to be specially handled in excavation in conjunction with construction. While we have recovered and will continue to seek partial reimbursement for these costs from our prior tenant and/or neighboring property owners, we still expect to incur significant environmental costs in connection with construction.

As of September 30, 2016, the excavation and foundation work for Phase 1 were substantially complete and the total remediation expense was \$1.833 million.

During the quarter ending December 31, 2015, management successfully completed negotiations and entered into a \$3.0 million settlement of environmental claims on all four phases against our former tenant at the Riverfront on the Anacostia property and continues to pursue settlement negotiations with other potentially responsible parties.

The Company executed a letter of intent with MRP Realty in May 2016 to develop Phase II of the Riverfront on the Anacostia project and recorded an estimated environmental remediation expense of \$2.0 million for the Company's estimated liability under the proposed agreement.

The Company has no obligation to remediate this contamination on Phases III and IV of the development until such time as it makes a commitment to commence construction on each phase. The Company's actual expense to address this issue may be materially higher or lower than the expense previously recorded depending upon the actual costs incurred.

Uninsured losses could significantly reduce our earnings.

We self-insure for a portion of our claims exposure resulting from workers' compensation, auto liability, general liability and employees' health insurance. We also are responsible for our legal expenses relating to such claims. We maintain insurance above the amounts for which we self-insure with licensed insurance carriers. Although we believe the aggregate insurance limits should be sufficient to cover reasonably expected claims, it is possible that one or more claims could exceed our aggregate coverage limits. Additionally, there are certain losses, such as losses from hurricanes, terrorism, wars or earthquakes, where insurance is limited or not economically justifiable. If the Company experiences an uninsured loss of real property, we could lose both the invested capital and anticipated revenues associated with such property. We accrue currently for estimated incurred losses and expenses and periodically evaluate and adjust our claims accrued liability to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses greater than accrued amounts.

We may be unable to renew leases or re-lease properties as leases expire.

When a lease expires, a tenant may elect not to renew it. If that occurs, we may not be able to lease the property on similar terms. The terms of renewal or re-lease (including the cost of required renovations and concessions to tenants) may be less favorable than the prior lease. If we are unable to lease all or substantially all of our properties, or if the rental rates upon such re-leasing are significantly lower than expected rates, our cash generated before debt repayments and capital expenditures may be adversely affected. As of December 31, 2017, leases of our properties representing approximately 22%, 10.2%, and 11.6% of the total square footage of buildings completed prior to December 31, 2017 are scheduled to expire in years 2018, 2019 and 2020, respectively.

We may be unable to lease currently vacant properties.

As of December 31, 2017, 6.9% of our properties are vacant. If we are unable to obtain leases sufficient to cover carrying costs then our cash flows may be adversely affected.

The bankruptcy or insolvency of significant tenants with long-term leases may adversely affect income produced by our properties.

We have 19 buildings in our portfolio that are single-tenant leased, representing 49% of developed property rentals under long-term leases. We have 9 other tenants with leases in excess of five years. Should tenants default on their obligations, our cash flow would be adversely affected and we may not be able to find another tenant to occupy the space under similar terms or may have to make expenditures to retrofit or divide the space. Additionally, we may have to incur a non-cash expense for a significant amount of deferred rent revenue generated from the accounting requirement to straight-line rental revenues. The bankruptcy or insolvency of a major tenant may also adversely affect the income produced by a property. If any of our tenants become a debtor in a case under the U.S. Bankruptcy Code, we cannot evict that tenant solely because of its bankruptcy. The bankruptcy court may authorize the tenant to reject and terminate its lease with the Company. Our claim against such a tenant for unpaid future rent would be subject to a statutory limitation that may be substantially less than the remaining rent actually owed to us under the tenant's lease. Any shortfall in rent payments could adversely affect our cash flow.

A decline in the economic conditions in Baltimore, Washington, D.C. and Northern Virginia markets

could adversely affect our business.

Nearly all of our office, warehouse and apartment properties are located in the Baltimore, Washington, D.C. and Northern Virginia areas. As a result of our geographic concentration, we depend upon the local conditions in these markets, including local real estate conditions. We are, therefore, subject to increased exposure (positive or negative) to economic and other competitive factors specific to markets in confined geographic areas. Our operations may also be affected if too many competing properties are built in these markets. An economic downturn in these markets could adversely affect our operation. We cannot be sure that these markets will continue to grow or will continue to provide favorable demand for our office and warehouse spaces.

Our inability to obtain necessary approvals for property development could adversely affect our profitability.

We may be unable to obtain, or incur delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased costs or abandonment of certain projects. Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, subdivision, site planning and environmental issues. Legislation could impose moratoriums on new real estate development or land-use conversions from mining to development. These factors may reduce our profit or growth and may limit the value of these properties.

Real estate investments are not as liquid as other types of assets.

The illiquid nature of real estate investments may limit our ability to react promptly to changes in economic or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Thus, the illiquid nature of our real estate investments could adversely affect our profitability under certain economic conditions.

Our debt service obligations may have adverse consequences on our business operations.

We use debt to finance our operations, including acquisitions of properties. Our use of debt may have adverse consequences, including the following:

- Our cash flows from operations may not be sufficient to meet required payments of principal and interest.
- We may be forced to dispose of one or more of our properties, possibly on disadvantageous terms, to make payments on our debt.
- We may default on our debt obligations, and the lenders may foreclose on our properties that collateralize those loans.
- A foreclosure on one of our properties could create taxable income without any accompanying cash proceeds to pay the tax.
- A default under a mortgage loan that has cross default provisions may cause us to automatically default on another loan.
- We may not be able to refinance or extend our existing debt.
- The terms of any refinancing or extension may not be as favorable as the terms of our existing debt.
- We may not be able to issue debt on unencumbered properties under reasonable terms to finance growth of our portfolio of properties.
- We may be subject to a significant increase in the variable interest rates on our unsecured and secured lines of credit, which could adversely impact our operations.
- Our debt agreements have yield maintenance requirements that result in a penalty if we prepay loans.

As of December 31, 2017, we had outstanding non-recourse mortgage indebtedness of \$118,317,000, secured by developed real estate properties having a carrying value of \$186,881,000.

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

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

- restricts our ability to incur certain additional indebtedness;
- restricts our ability to make certain investments;
- restricts our ability to merge with another company;
- restricts our ability to pay dividends;
- requires us to maintain financial coverage ratios; and
- requires us to not encumber certain assets except as approved by the lenders.

These restrictions could cause us to default on our unsecured line of credit or negatively affect our operations.

Our Asset Management and Land Development and Construction Segments face competition from numerous sources.

As a developer of flexible warehouse and office space, we compete with numerous developers, owners and operators of real estate, many of whom own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose potential tenants and we may be pressured to reduce our rental rates to an amount lower than we currently charge in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and ability to satisfy our debt service obligations could be materially adversely affected.

Construction costs may be higher than anticipated.

Our long-term business plan includes a number of construction projects. The construction costs of these projects may exceed original estimates and possibly make the completion of a property uneconomical. Building material commodity shortages, construction delays or stoppages or rapidly escalating construction costs may out-pace market rents, which would adversely affect our profits. The market environment and existing lease commitments may not allow us to raise rents to cover these higher costs.

Risks Relating to our Common Stock

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

As of December 31, 2017, our Chief Executive Officer, John D. Baker, II beneficially owned approximately 13.7% of the outstanding shares of our common stock (80.9% of such shares are held in trust under which voting power is shared with other family members) and certain of his family members beneficially own an additional 18.6% of the outstanding shares of our common stock. As a result, these individuals effectively may have the ability to direct the election of all members of our board of directors and to exercise a controlling influence over its business and affairs, including any determinations with respect to mergers or other business combinations involving the Company, its acquisition or disposition of assets, its borrowing of monies, its issuance of any additional securities, its repurchase of common stock and its payment of dividends.

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

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

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

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

FRP may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.

Our articles of incorporation authorize us to issue, without the approval of our shareholders, one or more classes or series of preferred stock having such designations, powers, preferences and relative, participating, optional and other rights, and such qualifications, limitations or restrictions as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of FRP's common stock. For example, FRP could grant holders of preferred stock the right to elect some number of its directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or dividend, distribution or liquidation preferences FRP could assign to holders of preferred stock could affect the residual value of the common stock.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

The Company owns (predominately in fee simple but also through ownership of interests in joint ventures) over 20,000 acres of land in Florida, Georgia, Maryland, Virginia, Delaware and the District of Columbia. This land is generally held by the Company in four distinct segments (i) Asset Management Segment (land owned and operated as income producing rental properties in the form of warehouse/office buildings), (ii) Mining Royalty Lands Segment (land owned and leased to mining companies for royalties or rents), (iii) Land Development and Construction Segment (land owned and held for investment to be further developed for future income production or sales to third parties), and (iv) RiverFront on the Anacostia Segment (a 305 unit apartment building with retail on the first floor).

Asset Management Segment. As of December 31, 2017, the Asset Management Segment owned 43 warehouse/office buildings, totaling 3,983,813 square feet, all of which (with the exception of one building) are in the Mid-Atlantic region of the United States as follows:

1) Hillside Business Park in Anne Arundel County, Maryland consists of four warehouse/office buildings and

one suburban office building totaling 567,473 square feet.

2) Lakeside Business Park in Harford County, Maryland consists of nine warehouse/office buildings totaling 893,722 square feet.

3) 6920 Tudsbury Road in Baltimore County, Maryland consists of one warehouse/office building totaling 86,100 square feet.

4) 8620 Dorsey Run Road in Howard County, Maryland consists of one warehouse/office building totaling 85,100 square feet.

5) Rossville Business Center in Baltimore County, Maryland consists of two warehouse/office buildings totaling 190,517 square feet.

6) 34 Loveton Circle in suburban Baltimore County, Maryland consists of one office building totaling 33,708 square feet (24% of the space is occupied by the Company for use as our Baltimore headquarters).

7) Oregon Business Center in Anne Arundel County, Maryland consists of two warehouse/office buildings totaling 195,615 square feet.

8) Arundel Business Center in Howard County, Maryland consists of two warehouse/office buildings totaling 162,796 square feet.

9) 100-200 Interchange Boulevard in New Castle County, Delaware consists of two warehouse/office buildings totaling 303,006 square feet.

10) Windlass Run Business Park in Baltimore County, Maryland consists of one warehouse/office building totaling 69,474 square feet.

11) 155 E. 21st Street in Duval County, Florida consists of one office building totaling 68,757 square feet.

12) Hollander 95 Business Park in Baltimore City, Maryland consists of two warehouse/office building totaling 162,350 square feet.

13) Patriot Business Park in Prince William County, Virginia consists of four warehouse/office buildings totaling 476,448 square feet.

14) Transit Business Park in Baltimore, Maryland consists of five buildings totaling 232,318 square feet.

15) Kelso Business Park in Baltimore County, Maryland, consists of two warehouse/office buildings totaling 69,680 square feet.

16) 1187 Azalea Garden Road in Norfolk, VA consists of one warehouse totaling 188,093 square feet.

17) 10820 Gilroy Road in Baltimore County, Maryland, consists of one warehouse/office building totaling 107,438 square feet.

18) 7700 Port Capital Drive in Howard County, Maryland consists of one warehouse/office building totaling 91,218 square feet.

Mining Royalty Lands Segment – Mining Properties. The following table summarizes the Company's mining royalty lands and estimated reserves at December 31, 2017 a substantial portion of which are leased to Vulcan Materials.

Tons Sold	Tons Sold	Tons Sold	Tons of Estimated
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	in Year Ended 9/30/2016 (000's)	in Three Months Ended 12/31/2016 (000's)	in Year Ended 12/31/2017 (000's)	Reserves at 12/31/2017 (000's)
The Company owns ten locations currently being mined in Grandin, Ft. Myers, Keuka, Newberry, and Astatula, Florida; Columbus, Macon, and Tyrone, Georgia; and Manassas, Virginia comprising approximately 12,742 acres.	6,112	1,755	5,934	454,130
The Company owns four locations that are leased for mining but are not currently being mined in Marion County and two in Lake County, Florida and Forest Park Georgia comprising approximately 2,452 acres	426	0	0	73,368

This table excludes the Brooksville, Florida property, approximately 4,280 acres, as it was transferred on October 4, 2006 to a joint venture with Vulcan Materials Company (“Vulcan Materials” or “Vulcan”) for future development.

In May, 2014 the Company entered into an amendment to our lease agreement for our Ft. Myers location requiring that the mining be accelerated and that the mining plan be conformed to accommodate the future construction of up to 105 residential dwelling units around the mined lakes. In return, the Company agreed to sell Lee County a right of way for a connector road that would benefit the residential area on our property and to place a conservation easement on part of the property. In April 2017, Lee County issued a Mine Operating Permit that permits mining activity to take place on land owned by the Company in Ft. Myers. This action fully entitled the property and allowed Vulcan to begin production. Mining commenced in September 2017.

In November 2017, Lake County commissioners voted to approve a permit to Cemex to mine the Company’s land in Lake Louisa. The county should issue the mining permit during the third quarter of 2018. After an environmental survey and completing the work necessary to prepare this site to become an active sand mine, Cemex expects to begin mining by the end of 2019.

Mining Royalty Lands Segment - Brooksville Joint Venture. On October 4, 2006, a subsidiary of the Company (Florida Rock Properties, Inc.) entered into a Joint Venture Agreement with Vulcan Materials Company to jointly own and develop approximately 4,280 acres of land near Brooksville, Florida as a mixed-use community. In April 2011, the Florida Department of Community Affairs issued its Final Order approving the development of the Project consisting of 5,800 residential dwelling units and over 600,000 square feet of commercial and 850,000 of light industrial uses. The Master Plan zoning for the Project was approved by the County in August 2012. Vulcan Materials still mines on the property and the Company receives 100% of the royalty on all tons sold at the Brooksville location. In fiscal 2017 and the transition period, 352,000 and 98,000 tons were sold, respectively, and estimated reserves were 5,248,000 as of December 31, 2017. During 2017, the Company agreed to extend the mining lease on this property for an additional ten years, through the year 2032, in exchange for a requirement to increase production 100,000 tons by December 31, 2023.

Mining Royalty Lands Segment - Other Properties. The segment also owns an additional 1,923 acres of investment properties in Gulf Hammock (approximately 1,600 acres currently on the market for \$4.0 million), Brooksville, Palatka, and Polk County, Florida and Yatesville and Henderson, Georgia.

Land Development and Construction Segment – Warehouse/Office Land.

At December 31, 2017 this segment owned the following future development parcels:

- 1) 20 acres of horizontally developed land available for future construction of an additional 286,500 square feet of warehouse/office product at Lakeside Business Park in Harford County, Maryland.
- 2) 17.5 acres of horizontally developed land available for future construction of 164,500 square feet of office buildings representing our 50% interest in a joint venture at Windlass Run Business Park in Baltimore County, Maryland.
- 3) 18 acres of horizontally developed land available for future construction of 96,047 square feet of warehouse/office product at Patriot Business Park in Prince William County, Virginia.
- 4) 33 acres of horizontally developed land available for future construction of 328,740 square feet of warehouse, office, hotel and flex buildings at Hollander 95 Business Park in Baltimore City, Maryland.

Land Development and Construction Segment – Land Held for Investment or Sale.

- 1) The RiverFront on the Anacostia property is a 5.8 acre parcel of real estate in Washington D.C. that fronts the Anacostia River and is adjacent to the Washington Nationals Baseball Park. The approved planned unit development permits the Company to develop a four building, mixed use project, containing approximately 545,800 square feet of office and retail uses and approximately 569,600 square feet of residential and hotel uses. The approved development would include numerous publicly accessible open spaces and a waterfront esplanade along the Anacostia River. The first building was completed through a joint venture and became our fourth segment in July 2017.

On August 24, 2015, in anticipation of commencing construction of the new Frederick Douglass bridge at a location immediately to the West of the existing bridge, the District of Columbia filed a Declaration of Taking for a total of 7,390 square feet of permanent easement and a 5,022 square foot temporary construction easement on land along the western boundary of the land that will ultimately hold Phase III and IV. Previously, the Company and the District had conceptually agreed to a land swap with no compensation that would have permitted the proposed new bridge, including construction easements, to be on property wholly owned by the District. As a result, the Planned Unit Development was designed and ultimately approved by the Zoning Commission as if the land swap would occur once the District was ready to move forward with the new bridge construction. In September 2016 the Company received \$1,115,400 as settlement for the easement. The Company will continue to seek an agreement from the District that the existing bridge easement will terminate when the new bridge has been placed in service and the existing bridge has been removed. The Company's position is that otherwise Phase IV will be adversely impacted and additional compensation or other relief will be due the Company.

- 2) The Hampstead Trade Center property in Hampstead, Carroll County, Maryland is a 118 acre parcel located adjacent to the State Route 30 bypass. The parcel was previously zoned for industrial use. In the fourth quarter of fiscal 2016, the Company received approval from the Town of Hampstead and has rezoned the property for residential use. Management believes this to be a higher and best use of the property. We are fully engaged in the formal process of seeking PUD entitlements for this 118 acre tract.
- 3) The Square 664E property is approximately 2 acres and sits on the Anacostia River at the base of South Capitol Street approximately 1 mile down river from our RiverFront on the Anacostia property. This property is currently under lease to Vulcan Materials for use as a concrete batch plant. The lease terminates on August 31, 2021 and Vulcan has the option to renew for one additional period of five (5) years. In the quarter ending December 31, 2014, the District of Columbia announced that it had selected an approximate 5 acre site adjacent to this property for the future

construction of the new DC United major league soccer stadium. In March 2017 reconstruction of the bulkhead was completed at a cost of \$4 million in anticipation of future high rise development.

RiverFront on the Anacostia Segment.

In 2014, approximately 2.1 acres (Phase I) of the total 5.8 acres was contributed to a joint venture owned by the Company (77%) and our partner, MRP Realty (23%), and construction commenced in October 2014 on a 305 unit residential apartment building with approximately 18,000 sq. ft. of first floor retail space. Lease up commenced in May 2016 and rent stabilization of the residential units of 90% occupied was achieved in the third quarter of 2017. The attainment of stabilization resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value based on a third party opinion), liabilities and operating results of the joint venture. This consolidation resulted in a gain on remeasurement of investment in real estate partnership of \$60,196,000 of which \$20,469,000 was attributed to the noncontrolling interest. The Company used the fair value amount to calculate adjusted ownership under the Conversion election. As such for financial reporting purposes effective July 1, 2017 the Company ownership is based upon this substantive profit sharing arrangement and is estimated at 66.0% on a prospective basis.

Item 3. LEGAL PROCEEDINGS.

Note 14 to the consolidated financial statements included in the accompanying 2017 Annual Report to Shareholders is incorporated herein by reference.

Item 4. MINE SAFETY DISCLOSURES.

None.

PART II

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

There were approximately 382 holders of record of FRP Holdings, Inc. common stock, \$.10 par value, as of December 31, 2017. The Company's common stock is traded on the Nasdaq Stock Market (Symbol FRPH).

Price Range of Common Stock. Information concerning stock prices is included under the caption "Quarterly Results" on page 7 of the Company's 2017 Annual Report to Shareholders, and such information is incorporated herein by reference.

Dividends. The Company has not paid a cash dividend in the past and it is the present policy of the Board of Directors not to pay cash dividends. Information concerning restrictions on the payment of cash dividends is included in Note 6 to the consolidated financial statements included in the accompanying 2017 Annual Report to Shareholders and such information is incorporated herein by reference.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

(c)
Total
Number of

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased As Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1 Through October 31	—	\$ —	—	\$ 4,883,000
November 1 Through November 30	—	\$ —	—	\$ 4,883,000
December 1 Through December 31	—	\$ —	—	\$ 4,883,000
Total	—	\$ —	—	

(1) On February 4, 2015, the Board of Directors authorized management to expend up to \$5,000,000 to repurchase shares of the Company's common stock from time to time as opportunities arise.

Item 6. SELECTED FINANCIAL DATA.

Information required in response to this Item 6 is included under the caption "Five Year Summary" on page 7 of the Company's 2017 Annual Report to Shareholders and such information is incorporated herein by reference.

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

Information required in response to Item 7 is included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operation" on pages 8 through 18 of the Company's 2017 Annual Report to Shareholders and such information is incorporated herein by reference.

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

Interest Rate Risk - We are exposed to the impact of interest rate changes through our variable-rate borrowings under Credit Agreements with Wells Fargo and First Tennessee Bank.

Under the Wells Fargo Credit Agreement, the applicable margin for borrowings at December 31, 2017 was 1.4%. The applicable margin for such borrowings will be increased in the event that our debt to capitalization ratio as calculated under the Wells Fargo Credit Agreement Facility exceeds a target level.

The applicable borrowing margin at December 31, 2017 with First Tennessee Bank was 1.9%.

The Company did not have any variable rate debt outstanding at December 31, 2017, so a sensitivity analysis was not performed to determine the impact of hypothetical changes in interest rates on the Company's results of operations and cash flows.

For our debt instruments with variable interest rates, changes in interest rates affect the amount of interest expense incurred. The following table provides information about the Company's long-term debt and variable rate debt outstanding at December 31, 2017 (dollars in thousands):

Liabilities:	2018	2019	2020	2021	2022	There after	Total	Fair Value
Scheduled maturities of long-term debt:								
Fixed Rate	\$ 4,463	\$ 3,908	\$ 3,701	\$ 3,456	\$ 4,177	\$ 98,612	\$ 118,317	\$ 122,271
Average interest rate	4.5%	4.5%	4.4%	4.4%	4.3%	4.2%		

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information required in response to this Item 8 is included under the caption "Quarterly Results" on page 7 and on pages 19 through 33 of the Company's 2017 Annual Report to Shareholders. Such information is incorporated herein by reference.

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

None.

Item 9A. CONTROLS AND PROCEDURES.

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in the *Internal Control-Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

Hancock Askew & Co., LLP, the independent registered certified public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited the effectiveness of our internal control over financial reporting as of December 31, 2017, as stated in their report which appears in Item 8.

CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the fourth quarter of 2017, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INHERENT LIMITATIONS OVER INTERNAL CONTROLS

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

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

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

ITEM 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

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

The Company has adopted a Financial Code of Ethical Conduct applicable to its principal executive officers, principal financial officers and principal accounting officers. A copy of this Financial Code of Ethical

Conduct is filed as Exhibit 14 to this Form 10-K. The Financial Code of Ethical Conduct is available on our web site at www.frpholdings.com under the heading *Corporate Governance*.

Item 11. EXECUTIVE COMPENSATION.

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

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

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

Equity Compensation Plan Information

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	174,510	\$ 28.70	544,217
Equity compensation plans not approved by security holders	0	0	0
Total	174,510	\$ 28.70	544,217

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

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

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

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

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE.

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

The response to this item is submitted as a separate section. See Index to Financial Statements and Financial Statement Schedule on page 23 of this Form 10-K.

(3) Exhibits.

The response to this item is submitted as a separate section. See Exhibit Index on pages 21 through 22 of this Form 10-K.

SIGNATURES

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

FRP Holdings, Inc.

Date: March 16, 2018

By JOHN D. BAKER II
John D. Baker II
Chief Executive Officer
(Principal Executive Officer)

By JOHN D. MILTON, JR.
John D. Milton, Jr.
Executive Vice President, Treasurer,
Secretary and Chief Financial Officer
(Principal Financial Officer)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 16, 2018.

/s/ John D. Baker II

John D. Baker II
Executive Chairman and
Chief Executive Officer
(Principal Executive Officer)

/s/ Charles E. Commander III

Charles E. Commander III
Director

/s/ John D. Milton, Jr.

John D. Milton, Jr.
Executive Vice President, Treasurer,
Secretary and Chief Financial Officer
(Principal Financial Officer)

/s/ H. W. Shad III

H. W. Shad III
Director

/s/ John D. Klopfenstein

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

/s/ Martin E. Stein, Jr.

Martin E. Stein, Jr.
Director

/s/ William H. Walton

William H. Walton
Director

FRP HOLDINGS, INC.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
EXHIBIT INDEX
Item 15(a)(3)

- 2.1 Separation and Distribution Agreement, dated as of January 30, 2015, by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc., incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on February 3, 2015.
- 3.1 Second Amended and Restated Articles of Incorporation of FRP Holdings, Inc., adopted February 4, 2015, incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q filed on May 8, 2015.
- 3.2 Third Amended and Restated Bylaws of FRP Holdings, Inc., adopted February 3, 2016, incorporated by reference to Exhibit 3(ii) to the Company's Form 8-K filed on February 5, 2016.
- 4.1 Articles III, V and X of the Second Amended and Restated Articles of Incorporation of FRP Holdings, Inc, incorporated by reference to Exhibit 3.1 of this Form 10-K..
- 10.1 Tax Matters Agreement, dated January 30, 2015 by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc., incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 3, 2015.
- 10.2 Employee Matters Agreement, dated January 30, 2015 by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc., incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on February 3, 2015.
- 10.3 Transition Services Agreement, dated January 30, 2015 by and between FRP Holdings, Inc. and Patriot Transportation Holding, Inc., incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on February 3, 2015.
- 10.4 Credit Agreement, dated January 30, 2015, by and between FRP Holdings, Inc. and Wells Fargo Bank, N.A., incorporated by reference to exhibit 10.1 of the Company's Form 10-Q filed on May 8, 2015.
- 10.5 Loan Agreement, dated July 24, 2015 by and among FRP Development Corp., FRP Manassas and First Tennessee Bank National Association, incorporated by reference to Exhibit 10.5 to the Company's Form 10-K filed on December 11, 2015.
- 10.6 Summary of Medical Reimbursement Plan of FRP Holdings, Inc., incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 1993. File No. 33-26115.
- 10.7 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.
- 10.8 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.
- 10.9 FRP Holdings, 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.
- 10.10 FRP Holdings, 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.
- 10.11 Joint Venture Agreement between Florida Rock Industries, Inc. and Florida Rock Properties, incorporated by reference to an exhibit filed with Form 10-K for the fiscal year ended September 30, 2006. File No. 33-26115.
- 10.12 Letter Agreement between the Company and David H. deVilliers, Jr., incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended December 31, 2007. File No. 33-26115.
- 10.13 Letter Agreement between the Company and John D. Klopfenstein, incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended December 31, 2007. File No. 33-26115.
- 10.14 Limited Liability Company Agreement of RiverFront Investment Partners I LLC. Between FRP RiverFront I LLC and MRP SE Waterfront Residential LLC. incorporated by reference to an exhibit filed with Form 10-Q for the quarter ended June 30, 2013. File No. 33-26115.
- 10.15 Loan Agreement, dated November 17, 2017 between Riverfront Holdings I, LLC and EagleBank, filed herein.
- 13.1 The Company's 2017 Annual Report to shareholders, portions of which are incorporated by reference in this Form 10-K. Those portions of the 2017 Annual Report to Shareholders which are

- not incorporated by reference shall not be deemed to be filed as part of this Form 10-K.
- 14.1 Financial Code of Ethical Conduct between the Company, Chief Executive Officers and Financial Managers, adopted December 3, 2014, incorporated by reference to Exhibit 14 to the Company's Form 10-Q filed on November 9, 2017.
- 21.1 Subsidiaries of Registrant at December 31, 2017: Florida Rock Properties, Inc. (a Florida corporation); FRP Development Corp. (a Maryland corporation); FRP Maryland, Inc. (a Maryland corporation); 34 Loveton Center LLC (a Maryland limited liability company); ; Oz LLC(a Maryland limited liability company); 1502 Quarry, LLC(a Maryland limited liability company); FRP Lakeside LLC #1 (a Maryland limited company); FRP Lakeside LLC #2 (a Maryland limited liability company); FRP Lakeside LLC #3 (a Maryland limited liability company); FRP Lakeside LLC #4 (a Maryland limited liability company); FRP Lakeside LLC #5 (a Maryland limited liability company); FRP Hillside LLC (a Maryland limited liability company); FRP Hillside LLC #2 (a Maryland limited liability company); FRP Hillside LLC #3 (a Maryland limited liability company); FRP Hillside LLC #4 (a Maryland limited liability company); FRP Windsor LLC (a Maryland limited liability company); FRP Dorsey LLC (a Maryland limited liability company); FRP Bird River LLC (a Maryland limited liability company); FRP Interchange LLC (a Maryland limited liability company); FRP Azalea LLC (a Maryland limited liability company); FRP Manassas LLC (a Maryland limited liability company); FRP Hampstead LLC (a Maryland limited liability company); FRP Hollander 95 LLC (a Maryland limited liability company); FRP 10820 Gilroy Road LLC (a Maryland limited liability company); FRP Transit Business Park (a Maryland limited liability company); FRP Kelso LLC (a Maryland limited liability company); FRP Oregon Avenue LLC (a Maryland limited liability company); FRP Preston Court LLC (a Maryland limited liability company); FRP Port Capital LLC (a Maryland limited liability company); Brooksville Quarry, LLC (a Florida limited liability company, 50% owned by the Company); Lake Louisa, LLC (a Florida limited liability company); FRP Riverfront I, LLC (a Delaware limited liability company); Riverfront Investment Partners I, LLC (a Delaware limited liability company, 77.14% owned by the company); Hillside Business Park Property Owners Association, Inc. (a Maryland corporation); Lakeside Business Park Property Owners Association, Inc. (a Maryland limited liability company) FRP Riverfront I, LLC (a Delaware limited liability company).
- 23.1 Consent of Hancock Askew & Co., Inc., Independent Registered Certified Public Accounting Firm, appears on page 24 of this Form 10-K.
- 31.1 Certification of John D. Baker II.
- 31.2 Certification of John D. Milton, Jr.
- 31.3 Certification of John D. Klopfenstein.
- 32.1 Certification of Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer under Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Information Statement of Patriot Transportation Holding, Inc., dated January 12, 2015, incorporated by reference to the Company's Form 8-K filed on January 13, 2015.
- 101.INS XBRL Instance Document
- 101.XSDXBRL Taxonomy Extension Schema
- 101.CALXBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LABXBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

FRP HOLDINGS, INC.
INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE
(Item 15(a) (1) and 2))

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(a) Refers to the page number in the Company's 2017 Annual Report to Shareholders. Such information is incorporated by reference in Item 8 of this Form 10-K.

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

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

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTING FIRM

FRP Holdings, Inc.
Jacksonville, Florida

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-55132, 333-125099, and 333-131475) of FRP Holdings, Inc. of our reports dated March 16, 2018, relating to the consolidated financial statements and the effectiveness of FRP Holdings, Inc.'s internal control over financial reporting which appear in the Annual Report to Shareholders incorporated by reference herein. We also consent to the incorporation by reference of our report dated March 16, 2018 relating to the financial statement schedule, which appears in this Form 10-K.

Respectfully submitted,

Hancock Askew & Co., LLP

Savannah, Georgia
March 16, 2018

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

The Shareholders and Board of Directors
FRP Holdings, Inc.:

Our audit of the consolidated financial statements referred to in our report dated March 16, 2018 appearing in the 2017 Annual Report to Shareholders of FRP Holdings, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

Respectfully submitted,

Hancock Askew & Co., LLP

Savannah, Georgia
March 16, 2018

FRP HOLDINGS, INC.
SCHEDULE III (CONSOLIDATED)-REAL ESTATE & ACCUMULATED DEPRECIATION AND DEPLETION (dollars in thousands)

DECEMBER 31, 2017

County	Encumbrances	Initial cost to Company	Cost capitalized subsequent to acquisition	Gross amount at which carried at end of period (a)	Accumulated Depreciation & Depletion	Year Of Construction	Date Acquired	Depreciation Life Computed on:
<u>Mining Royalty Lands</u>								
Alachua, FL		\$ 1,442	\$ 0	\$ 1,442	\$ 166	n/a	4/86	unit
Clayton, GA		369	0	369	5	n/a	4/86	unit
Fayette, GA		685	200	885	83	n/a	4/86	unit
Lake, FL		402	0	402	158	n/a	4/86	unit
Lake, FL		1,083	0	1,083	986	n/a	4/86	unit
Lake Louisa, FL		11,039	0	11,039	0	n/a	5/12	unit
Lee, FL		4,690	13	4,703	11	n/a	4/86	unit
Monroe, GA		792	0	792	292	n/a	4/86	unit
Muscogee, GA		369	(45)	324	324	n/a	4/86	unit
Prince William, VA		298	0	298	298	n/a	4/86	unit
Putnam, FL		15,002	37	15,039	4,618	n/a	4/86	Unit
Putnam, FL		302	(2)	300	283	n/a	4/86	5 yr.
Spalding, GA		20	0	20	0	n/a	4/86	n/a
Marion, FL		1,180	4	1,184	599	n/a	4/86	Unit
Investment Property		1,629	(101)	1,528	697	n/a	4/86	n/a
	0	39,302	106	39,408	8,520			
<u>Asset Management Properties</u>								
Baltimore, MD	1,551	439	4,814	5,253	3,032	1990	10/89	39 yr.
Baltimore, MD	3,004	950	7,727	8,677	5,136	1994	12/91	39 yr.
Baltimore, MD	720	690	3,355	4,045	1,648	2000	07/99	39 yr.
Baltimore, MD	0	1,435	4,259	5,694	1,304	2008	12/02	39 yr.
Baltimore, MD	0	4,309	310	4,619	423	1999	06/14	39 yr.
Baltimore, MD	0	8,412	1,026	9,438	351	1967	06/16	39 yr.
Baltimore City, MD	4,305	6,094	12,790	18,884	1,708	2016	12/10	39 yr.
Baltimore City, MD	0	7,442	2,051	9,493	1,522	1990	6/13	39 yr.
Duval, FL	0	2,416	541	2,957	2,797	n/a	4/86	25 yr.
Harford, MD	145	31	3,830	3,861	2,288	1998	8/95	39 yr.
Harford, MD	873	50	5,709	5,759	2,745	1999	8/95	39 yr.
Harford, MD	2,093	85	7,187	7,272	3,876	2001	8/95	39 yr.
Harford, MD	1,809	88	10,167	10,255	4,668	2007	8/95	39 yr.
Harford, MD	1,191	155	13,048	13,203	4,880	2009	8/95	39 yr.
Howard, MD	0	2,859	5,513	8,372	4,627	1996	9/88	39 yr.
Howard, MD	651	2,473	1,043	3,516	1,577	2000	3/00	39 yr.
Elkridge, MD	0	8,920	63	8,983	844	1974	10/16	39 yr.
Anne Arundel, MD	7,473	715	9,515	10,230	6,220	1989	9/88	39 yr.
Anne Arundel, MD	3,486	950	14,285	15,235	5,707	2003	5/98	39 yr.
Anne Arundel, MD	0	1,525	10,800	12,325	4,143	2005	8/04	39 yr.
Anne Arundel, MD	3,097	737	5,440	6,177	2,137	2006	1/03	39 yr.
Anne Arundel, MD	0	666	10,642	11,308	3,273	2012	7/07	39 yr.
Norfolk, VA	0	7,512	40	7,552	2,946	2004	10/04	39 yr.
Prince William, VA	0	10,442	39,553	49,995	4,176	2017	12/05	39 yr.
Newcastle Co., DE	0	11,559	3,657	15,216	5,285	2004	4/04	39 yr.
	30,398	80,954	177,365	258,319	77,313			
<u>Land Development and Construction Properties</u>								
Carroll, MD	0	4,720	2,479	7,199	0	n/a	3/08	n/a
Harford, MD	0	92	1,600	1,692	0	n/a	8/95	n/a
Washington D.C.	0	2,957	10,679	13,636	3,044	n/a	4/86	15 yr.
Washington D.C.	0	3,811	4,644	8,455	137	n/a	10/97	n/a
	0	11,580	19,402	30,982	3,181			
<u>Residential Rental Properties</u>								
Washington D.C.	90,000	6,165	142,031	148,196	5,264	2016	07/17	39 yr.
GRAND TOTALS	\$ 120,398	\$ 138,001	\$ 338,904	\$ 476,905	\$ 94,278			

(a) The aggregate cost for Federal income tax purposes is \$378,255.

FRP HOLDINGS, INC.
SCHEDULE III (CONSOLIDATED) - REAL ESTATE AND
ACCUMULATED DEPRECIATION AND DEPLETION
(In thousands)

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Gross Carrying Cost of Real Estate:				
Balance at beginning of period	\$ 313,137	307,473	292,528	286,671
Additions during period:				
Amounts capitalized	163,879	5,664	27,439	6,063
Deductions during period:				
Cost of real estate sold	—	—	(5,011)	—
Other	(111)	—	(7,483) ⁽¹⁾	(206)
Balance at close of period	<u>\$ 476,905</u>	<u>313,137</u>	<u>307,473</u>	<u>292,528</u>
Accumulated Depreciation & Depletion:				
Balance at beginning of period	\$ 81,914	79,973	73,480	67,598
Additions during period:				
Charged to cost & expense	12,448	1,941	6,690	5,902
Deductions during period:				
Real estate sold	—	—	—	—
Other	(84)	—	(197)	(20)
Balance at close of period	<u>\$ 94,278</u>	<u>81,914</u>	<u>79,973</u>	<u>73,480</u>

(1) Includes \$6,828 of property cost transferred to Investment in Joint Ventures for the joint venture partnership with St. John Properties.

Annual Report 2017

CONSOLIDATED FINANCIAL HIGHLIGHTS

(Amounts in thousands except per share amounts)

	Twelve months ended		% Change
	December 31, 2017	September 30, 2016	
Revenues	\$ 43,191	37,457	15.3
Operating profit	\$ 13,605	16,383	(17.0)
Gain on remeasurement of investment in real estate partnership	\$ 60,196	—	—
Income from continuing operations	\$ 60,551	12,024	403.6
Income attributable to noncontrolling interest	\$ 18,801	—	—
Net income	\$ 41,750	12,024	247.2
Per common share:			
Income from continuing operations:			
Basic	\$ 6.07	1.22	397.5
Diluted	\$ 6.03	1.22	394.3
Net income:			
Basic	\$ 4.19	1.22	243.4
Diluted	\$ 4.16	1.22	241.0
Total Assets	\$ 418,734	264,789	58.1
Total Debt	\$ 118,317	41,932	182.2
Shareholders' Equity	\$ 243,530	196,099	24.2
Common Shares Outstanding	10,015	9,867	1.5
Book Value Per Common Share	\$ 24.32	19.87	22.4

BUSINESS. FRP Holdings, Inc. is a holding company engaged in the real estate business, namely (i) warehouse/office building ownership, leasing and management, (ii) mining royalty land ownership, leasing and management and (iii) land acquisition, entitlement, development and construction primarily for warehouse/office buildings and (iv) leasing and management of a residential apartment building. The Company's operating subsidiaries are FRP Development Corp. and Florida Rock Properties, Inc.

OBJECTIVES. The Company's objectives are to continue building a substantial real estate company providing sound long-term growth, cash generation and asset appreciation.

GROWTH PLAN. The growth plan is based on the orderly conversion of our non-income producing lands into income producing properties and the acquisition, development and management of mining royalty lands and commercial warehouse/office rental properties located in appropriate sub-markets in order to provide long-term positive cash flows and capital appreciation.

To Our Shareholders,

2017 was a very big year for your company. Revenues are up \$5,734,000 (15.3%) over 2016, and with the gain from writing up the value of Dock 79, income from continuing operations was \$60,551,000 or \$6.03 per share versus \$12,024,000 or \$1.22 per share last year. That being said, the biggest achievements of 2017 are not necessarily conspicuous in our income statement. In the 15 months since this letter was last written, we have finished construction and stabilized Dock 79, permanently financed it, permitted two aggregate quarries, constructed and fully leased a brand new warehouse, begun construction on our joint venture with St. John Properties, and received formal approval of Phase II of Riverfront on the Anacostia's Planned Unit Development (PUD). In an ordinary year, any one of these events would have been a major achievement for this company. That they all happened since the last letter to shareholders puts the last five quarters among the most important in our history, the results of which will be generating value for this company for a very long time.

Asset Management

For fiscal 2017 in the Asset Management Segment, Net Operating Income (NOI), management's chosen metric for measuring shareholder value creation in that segment, grew 2.7% to \$22,528,000. The increase was due mainly to adding new buildings with 100% occupancy to our Hollander and Patriot business centers. These results are reflective of our goal to create shareholder value by growing earnings and converting non-income producing properties into income producing square feet.

This past year we had an atypically high number of tenants with expiring leases as a result of several five year leases signed in the aftermath of the last recession. In spite of these adverse circumstances, we managed to end the year at 93.1% occupancy versus 89.9% at the end of fiscal 2016, which is an amazing testament to the hard work and ability of our team in Baltimore. Though not as severe, we still have the same problem heading into 2018. However, because our folks in Baltimore succeeded in finding both temporary and more permanent solutions to these vacancies, we are confident that they can deliver again and continue to both protect and grow our existing portfolio. Looking forward to the coming year and beyond, it is our belief that the combination of weathering these lease expirations, maintaining same store NOI, and growing our earnings by continuing to put our non-income producing properties to work will translate into meaningful shareholder value.

Mining Royalty

Total revenues for this segment were down \$292,000 (3.9%) from last year for a total of \$7,241,000. The decline was driven by excessive rain this past spring and summer, downtime from Hurricane Irma, and a regression towards more normal levels of shipments at two of our quarries after particularly busy years. Total operating profit in this segment was \$6,565,000, a decrease of \$233,000 versus \$6,798,000 last year. Despite the downtick, this year still represents this segment's second highest revenue and operating profit numbers since 2008 and is reflective of the economic recovery that the markets served by our properties, particularly in Florida, have experienced since the depths of the downturn.

We had two major developments this year in this segment. In the first quarter, Lee County issued Vulcan a Mine Operating Permit (MOP) for our section of their operations in Ft. Myers, the last of the permits required to begin mining. This action is the culmination of over twenty years of work to get this property fully entitled. Vulcan has now begun mining at this location. Second and more recently, in the fourth quarter, Lake County commissioners voted to approve a permit to Cemex to mine our land in Lake Louisa. It took over half a decade, but we expect the county to issue the MOP sometime in the third quarter. Once our tenant has completed an environmental survey and the work necessary to preparing this site to become an active sand mine, Cemex should begin realizing our reserves by the end of 2019.

Our management continues to believe we are not yet in the late innings of recovery in aggregate shipments. The conditions that have driven demand for the last half decade remain in place and we foresee no change to that. Home supply still lags demand and full employment in this country will continue to translate into labor shortages in the construction business causing a back-log of projects. Furthermore, there remains consensus on both sides of the political aisle that our nation's infrastructure requires a major overhaul. While any spending of that kind would be a boon to construction materials businesses and to this segment, the real home run will be when Congress approves the meaningful and necessary level of investment required to restore our infrastructure to the level one would expect of the richest nation in the world.

Our reserves of more than half a billion tons represent a “long” bet on the Virginia, Georgia, and Florida markets served by our properties. Both the mining leases and the potential “second lives” of these properties reflect our confidence in the long term future growth in this segment.

Land Development and Construction

This segment is the foundation for all our future growth. Our overall goal in this segment is to convert all of our non-income producing lands into income production. Whether through the orderly development of our existing properties to own and operate, joint ventures, and/or selling land to acquire developed assets, this segment is how we leverage and convert potential shareholder value into actual income.

Consistent with our strategy, we completed construction in April on a 103,448 square foot building in Patriot Business Center that is 100% occupied, we have begun construction on a 96,047 square foot building at Patriot Business Center that we expect to finish in the second quarter of 2018, and we expect to begin construction on a 94,290 square foot spec building at Hollander in the second quarter of 2018. Furthermore, this year we made major progress in our joint venture with St. John Properties on what remained of our Windlass Run Business Park. The joint venture secured financing on a \$17,580,000 construction and development loan and began construction on what will be a multi-building business park consisting of approximately 329,000 square feet of office and retail space. Finally, in February 2017, the D.C. Zoning Commission voted 5-0 in favor of the PUD of Phase II of our RiverFront on the Anacostia project. This past quarter we finally passed the appeal period for the PUD, and we expect to begin construction in the second quarter of 2018. The remaining pad sites in our inventory today are fully entitled, located in business parks in two different submarkets in the D.C./Baltimore area, and can support an additional +/- 600,000 sf. of warehouse/office buildings. Beyond our potential commercial sites, we have three interesting pieces of property in Square 664E, the former Hampstead Trade Center, and our Ft. Myers quarry.

Square 664E, our two acres on the Anacostia River at the base of South Capitol Street in an area named Buzzard Point, is approximately one mile down river from our RiverFront on the Anacostia property. As the development of D.C.’s new soccer stadium continues in the Buzzard Point area, our adjacent property may become our next RiverFront.

Though Hampstead was originally purchased as a commercial business park, management determined that the best use for the property was residential, and we have sought to rezone the property for that use in order to sell it and redeploy this capital into assets with more near-term income producing potential. We are fully engaged in the formal process of seeking PUD entitlements for this 118 acre tract.

Finally, now that Vulcan is starting to mine the reserves at Ft. Myers, the second life of that quarry should be upon us within 8-10 years. Once our reserves are depleted on the developable segment of the property, we will have land in place around two lakes sufficient to accommodate up to 105 one acre residential lots. The sale of that many lots of that size in that market should provide significant value to our shareholders.

We will continue to monitor all our sites and their markets, and remain opportunistic regarding their best use.

RiverFront on the Anacostia

In July 2017, Phase I (Dock 79) of RiverFront on the Anacostia, our 300,000 square foot residential apartment building in Washington, D.C., developed by a joint venture with local D.C. developer MRP, reached stabilization. That means 90% of the individual apartments have been leased and are occupied by third party tenants. Upon reaching stabilization, the Company has, for a period of one year, the exclusive right to (i) cause the joint venture to sell the property or (ii) cause the Company’s and MRP’s percentage interests in the joint venture to be adjusted so as to take into account the value of the development at the time of stabilization. The attainment of stabilization also resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value), liabilities and operating results of the joint venture and established the RiverFront on the Anacostia Segment as its fourth segment. This resulted in a gain on remeasurement of investment of \$60.2 million in the third quarter.

At the end of December, Dock 79 was 96.7% leased and 96.1% occupied. As the first “generation” of lease came up for renewal this year, the renewal rate of 58% is in line with expectations while the average rent increase of 3.74% is stronger than we budgeted. Finally, in November, we secured \$90 million in permanent financing for Phase I from EagleBank, the proceeds of which were used to pay off \$79 million of construction and mezzanine debt. The remainder was distributed pari passu between the Company and our partners.

The results of Fiscal 2017 speak to the excellent work of our management team. Looking forward to 2018, we expect the Asset Management Segment once again to rise to the challenge presented by expiring leases, while continuing to put our land bank to work in creating value for our shareholders. We have every expectation that our mining royalties segment should continue to grow and grow meaningfully, especially with the additional royalties from Ft. Myers. RiverFront on the Anacostia continues to impress, as Phase I establishes itself as the premier waterfront residential building in its submarket and construction on Phase II begins.

In conclusion, we thank you not only for your continued interest and support, but also for the faith in management your investment demonstrates. This is your company and we neither take your investment in it lightly nor for granted.

Respectfully yours,

John D. Baker II
C.E.O. and Executive Chairman

OPERATING PROPERTIES

The Company owns (predominately in fee simple but also through ownership of interests in joint ventures) over 20,000 acres of land in Florida, Georgia, Maryland, Virginia, Delaware and the District of Columbia. This land is generally held by the Company in four distinct segments (i) Asset Management Segment (land owned and operated as income producing rental properties in the form of warehouse/office buildings), (ii) Mining Royalty Lands Segment (land owned and leased to mining companies for royalties or rents), (iii) Land Development and Construction Segment (land owned and held for investment to be further developed for future income production or sales to third parties), and (iv) RiverFront on the Anacostia Segment (a 305 unit apartment building with retail on the first floor).

Asset Management Segment. As of December 31, 2017, the Asset Management Segment owned 43 warehouse/office buildings, totaling 3,983,813 square feet, all of which (with the exception of one building) are in the Mid-Atlantic region of the United States as follows:

- 1) Hillside Business Park in Anne Arundel County, Maryland consists of four warehouse/office buildings and one suburban office building totaling 567,473 square feet.
- 2) Lakeside Business Park in Harford County, Maryland consists of nine warehouse/office buildings totaling 893,722 square feet.
- 3) 6920 Tudsbury Road in Baltimore County, Maryland consists of one warehouse/office building totaling 86,100 square feet.
- 4) 8620 Dorsey Run Road in Howard County, Maryland consists of one warehouse/office building totaling 85,100 square feet.
- 5) Rossville Business Center in Baltimore County, Maryland consists of two warehouse/office buildings totaling 190,517 square feet.
- 6) 34 Loveton Circle in suburban Baltimore County, Maryland consists of one office building totaling 33,708 square feet (24% of the space is occupied by the Company for use as our Baltimore headquarters).
- 7) Oregon Business Center in Anne Arundel County, Maryland consists of two warehouse/office buildings totaling 195,615 square feet.
- 8) Arundel Business Center in Howard County, Maryland consists of two warehouse/office buildings totaling 162,796 square feet.
- 9) 100-200 Interchange Boulevard in New Castle County, Delaware consists of two warehouse/office buildings totaling 303,006 square feet.
- 10) Windlass Run Business Park in Baltimore County, Maryland consists of one warehouse/office building totaling 69,474 square feet.
- 11) 155 E. 21st Street in Duval County, Florida consists of one office building totaling 68,757 square feet.
- 12) Hollander 95 Business Park in Baltimore City, Maryland consists of two warehouse/office building totaling 162,350 square feet.
- 13) Patriot Business Park in Prince William County, Virginia consists of four warehouse/office buildings totaling 476,448 square feet.
- 14) Transit Business Park in Baltimore, Maryland consists of five buildings totaling 232,318 square feet.
- 15) Kelso Business Park in Baltimore County, Maryland, consists of two warehouse/office buildings totaling 69,680 square feet.

16) 1187 Azalea Garden Road in Norfolk, VA consists of one warehouse totaling 188,093 square feet.

17) 10820 Gilroy Road in Baltimore County, Maryland, consists of one warehouse/office building totaling 107,438 square feet.

18) 7700 Port Capital Drive in Howard County, Maryland consists of one warehouse/office building totaling 91,218 square feet.

Mining Royalty Lands Segment – Mining Properties. The following table summarizes the Company's mining royalty lands and estimated reserves at December 31, 2017 a substantial portion of which are leased to Vulcan Materials.

	Tons Sold in Year Ended 9/30/2016 <u>(000's)</u>	Tons Sold in Three Months Ended 12/31/2016 <u>(000's)</u>	Tons Sold in Year Ended 12/31/2017 <u>(000's)</u>	Tons of Estimated Reserves at 12/31/2017 <u>(000's)</u>
The Company owns ten locations currently being mined in Grandin, Ft. Myers, Keuka, Newberry, and Astatula, Florida; Columbus, Macon, and Tyrone, Georgia; and Manassas, Virginia comprising approximately 12,742 acres.	6,112	1,755	5,934	454,130
The Company owns four locations that are leased for mining but are not currently being mined in Marion County and two in Lake County, Florida and Forest Park Georgia comprising approximately 2,452 acres	426	0	0	73,368

This table excludes the Brooksville, Florida property, approximately 4,280 acres, as it was transferred on October 4, 2006 to a joint venture with Vulcan Materials Company (“Vulcan Materials”) for future development.

In May, 2014 the Company entered into an amendment to our lease agreement for our Ft. Myers location requiring that the mining be accelerated and that the mining plan be conformed to accommodate the future construction of up to 105 residential dwelling units around the mined lakes. In return, the Company agreed to sell Lee County a right of way for a connector road that would benefit the residential area on our property and to place a conservation easement on part of the property. In April 2017, Lee County issued a Mine Operating Permit that permits mining activity to take place on land owned by the Company in Ft. Myers. This action fully entitled the property and allowed Vulcan to begin production. Mining commenced in September 2017.

In November 2017, Lake County commissioners voted to approve a permit to Cemex to mine the Company’s land in Lake Louisa. The county should issue the mining permit during the third quarter of 2018. After an environmental survey and completing the work necessary to prepare this site to become an active sand mine, Cemex expects to begin mining by the end of 2019.

Mining Royalty Lands Segment - Brooksville Joint Venture. On October 4, 2006, a subsidiary of the Company (Florida Rock Properties, Inc.) entered into a Joint Venture Agreement with Vulcan Materials Company to jointly own and develop approximately 4,280 acres of land near Brooksville, Florida as a mixed-use community. In April 2011, the Florida Department of Community Affairs issued its Final Order approving the development of the Project consisting of 5,800 residential dwelling units and over 600,000 square feet of commercial and 850,000 of light industrial uses. The Master Plan zoning for the Project was approved by the County in August 2012. Vulcan Materials still mines on the

property and the Company receives 100% of the royalty on all tons sold at the Brooksville location. In fiscal 2017 and the transition period, 352,000 and 98,000 tons were sold, respectively, and estimated reserves were 5,248,000 as of December 31, 2017. During 2017, the Company agreed to extend the mining lease on this property for an additional ten years, through the year 2032, in exchange for a requirement to increase production 100,000 tons by December 31, 2023.

Mining Royalty Lands Segment - Other Properties. The segment also owns an additional 1,923 acres of investment properties in Gulf Hammock (approximately 1,600 acres currently on the market for \$4.0 million), Brooksville, Palatka, and Polk County, Florida and Yatesville and Henderson, Georgia.

Land Development and Construction Segment – Warehouse/Office Land.

At December 31, 2017 this segment owned the following future development parcels:

- 1) 20 acres of horizontally developed land available for future construction of an additional 286,500 square feet of warehouse/office product at Lakeside Business Park in Harford County, Maryland.
- 2) 17.5 acres of horizontally developed land available for future construction of 164,500 square feet of office buildings representing our 50% interest in a joint venture at Windlass Run Business Park in Baltimore County, Maryland.
- 3) 18 acres of horizontally developed land available for future construction of 96,047 square feet of warehouse/office product at Patriot Business Park in Prince William County, Virginia.
- 4) 33 acres of horizontally developed land available for future construction of 328,740 square feet of warehouse, office, hotel and flex buildings at Hollander 95 Business Park in Baltimore City, Maryland.

Land Development and Construction Segment – Land Held for Investment or Sale.

- 1) The RiverFront on the Anacostia property is a 5.8 acre parcel of real estate in Washington D.C. that fronts the Anacostia River and is adjacent to the Washington Nationals Baseball Park. The approved planned unit development permits the Company to develop a four building, mixed use project, containing approximately 545,800 square feet of office and retail uses and approximately 569,600 square feet of residential and hotel uses. The approved development would include numerous publicly accessible open spaces and a waterfront esplanade along the Anacostia River. The first building was completed through a joint venture and became our fourth segment in July 2017.

On August 24, 2015, in anticipation of commencing construction of the new Frederick Douglass bridge at a location immediately to the West of the existing bridge, the District of Columbia filed a Declaration of Taking for a total of 7,390 square feet of permanent easement and a 5,022 square foot temporary construction easement on land along the western boundary of the land that will ultimately hold Phase III and IV. Previously, the Company and the District had conceptually agreed to a land swap with no compensation that would have permitted the proposed new bridge, including construction easements, to be on property wholly owned by the District. As a result, the Planned Unit Development was designed and ultimately approved by the Zoning Commission as if the land swap would occur once the District was ready to move forward with the new bridge construction. In September 2016 the Company received \$1,115,400 as settlement for the easement. The Company will continue to seek an agreement from the District that the existing bridge easement will terminate when the new bridge has been placed in service and the existing bridge has been removed. The Company's position is that otherwise Phase IV will be adversely impacted and additional compensation or other relief will be due the Company.

- 2) The Hampstead Trade Center property in Hampstead, Carroll County, Maryland is a 118 acre parcel located adjacent to the State Route 30 bypass. The parcel was previously zoned for industrial use. In the fourth quarter of fiscal 2016, the Company received approval from the Town of Hampstead and has rezoned the property for residential use. Management believes this to be a higher and best use of the property. We are fully engaged in the formal process of seeking PUD entitlements for this 118 acre tract.

- 3) The Square 664E property is approximately 2 acres and sits on the Anacostia River at the base of South Capitol Street approximately 1 mile down river from our RiverFront on the Anacostia property. This property is currently under lease to Vulcan Materials for use as a concrete batch plant. The lease terminates on August 31, 2021 and Vulcan has the option to renew for one additional period of five (5) years. In the quarter ending December 31, 2014, the District of Columbia announced that it had selected an approximate 5 acre site adjacent to this property for the future construction of the new DC United major league soccer stadium. In March 2017 reconstruction of the bulkhead was completed at a cost of \$4 million in anticipation of future high rise development.

RiverFront on the Anacostia Segment.

In 2014, approximately 2.1 acres (Phase I) of the total 5.8 acres was contributed to a joint venture owned by the Company (77%) and our partner, MRP Realty (23%), and construction commenced in October 2014 on a 305 unit residential apartment building with approximately 18,000 sq. ft. of first floor retail space. Lease up commenced in May 2016 and rent stabilization of the residential units of 90% occupied was achieved in the third quarter of 2017. The attainment of stabilization resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value based on a third party opinion), liabilities and operating results of the joint venture. This consolidation resulted in a gain on remeasurement of investment in real estate partnership of \$60,196,000 of which \$20,469,000 was attributed to the noncontrolling interest. The Company used the fair value amount to calculate adjusted ownership under the Conversion election. As such for financial reporting purposes effective July 1, 2017 the Company ownership is based upon this substantive profit sharing arrangement and is estimated at 66.0% on a prospective basis.

Real Estate Summary Schedule at December 31, 2017 (dollars in thousands).

County	Encumb- Rances	Gross Book Cost	Net Book Value	Date Acquired	Revenue Fiscal 2017
<u>Mining Royalty Lands</u>					
Alachua, FL		\$ 1,442	\$ 1,276	4/86	\$ 897
Clayton, GA		369	364	4/86	93
Fayette, GA		885	802	4/86	460
Lake, FL		402	244	4/86	115
Lake, FL		1,083	97	4/86	537
Lake Louisa, FL		11,039	11,039	5/12	939
Lee, FL		4,703	4,692	4/86	370
Monroe, GA		792	500	4/86	1,042
Muscogee, GA		324	0	4/86	306
Prince William, VA		298	0	4/86	483
Putnam, FL		15,039	10,421	4/86	1,541
Putnam, FL		300	17	4/86	0
Spalding, GA		20	20	4/86	6
Marion, FL		1,184	585	4/86	146
Investment Property		1,528	831	4/86	8
Brooksville Joint Venture		7,516	7,516	4/86	298
	0	46,924	38,404		7,241
<u>Asset Management Properties</u>					
Baltimore, MD	1,551	5,932	2,374	10/89	453
Baltimore, MD	3,004	8,677	3,541	12/91	1,369
Baltimore, MD	720	4,045	2,397	7/99	73
Baltimore, MD	0	5,694	4,390	12/02	559
Baltimore, MD	0	4,619	4,196	6/14	703
Baltimore, MD	0	9,438	9,087	6/16	1,000
Baltimore City, MD	4,305	13,838	12,169	12/10	946
Baltimore City, MD	0	9,493	7,971	6/13	1,221
Duval, FL	0	2,957	160	4/86	730
Harford, MD	145	3,861	1,573	8/95	861
Harford, MD	873	5,759	3,014	8/95	1,286
Harford, MD	2,093	7,272	3,396	8/95	954
Harford, MD	1,809	10,255	5,587	8/95	1,659
Harford, MD	1,191	13,203	8,323	8/95	1,247
Howard, MD	0	8,372	3,745	9/88	1,129
Howard, MD	651	3,516	1,939	3/00	573
Elkridge, MD	0	8,983	8,139	10/15	735
Anne Arundel, MD	7,473	10,230	4,010	9/88	1,288
Anne Arundel, MD	3,486	15,235	9,528	5/98	2,318
Anne Arundel, MD	0	12,325	8,182	8/04	1,845
Anne Arundel, MD	3,097	6,177	4,040	1/03	492
Anne Arundel, MD	0	11,308	8,035	7/07	1,100
Norfolk, VA	0	7,552	4,606	10/04	843
Prince William, VA	0	41,949	37,820	12/05	4,895
Newcastle Co., DE	0	15,216	9,931	4/04	1,594
	30,398	245,906	168,153		29,873
<u>Land Development and Construction Properties</u>					
Baltimore, MD	0	5,890	5,890	12/02	0
Baltimore City, MD	0	5,046	5,007	12/10	57
Carroll, MD	0	7,199	7,199	3/08	0
Harford, MD	0	1,692	1,692	8/95	0
Prince William, VA	0	8,045	7,999	12/05	0
Washington D.C.	0	13,636	10,592	4/86	198
Washington D.C.	0	8,455	8,318	10/97	975
	0	49,963	46,697		1,230
Riverfront	90,000	148,196	142,932	07/17	4,847
Grand Totals	\$ 120,398	\$ 490,989	\$ 396,186		\$ 43,191

Five Year Summary

(Amounts in thousands except per share amounts)

	Year ended	Three months	Years ended September 30,			
	December 31,	ended				
	2017	December 31,	2016	2015	2014	2013
Summary of Operations:						
Revenues	\$ 43,191	9,512	37,457	34,646	30,978	27,654
Operating profit	\$ 13,605	4,004	16,383	12,181	9,740	9,315
Interest expense	\$ 4,323	306	1,561	2,014	1,366	2,501
Income from continuing operations	\$ 60,551	1,682	12,024	6,093	5,184	8,614
Per Common Share:						
Basic	\$ 6.07	0.17	1.22	0.62	0.54	0.90
Diluted	\$ 6.03	0.17	1.22	0.62	0.53	0.90
Discontinued Operations, net						
Income attributable to noncontrolling interest	\$ 18,801	—	—	—	—	—
Net income	\$ 41,750	1,682	12,024	8,272	10,019	15,385
Per Common Share:						
Basic	\$ 4.19	0.17	1.22	0.85	1.04	1.62
Diluted	\$ 4.16	0.17	1.22	0.84	1.03	1.60

	December 31,		September 30,			
	2017	2016	2016	2015	2014	2013
Financial Summary:						
Property and equipment, net	\$ 375,604	224,247	220,616	207,205	207,436	202,511
Total assets	\$ 418,734	266,560	264,789	251,737	312,429	286,412
Long-term debt	\$ 118,317	40,745	41,932	47,801	55,314	55,275
Shareholders' equity	\$ 243,530	198,820	196,099	182,342	206,315	192,646
Net Book Value per common share	\$ 24.32	20.05	19.87	18.62	21.26	20.14
Other Data:						
Weighted average common shares - basic	9,975	9,879	9,846	9,756	9,629	9,523
Weighted average common shares - diluted	10,040	9,923	9,890	9,827	9,710	9,605
Number of employees	19	18	18	18	957	886
Shareholders of record	382		414	423	469	497

Quarterly Results (unaudited)

(Dollars in thousands except per share amounts)

	For the Quarter Ended				Total Fiscal Year 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
Revenues	\$ 9,322	9,360	12,054	12,455	43,191
Operating profit	\$ 3,404	3,986	2,828	3,387	13,605
Income from operations	\$ 1,443	1,713	45,184	12,211	60,551
Net income attributable to the Company	\$ 1,443	1,713	25,391	13,203	41,750
Earnings per share (a):					
Net income - basic	\$ 0.15	0.17	2.54	1.32	4.19
Net income - diluted	\$ 0.14	0.17	2.52	1.31	4.16
Market price per common share (b):					
High	\$ 44.40	46.90	47.15	47.65	47.65
Low	\$ 36.00	37.80	43.05	42.35	36.00

	For the Quarter Ended				Total Fiscal Year 2016
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	
Revenues	\$ 8,823	9,615	9,243	9,776	37,457
Operating profit	\$ 6,600	3,509	1,966	4,308	16,383
Income from operations	\$ 7,473	1,820	774	1,957	12,024
Net income attributable to the Company	\$ 7,473	1,820	774	1,957	12,024
Earnings per share (a):					
Net income - basic	\$ 0.76	0.18	0.08	0.20	1.22
Net income - diluted	\$ 0.76	0.18	0.08	0.20	1.22

Market price per common share (b):

High	\$	35.25	36.00	38.11	36.79	38.11
Low	\$	29.00	28.65	29.95	30.92	28.65

(a) Earnings per share of common stock is computed independently for each quarter presented. The sum of the quarterly net earnings per share of common stock for a year may not equal the total for the year due to rounding differences.

(b) All prices represent high and low daily closing prices as reported by The Nasdaq Stock Market.

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

The following discussion includes a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission to supplement the financial results as reported in accordance with GAAP. The non-GAAP financial measure discussed is net operating income (NOI). The Company uses this metric to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. This measure is not, and should not be viewed as, a substitute for GAAP financial measures. Refer to "Non-GAAP Financial Measure" below in this annual report for a more detailed discussion, including reconciliations of this non-GAAP financial measure to its most directly comparable GAAP financial measure.

Executive Overview

FRP Holdings, Inc. ("FRP" or the "Company") is a holding company engaged in the real estate business, namely (i) warehouse/office building ownership, leasing and management, (ii) mining royalty land ownership, leasing and management, and (iii) land acquisition, entitlement, development and construction, and (iv) apartment building investment.

On January 30, 2015, FRP completed the tax-free spin-off of its transportation business ("Spin-off") into a new, separately traded public company, Patriot Transportation Holding, Inc. ("Patriot"). In the Spin-off, FRP distributed all of the outstanding stock of Patriot to FRP's shareholders as of the record date of January 9, 2015. FRP's shareholders received one share of Patriot common stock for every three shares of FRP common stock owned on the record date. Patriot is now an independent publicly-traded company, and FRP retains no ownership in Patriot. FRP retained the real estate business, which is now the sole business of the Company. As a result, the former transportation segment is reported as a discontinued operation without any corporate overhead allocation. Hence, all corporate overhead attributable to the transportation group through the date of the spin-off is included in "corporate expense" on the Company's historical consolidated income statements.

Following the completion of the spin-off of the transportation business, management conducted a strategic review of the Company's real estate operations. As a result of this review, Management determined that the information that the Company's chief operating decision makers regularly review for purposes of allocating resources and assessing performance, had changed. Therefore, beginning with the quarter ending March 31, 2015 (with prior periods adjusted accordingly), the Company is reporting its financial performance based on three reportable segments, Asset Management, Mining Royalty Lands and Land Development and Construction. Our Mining and Royalties segment remains unaffected, but our former Developed Property Rentals segment has been broken down into an Asset Management segment and a Land Development and Construction segment to reflect how management now evaluates the real estate activities previously presented in the Developed Property Rentals segment. The Asset Management segment contains all the developed buildings capable of producing current rental income. The Land Development and Construction segment contains the remaining developable land that is generally in a pre-income production state where objectives are long term capital investment in an effort to bring such property to income producing status or realization of its fair market value through sales or exchange.

RiverFront on the Anacostia became our fourth segment in July, 2017 as we consolidated our joint venture which was formed to construct our first apartment building.

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, construction activity and costs, aggregates sales by lessees from the Company's mining properties, interest rates, market conditions in the Baltimore/Northern Virginia/Washington DC area, and our ability to obtain zoning and entitlements necessary for property development. Internal factors include administrative costs, success in leasing efforts and construction cost management.

Highlights of 2017.

- For fiscal 2017 in the Asset Management Segment, Net Operating Income (NOI), management's chosen metric for measuring shareholder value creation in that segment, grew 2.7% to \$22,528,000.
- In our Mining Royalty Lands Segment Lake Louisa was recommended by the county for mining permit and Ft. Myers received a mining permit and mining commenced in September 2017.
- In our Land Development and Construction Segment we constructed and fully leased a brand new warehouse, begun construction on our joint venture with St. John Properties, and received formal approval of Phase II of Riverfront on the Anacostia's Planned Unit Development (PUD).
- RiverFront on the Anacostia was added as our fourth segment in July 2017 upon lease stabilization of our Dock 79 apartment building.

Asset Management Segment.

The Asset Management segment owns, leases and manages warehouse/office buildings located predominately in the Baltimore/Northern Virginia/Washington, DC market area. We focus primarily on owning flexible type facilities that cater to the maximum number of tenant types. As most of our buildings are less than 150,000 square feet, we focus on local and regional vs. national tenants. Hands-on service provided by our in-house construction and property management teams keeps us close to our tenant base. These practices are the cornerstone of our mission to provide the highest quality product and services at competitive rates resulting in tenant satisfaction and ultimately, retention.

These assets create revenue and cash flows through tenant rental payments, lease management fees and reimbursements for building operating costs. The major cash outlays incurred in this segment are for operating expenses, real estate taxes, building repairs, lease commissions and other lease closing costs, construction of tenant improvements, capital to acquire existing operating buildings and closing costs related thereto and personnel costs of our property management team. Of the 43 buildings we own today, 28 were constructed by the Company through what is now known as our Land Development and Construction segment. Additionally, over the years, we have opportunistically acquired 15 existing operating buildings, typically in connection with a deferred like-kind (Section 1031) exchange opportunity. Today, this segment consists of 4 million square feet.

The following table shows the total developed square footage and occupancy rates of our flex office/warehouse and office parks at December 31, 2017:

<u>Development</u>	<u>Location</u>	<u>Total Sq. feet</u>	<u>% Occupied</u>
Hillside	Anne Arundel Co., MD	567,473	87.7%
Lakeside	Harford Co., MD	893,722	92.3%
Tudsbury	Baltimore Co., MD	86,100	25.2%
Dorsey Run	Howard Co., MD	85,100	100.0%
Rossville	Baltimore Co., MD	190,517	100.0%
Loveton	Baltimore Co., MD	33,708	95.2%
Oregon	Anne Arundel Co., MD	195,615	91.9%
Arundel	Howard Co., MD	162,796	85.2%
Interchange	New Castle Co., DE	303,006	100.0%
Azalea Garden	Norfolk, VA	188,093	100.0%
Windlass Run	Baltimore Co., MD	69,474	100.0%
21st Street	Duval Co., FL	68,757	100.0%
Hollander 95	Baltimore Co., MD	162,350	100.0%
Patriot Business Park	Prince William Co., VA	476,448	100.0%
Transit Business Park	Baltimore Co., MD	232,318	88.0%

Kelso Business Park	Baltimore Co., MD	69,680	94.8%
Port Capital Drive	Howard Co., MC	91,218	100.0%
Gilroy Road	Baltimore Co., MD	107,438	100.0%
		<u>3,983,813</u>	<u>93.1%</u>

Management focuses on several factors to measure our success on a comparative basis in this segment. The major factors we focus on are (1) revenue growth, (2) net operating income, (3) growth in occupied square feet, (4) actual occupancy rate, (5) average annual occupied square feet, (6) average annual occupancy rate (defined as the occupied sf at the end of each month during a fiscal year divided by the number of months to date in that fiscal year as a percentage of the average number of square feet in the portfolio over that same time period), (7) growth of our portfolio (in square feet), and (8) tenant retention success rate (as a percentage of total square feet to be renewed).

Asset Management segment	Year ended	Year ended
	December 31, 2017	September 30, 2016
Revenues	\$29,873,000	\$28,739,000
Net Operating Income (Cash Basis)	\$22,528,000	\$21,944,000
Occupied square feet	3,707,724	3,486,681
Overall occupancy rate	93.1%	89.9%
Average annual occupied sf	3,572,102	3,378,300
Average annual occupancy rate	90.3%	89.8%
Portfolio square feet	3,983,813	3,880,365
Retention Success rate	81%	65%

Mining Royalty Lands Segment.

Our Mining Royalty Lands segment owns several properties comprising approximately 15,000 acres currently under lease for mining rents or royalties (this does not include the 4,280 acres owned in our Brooksville joint venture with Vulcan Materials). Other than one location in Virginia, all of these properties are located in Florida and Georgia. The typical lease in this segment requires the tenant to pay us a royalty based on the number of tons of mined materials sold from our property during a given fiscal year multiplied by a percentage of the average annual sales price per ton sold. As a result of this royalty payment structure, we do not bear the cost risks associated with the mining operations, however, we are subject to the cyclical nature of the construction markets in these States as both volumes and prices tend to fluctuate through those cycles. In certain locations, typically where the reserves on our property have been depleted but the tenant still has a need for the leased land, we collect a fixed annual rental amount. We believe strongly in the potential for future growth in construction in Florida, Georgia, and Virginia which would positively benefit our profitability in this segment. Our mining properties had estimated remaining reserves of 540 million tons as of December 31, 2017 after a total of 6.3 million tons were consumed in fiscal 2017.

The major expenses in this segment are comprised of collection and accounting for royalties, management's oversight of the mining leases, land entitlement for post-mining uses and property taxes at our non-leased locations and at our Grandin location which, unlike our other leased mining locations, are not paid by the tenant. As such, our costs in this business are very low as a percentage of revenue, are relatively stable and are not affected by increases in production at our locations. Our current mining tenants include Vulcan Materials, Martin Marietta and Cemex, among others.

Additionally, these locations provide us with excellent opportunities for valuable "second lives" for these assets through proper land planning and entitlement.

Significant "2nd life" Mining Lands:

<u>Location</u>	<u>Acreage</u>	<u>Status</u>
Brooksville, FL	4,280 +/-	Development of Regional of Impact and County Land Use and Master Zoning in place for 5,800 residential unit, mixed-use

		development
Ft. Myers, FL	1,993 +/-	Approval in place for 105, 1 acre, waterfront residential lots after mining completed.
Gulf Hammock, Fl	1,600 +/-	Currently on the market for \$4 million
Total	7,873 +/-	

Land Development and Construction Segment.

Through our Land Development and Construction segment, we own and are continuously monitoring for their “highest and best use” several parcels of land that are in various stages of development. Our overall strategy in this segment is to convert all of our non-income producing lands into income production through (i) an orderly process of constructing new warehouse/office buildings for us to own and operate or (ii) a sale to, or joint venture with, third parties.

Revenues in this segment are generated predominately from land sales and interim property rents. The significant cash outlays incurred in this segment are for land acquisition costs, entitlement costs, property taxes, design and permitting, the personnel costs of our in-house management team and horizontal and vertical construction costs.

Since 1990, one of our primary strategies in this segment has been to acquire, entitle and ultimately develop commercial/industrial business parks providing 5–15 building pads which we typically convert into warehouse/office buildings. To date, our management team has converted 28 of these pads into developed buildings that we continue to own and manage through the Asset Management segment. Our typical practice has been to transfer these assets to the Asset Management segment on the earlier to occur of (i) commencement of rental revenue or (ii) issuance of the certificate of occupancy. We have also opportunistically sold several of these pad sites over time to third party “users”.

The remaining pad sites in our inventory today are fully entitled, located in business parks in four different submarkets in the DC/Baltimore/Northern Virginia area, and can support an additional +/- .9 million sf. of warehouse/office buildings.

Summary of Our Remaining Lot Inventory:

<u>Location</u>	<u>Acreage</u>	<u>SF +/-</u>	<u>Status</u>
Lakeside, MD	20	286,500	Horizontal development completed. Ready for vertical permitting.
Windlass Run Business Park, MD	17.5 (50% Interest)	164,500 (50% Interest)	Company owns a 50% in a joint venture formed in April 2016 with St. John Properties. The joint venture owns the 35 acres and plans to develop the land into 12 office buildings for a total of 329,000 sq. ft.
Patriot Business Center, Manassas, VA	18	96,047	Under construction
Hollander 95 Business Park, MD	33	328,740	Horizontal development completed.
Total	88.5	875,787	

Having sites ready for vertical construction has rewarded us in the past. It is the main reason why we were able to convert 3 of our finished pads at Patriot Business Park into build-to-suit opportunities in 2012, 2013 and 2014. We completed construction on a 79,550 square foot spec building at Hollander Business Park that was put into service in the third quarter of fiscal 2016 and is 100% occupied. Also in the third quarter of fiscal 2016 we started construction on a 103,448 square foot building in Patriot Business Center that was placed in service in 2017 and 100% occupied as of December 31, 2017. Our final building at Patriot Business Park was under construction in 2017 with an expected completion in the second quarter of 2018. In April, 2016 we entered into a joint venture agreement to develop 12 office buildings on our remaining lots at Windlass Run and on adjacent frontage property owned by St. John Properties. We will continue to actively monitor these submarkets where we have lots ready for construction and take advantage of the opportunities presented to us.

In addition to the inventory of finished building lots, we have several other properties that were either spun-off to us from

Florida Rock Industries in 1986 or acquired by us from unrelated 3rd parties. These properties, as a result of our “highest and best use” studies, are being prepared for income generation through sale or joint venture with third parties, and in certain cases we are leasing these properties on an interim basis for an income stream while we wait for the development market to mature.

Our strategy when selling parcels outright is to attempt to convert the proceeds into income producing real estate for our Asset Management segment through a Section 1031 tax-deferred exchange. An example of this is the Windlass Run 179 acre tract purchased for \$5.2 million in 2002. When purchased, the entire parcel was zoned for commercial/industrial uses. Today, some 70 acres of this original tract makes up our Windlass Run Business Park. We successfully rezoned the remaining acreage for medium density residential development and on April 17, 2013, we entered into a contract to sell the residential portion of the property for \$19 million. The first phase of the Windlass Run residential land was sold for \$8 million and the proceeds were used in a Section 1031 exchange to acquire our Transit Business Park in 2013. Phase 2 was sold in November, 2015 for \$11.1 million and we used \$9.9 million of the proceeds to acquire the fully leased Port Capital Building.

An example of property in this segment being developed through joint venture is Phase I of our RiverFront on the Anacostia project which was contributed to a joint venture with MRP in 2014 and is now complete as a 305 unit apartment building including 18,000 sf of ground floor retail.

Significant Investment Lands Inventory:

Location	<u>Approx. Acreage</u>	<u>Status</u>	<u>NBV</u>
RiverFront on the Anacostia Phases II-IV	3.7	Phase II final design and construction start mid-2018. Approval hearings ongoing.	\$10,592,000
Hampstead Trade Center, MD	118	Residential conceptual design program ongoing	\$7,198,000
Square 664E, on the Anacostia River in DC	2	Under lease to Vulcan Materials as a concrete batch plant through 2021 with one 5 year renewal option.	\$8,318,000
Total	124		\$26,108,000

RIVERFRONT ON THE ANACOSTIA:

This property consists of 5.8 acres on the Anacostia River and is immediately adjacent to the Washington National’s baseball park in the SE Central Business District of Washington, DC. Once zoned for industrial use and under a ground lease, this property is no longer under lease and has been rezoned for the construction of approximately 1.1M square feet of “mixed-use” development in four phases. In 2014, approximately 2.1 acres (Phase I) of the total 5.8 acres was contributed to a joint venture owned by the Company (77%) and our partner, MRP Realty (23%), and construction commenced in October 2014 on a 305 unit residential apartment building with approximately 18,000 sq. ft. of first floor retail space. Lease up commenced in May 2016 and rent stabilization was achieved in the third quarter of 2017. The attainment of stabilization resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at fair value), liabilities and operating results of the joint venture and the property was transferred from the Land Development and Construction Segment to a new segment, RiverFront on the Anacostia. Phases II, III and IV are slated for residential, office, and hotel/residential buildings, respectively, all with permitted first floor retail uses. The company and MRP Realty executed a letter of intent in May 2016 and a Contribution Agreement in February 2017 to develop Phase II but the joint venture is not yet formed. In February, the D.C. Zoning Commission voted 5-0 in favor of the Planned Unit Development (PUD) of Phase II of our RiverFront on the Anacostia project. After formal publishing of the record and a 35 day appeal period we anticipate formal approval in the fourth quarter of this calendar year.

On August 24, 2015, in anticipation of commencing construction of the new Frederick Douglass bridge at a location immediately to the West of the existing bridge, the District of Columbia filed a Declaration of Taking for a total of 7,390 square feet of permanent easement and a 5,022 square foot temporary construction easement on land along the western

boundary of the land that will ultimately hold Phase III and IV. Previously, the Company and the District had conceptually agreed to a land swap with no compensation that would have permitted the proposed new bridge, including construction easements, to be on property wholly owned by the District. As a result, the Planned Unit Development was designed and ultimately approved by the Zoning Commission as if the land swap would occur once the District was ready to move forward with the new bridge construction. In September 2016 the Company received \$1,115,400 as settlement for the easement. The Company will continue to seek an agreement from the District that the existing bridge easement will terminate when the new bridge has been placed in service and the existing bridge has been removed. The Company's position is that otherwise Phase IV will be adversely impacted and additional compensation or other relief will be due the Company.

HAMPSTEAD TRADE CENTER: We purchased this 118 acre tract in 2005 for \$4.3 million in a Section 1031 exchange with plans of developing it as a commercial business park. The "great recession" caused us to reassess our plans for this property. As a result, Management has determined that the prudent course of action is to attempt to rezone the property for residential uses and sell the entire tract to another developer such that we can redeploy this capital into assets with more near-term income producing potential. In the fourth quarter of fiscal 2016, the Company received approval from the Town of Hampstead and has rezoned the property for residential use. We are fully engaged in the formal process of seeking PUD entitlements for this 118 acre tract.

SQUARE 664E, WASHINGTON, DC

This property sits on the Anacostia River at the base of South Capitol Street in an area named Buzzard Point, approximately 1 mile down river from our RiverFront on the Anacostia property. The Square 664E property consists of approximately 2 acres and is currently under lease to Vulcan Materials for use as a concrete batch plant. The lease terminates on August 31, 2021 and Vulcan has the option to renew for one additional period of five (5) years. In the quarter ending December 31, 2014, the District of Columbia announced that it had selected Buzzard Point for the future site of the new DC United major league soccer stadium. The selected stadium location is separated from our property by just one small industrial lot. In March 2017 reconstruction of the bulkhead was completed at a cost of \$4 million in anticipation of future high rise development.

RiverFront on the Anacostia Segment.

In 2014, approximately 2.1 acres (Phase I) of the total 5.8 acres was contributed to a joint venture owned by the Company (77%) and our partner, MRP Realty (23%), and construction commenced in October 2014 on a 305 unit residential apartment building with approximately 18,000 sq. ft. of first floor retail space. Lease up commenced in May 2016 and rent stabilization of the residential units of 90% occupied was achieved in the third quarter of 2017. Upon reaching stabilization, the Company has, for a period of one year, the exclusive right to (i) cause the joint venture to sell the property or (ii) cause the Company's and MRP's percentage interests in the joint venture to be adjusted so as to take into account the contractual payouts assuming a sale at the value of the development at the time of this "Conversion election".

The attainment of stabilization also results in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value based on a third party opinion), liabilities and operating results of the joint venture. This consolidation resulted in a gain on remeasurement of investment in real estate partnership of \$60,196,000 of which \$20,469,000 was attributed to the noncontrolling interest. The Company used the fair value amount to calculate adjusted ownership under the Conversion election. As such for financial reporting purposes effective July 1, 2017 the Company ownership is based upon this substantive profit sharing arrangement and is estimated at 66.0% on a prospective basis.

As of December 31, the residential units were 96.1% occupied and 96.7% leased, while retail units are 80.0% leased with just one space remaining.

COMPARATIVE RESULTS OF OPERATIONS

Fiscal Year 2017 versus Fiscal Year 2016

Consolidated Results

(dollars in thousands)

	Twelve Months Ended		Change	%
	December 31, 2017	September 30, 2016		
Revenues:				
Rental Revenue	\$ 30,385	\$ 24,457	\$ 5,928	24.2%
Mining Royalty and rents	7,153	7,443	(290)	-3.9%
Revenue-Reimbursements	5,653	5,557	96	1.7%
Total Revenues	43,191	37,457	5,734	15.3%
Cost of operations:				
Depreciation/Depletion/Amortization	13,532	8,051	5,481	68.1%
Operating Expenses	5,621	4,624	997	21.6%
Environmental remediation recovery	—	(1,000)	1,000	*
Property Taxes	5,024	4,475	549	12.3%
Management Company indirect	2,029	1,844	185	10.0%
Corporate Expense	3,380	3,080	300	9.7%
Total cost of operations	29,586	21,074	8,512	40.4%
Total operating profit	13,605	16,383	(2,778)	-17.0%
Interest Income and other	—	2	(2)	*
Interest Expense	(4,323)	(1,561)	(2,762)	176.9%
Equity in loss of joint ventures	(1,598)	(978)	(620)	63.4%
Gain on remeasurement of investment in real estate partnership	60,196	—	60,196	*
Gain on investment land sold	—	6,029	(6,029)	*
Income before income taxes	67,880	19,875	48,005	241.5%
Provision for income taxes	7,329	7,851	(522)	-6.3%
Net income	60,551	12,024	48,527	403.6%
Income attributable to noncontrolling interest	18,801	—	18,801	*
Net income attributable to the Company	<u>\$ 41,750</u>	<u>\$ 12,024</u>	<u>\$ 29,726</u>	<u>247.2%</u>

Net income attributable to the Company for 2017 was \$41,750,000 or \$4.16 per share versus \$12,024,000 or \$1.22 per share in the twelve months ended September 30, 2016. The majority of this uptick in income is the result of a gain on remeasurement of investment of \$60.2 million in its Dock 79 real estate partnership, which is included in income from continuing operations before income taxes and the gain of \$12,043,000, or \$1.20 per share, due to a reduction in the provision for income taxes resulting from revaluing the company's net deferred tax liabilities per the Tax Cuts and Jobs Act of 2017. As a result of the stabilization of Dock 79, the Company is now deemed for accounting purposes to have control of the partnership without the transfer of any consideration. As such the non-taxable gain on remeasurement was calculated based on the difference between the carrying value and the fair value of all the assets and liabilities of the partnership. This increase in net income when compared to the twelve months ended September 30, 2016 was also augmented by a prior year \$1,000,000 remediation expense recovery, but mitigated by a \$620,000 increase in equity in loss of joint ventures, primarily as a result of expenses and depreciation during the lease up of Phase I (Dock 79) of RiverFront. Total revenues were \$43,191,000, up 15.3%, versus the twelve months ended September 30, 2016. Consolidated total operating profit was down 17.0% versus the twelve months ended September 30, 2016 because of the over \$5 million increase in depreciation from the change in control of Dock 79.

Fourth quarter 2017 net income included \$12,043,000, or \$1.20 per share, due to a deferred tax benefit resulting from revaluing the company's net deferred tax liabilities per the Tax Cuts and Jobs Act of 2017. The company's net deferred tax liability was reduced as a result of the lower corporate income tax rates applicable to the Company going forward. The adjustment included \$209,000 from reducing the effective tax rate for 2017 from 39.5% to 39.07% as a result of not being required to add to deferred taxes in anticipation of future taxable income in excess of \$10 million where the federal rate increases from 34% to 35%. Our tax rate including the effect of state income taxes, but not including excess tax

benefits from stock option exercises, is projected to decrease from 39.07% to 27.05% starting in 2018.

The construction financing for Dock 79 was refinanced and a prepayment penalty of \$440,000 and the remaining deferred loan costs of \$714,000 were recorded into interest expense in the quarter ending December 31, 2017.

Asset Management

Highlights of 2017

- Revenue was up \$1,134,000, or 3.9%, over the twelve months ended September 30, 2016 due to the addition of income producing square feet to our portfolio and increased total occupancy.

(dollars in thousands)	Twelve Months Ended					
	December 31		September 30		Change	%
	2017	%	2016	%		
Rental revenue	\$ 24,773	82.9%	\$ 23,795	82.8%	\$ 978	4.1%
Revenue-reimbursements	5,100	17.1%	4,944	17.2%	156	3.2%
Total revenue	29,873	100.0%	28,739	100.0%	1,134	3.9%
Depreciation, depletion and amortization	8,110	27.1%	7,689	26.8%	421	5.5%
Operating expenses	3,974	13.3%	4,145	14.4%	(171)	-4.1%
Property taxes	3,156	10.6%	2,718	9.5%	438	16.1%
Management company indirect	834	2.8%	813	2.8%	21	2.6%
Corporate expense	1,917	6.4%	1,591	5.5%	326	20.5%
Cost of operations	17,991	60.2%	16,956	59.0%	1,035	6.1%
Operating profit	\$ 11,882	39.8%	\$ 11,783	41.0%	\$ 99	.8%

Total revenues in this segment were \$29,873,000, up \$1,134,000 or 3.9%, over the twelve months ended September 30, 2016. The increase in revenue is due to the addition of new buildings and increased total occupancy. Net Operating Income in this segment for 2017 was \$22,528,000, compared to \$21,944,000 in the twelve months ended September 30, 2016, an increase of 2.7%.

Depreciation and amortization expense increased primarily because of the purchase of the Gilroy Center in Baltimore County in July of 2016 and the completion of a 79,550 square foot warehouse at Hollander Business Park in April 2016 and a 103,448 square foot warehouse at Patriot Business Center in April of 2017.

Corporate expense increased due to a first quarter stock option modification expense of \$191,000 and increased internal and external audit expense incurred as a result of the conversion from the previous fiscal year (ending September 30) to one that follows the calendar year.

Mining Royalty Lands Segment Results

Highlights of 2017

- Mining Royalty and rents revenue were down \$292,000, or 3.9% versus the twelve months ended September 30, 2016 due to decreases in tonnage at several locations.

(dollars in thousands)	Twelve Months Ended			
	December 31		September 30	
	2017	%	2016	%

Mining Royalty and rents	\$ 7,153	98.8%	7,443	98.8%
Revenue-reimbursements	<u>88</u>	<u>1.2%</u>	<u>90</u>	<u>1.2%</u>
Total revenue	7,241	100.0%	7,533	100.0%
Depreciation, depletion and amortization	110	1.5%	104	1.4%
Operating expenses	159	2.2%	165	2.2%
Property taxes	240	3.3%	235	3.1%
Corporate expense	<u>167</u>	<u>2.3%</u>	<u>231</u>	<u>3.1%</u>
Cost of operations	<u>676</u>	<u>9.3%</u>	<u>735</u>	<u>9.8%</u>
Operating profit	<u>\$ 6,565</u>	<u>90.7%</u>	<u>\$ 6,798</u>	<u>90.2%</u>

Total revenues in this segment were \$7,241,000, a decrease of 3.9%, versus \$7,533,000 in the twelve months ended September 30, 2016. This drop is primarily due a \$152,000 decrease in royalties at our Manassas, Va. quarry, an \$87,000 decrease in royalties at our Newberry, Fl. location, a \$122,000 decrease in royalties at our Keuka, Fl. location, a \$160,000 decrease in royalties at our Tyrone, Ga. quarry, a 48,000 decrease in royalties at our quarry in Columbus, Ga., as well as a \$254,000 decrease in royalties at our Lake Sand, Fl. location. Royalties are down in Manassas because of a \$107,000 downward adjustment in last year's royalties that we recorded in September. Royalties were down in Newberry because of lower volumes than the previous year. 2016 saw a 322,000 ton increase in production at Newberry over the previous year because operational issues in Argos' cement plants in South Carolina and Alabama caused Newberry to increase production to absorb the volumes of those plants. Those issues have been fixed and production at Newberry has returned to a level more in line with the growth rate of years prior to 2016. The dip in royalties at Keuka, like at Newberry, is the result of a return to more normal volumes when compared to the previous year. In 2016, several golf course construction projects led to increased golf sand production. Those projects have been completed, and so 2017 golf sand shipments have been reflective of maintenance activities. Thus Keuka has had lower volumes than the previous year. Royalties were down in Tyrone and Columbus compared to last year because of excessive rainfall. An additional factor at Columbus was no ongoing projects. Royalties have fallen off in Lake Sand as a consequence of Vulcan having fully depleted our proven reserves there. Further capital expenditures would be required by our tenant to change their mining plan at Lake Sand and realize more than three million tons of possible reserves, which we do not anticipate any time soon. Total operating profit in this segment was \$6,565,000, a decrease of \$233,000 versus \$6,798,000 in the twelve months ended September 30, 2016.

In November, Lake County commissioners voted to approve a permit to Cemex to mine our land in Lake Louisa. We expect the county to issue the mining permit during the third quarter of 2018. After an environmental survey and completing the work necessary to prepare this site to become an active sand mine, Cemex expects to begin mining by the end of 2019.

Land Development and Construction Segment Results

Highlights of 2017

- We constructed and fully leased a brand new warehouse, begun construction on our joint venture with St. John Properties, and received formal approval of Phase II of Riverfront on the Anacostia's Planned Unit Development (PUD).

(dollars in thousands)	Twelve months Ended		
	<u>December 31</u>	<u>September 30</u>	<u>Change</u>
	<u>2017</u>	<u>2016</u>	
Rental revenue	\$ 785	662	123
Revenue-reimbursements	<u>445</u>	<u>523</u>	<u>(78)</u>

Total revenue	1,230	1,185	45
Depreciation, depletion and amortization	337	258	79
Operating expenses	200	314	(114)
Environmental remediation recovery	—	(1,000)	1,000
Property taxes	1,108	1,522	(414)
Management company indirect	1,113	1,031	82
Corporate expense	<u>1,231</u>	<u>1,258</u>	<u>(27)</u>
Cost of operations	<u>3,989</u>	<u>3,383</u>	<u>606</u>
Operating loss	<u>\$ (2,759)</u>	<u>(2,198)</u>	<u>(561)</u>

The Land Development and Construction segment is responsible for (i) seeking out and identifying opportunistic purchases of income producing warehouse/office buildings, and (ii) developing our non-income producing properties into income production.

With respect to ongoing projects:

- During the first quarter, we completed construction of the bulkhead at our 664E property on the Anacostia ahead of schedule and under budget.
- Our new spec building at Patriot Business Center was placed in service this past April and is currently 100% leased and occupied
- In February 2017, the D.C. Zoning Commission voted 5-0 in favor of the Planned Unit Development (PUD) of Phase II of our RiverFront on the Anacostia project. This past quarter we finally passed the appeal period for the PUD, and we expect to begin construction in the second quarter of 2018.
- We are fully engaged in the formal process of seeking PUD entitlements for our 118 acre tract in Hampstead, Md.
- We made major progress during the third quarter in our joint venture with St. John Properties on what remained of our Windlass Run Business Park. The JV secured financing on a \$17,580,000 construction and development loan and began construction on what will be a multi-building business park consisting of approximately 329,000 square feet of office and retail space.
- In the fourth quarter, we began construction on a 96,047 square foot building at Patriot Business Center that we expect to finish in the second quarter of 2018.

Because of operating losses and depreciation during the lease up of Dock 79, equity in loss of joint ventures was \$1,598,000 (including a loss of \$40,000 in the Brooksville Joint Venture).

RiverFront on the Anacostia Segment Results

Highlights of 2017:

- Beginning July 1, 2017, the Company consolidated the assets (at current fair value), liabilities and operating results of the joint venture and established the RiverFront on the Anacostia segment as its fourth segment. FRP's share of prior period results are included in the line Equity in loss of joint ventures in the Company's overall Consolidated statements of Income.

(dollars in thousands)	Twelve Months Ended			
	December 31		September 30	
	2017	%	2016	%
Rental revenue	\$ 4,827	99.6%	—	— %
Revenue-reimbursements	<u>20</u>	<u>.4%</u>	<u>—</u>	<u>— %</u>

Total revenue	4,847	100.0%	—	— %
Depreciation and amortization	4,975	102.7%	—	— %
Operating expenses	1,288	26.6%	—	— %
Property taxes	520	10.7%	—	— %
Management company indirect	82	1.7%	—	— %
Corporate expense	65	1.3%	—	— %
Cost of operations	6,930	143.0%	—	— %
Operating profit	<u>\$ (2,083)</u>	<u>-43.0%</u>	<u>\$ —</u>	<u>— %</u>

In July 2017, Phase I (Dock 79) of the development known as RiverFront on the Anacostia in Washington, D.C., a 300,000 square foot residential apartment building developed by a joint venture between the Company and MRP, reached stabilization, meaning 90% of the individual apartments have been leased and are occupied by third party tenants. Upon reaching stabilization, the Company has, for a period of one year, the exclusive right to (i) cause the joint venture to sell the property or (ii) cause the Company's and MRP's percentage interests in the joint venture to be adjusted so as to take into account the value of the development at the time of stabilization. The attainment of stabilization also resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value), liabilities and operating results of the joint venture and established the RiverFront on the Anacostia Segment as its fourth segment. This resulted in a gain on remeasurement of investment of \$60.2 million in the third quarter.

At the end of the year, Dock 79 was 96.7% leased and 96.1% occupied. As the first "generation" of leases came up for renewal this year, the renewal rate of 58% during the fiscal year is in line with expectations while the average rent increase of 3.74% during the fiscal year is stronger than we budgeted. Finally, in November, we secured \$90 million in permanent financing for Phase I from EagleBank, the proceeds of which were used to pay off \$79 million of construction and mezzanine debt. The remainder was distributed pari passu between the Company and our partners.

Fiscal Year 2016 versus 2015

Consolidated Results

(dollars in thousands)

	<u>Years Ended September 30,</u>		Change	%
	<u>2016</u>	<u>2015</u>		
Revenues:				
Rental Revenue	\$ 24,457	\$ 23,410	\$ 1,047	4.5%
Mining Royalty and rents	7,443	5,999	1,444	24.1%
Revenue-Reimbursements	5,557	5,237	320	6.1%
Total Revenues	37,457	34,646	2,811	8.1%
Cost of operations:				
Depreciation/Depletion/Amortization	8,051	7,378	673	9.1%
Operating Expenses	4,624	4,609	15	0.3%
Environmental remediation recovery	(1,000)	—	(1,000)	*
Property Taxes	4,475	4,443	32	0.7%
Mgmt Co Allocation-In	1,844	1,647	197	12.0%
Corporate Expense	3,080	3,307	(227)	-6.9%
Corp Mgmt fee not alloc. to discontinued operations	—	1,081	(1,081)	-100.0%
Total cost of operations	21,074	22,465	(1,391)	-6.2%
Total operating profit	16,383	12,181	4,202	34.5%
Interest Income and other	2	—	2	*
Interest Expense	(1,561)	(2,014)	453	-22.5%
Equity in loss of joint ventures	(978)	(145)	(833)	574.5%
Gain (loss) on investment land sold	6,029	(34)	6,063	17,832.4%

Income from continuing operations before income taxes	19,875	9,988	9,887	99.0%
Provision for income taxes	7,851	3,895	3,956	101.6%
Income from continuing operations	12,024	6,093	5,931	97.3%
Gain from discontinued transportation operations, net of taxes	—	2,179	(2,179)	-100.0%
Net income	\$ 12,024	\$ 8,272	\$ 3,752	45.4%

Income from continuing operations for fiscal 2016 was \$12,024,000 or \$1.22 per share versus \$6,093,000 or \$.62 per share in fiscal 2015. Fiscal 2016 included \$.43 per share from a gain on land sale of \$6,029,000 and income of \$1,000,000 from the \$3 million environmental claim cash settlement received offset by a \$2 million estimated liability for environmental remediation on Phase II. Post Spin-off we reported any net gain/(loss) from the transportation business as “discontinued operations” and we currently have no other discontinued operations being reported. For fiscal 2016 we received no benefit to after tax net income versus a \$2,179,000 benefit in fiscal 2015. Additionally, GAAP accounting rules do not allow corporate overhead expense to be allocated to a discontinued operation of the Company which resulted in fiscal 2015 including \$1,081,000 of corporate overhead expense to the Company that was associated with the discontinued transportation operations.

Total revenues were up \$2,811,000 in fiscal 2016, or 8.1%, versus fiscal 2015. Consolidated adjusted total operating profit in fiscal 2016 (excluding the positive impacts of the environmental settlement/expense (net) in the period and the negative impact of corporate expense not allocable to discontinued operations in the prior year) was up 16% over fiscal 2015.

Asset Management

Highlights of Fiscal 2016

- Revenue was up \$1,169,000, or 4.2%, over the same period in the prior year due to the addition of income producing square feet to our portfolio.

(dollars in thousands)	Years Ended September 30				Change	%
	2016	%	2015	%		
Rental revenue	\$ 23,795	82.8%	\$ 22,946	83.2%	\$ 849	3.7%
Revenue-reimbursements	4,944	17.2%	4,624	16.8%	320	6.9%
Total revenue	28,739	100.0%	27,570	100.0%	1,169	4.2%
Depreciation and amortization	7,689	26.8%	6,963	25.3%	726	10.4%
Operating expenses	4,145	14.4%	3,933	14.3%	212	5.4%
Property taxes	2,718	9.5%	2,651	9.6%	67	2.5%
Management company indirect	813	2.8%	735	2.7%	78	10.6%
Corporate expense	1,591	5.5%	1,248	4.4%	343	27.5%
Cost of operations	16,956	59.0%	15,530	56.3%	1,426	9.2%
Operating profit	\$ 11,783	41.0%	\$ 12,040	43.7%	\$ (257)	-2.1%

Total revenues in this segment were \$28,739,000 in fiscal 2016, up \$1,169,000 or 4.2%, over fiscal 2015. Net operating income in this segment for fiscal 2016 was \$21,944,000, compared to \$21,043,000 in fiscal 2015, an increase of 4.3%. The increase was due mainly to completion of the third build-to-suit in the middle of the 2nd quarter of 2015, the acquisition of the Port Capital building in October of 2015 and the acquisition of the Gilroy Road building in July of 2016.

Depreciation and amortization expense increased primarily due to the two building purchases in fiscal 2016, accelerated

depreciation of \$139,000 for tenant improvements removed for a new tenant, and the write-off of prepaid commissions related to the bankruptcy of one of our tenants, ITT Educational Services. Corporate expense increased due to the Reallocation and higher professional fees.

Mining Royalty Lands Segment Results

Highlights of Fiscal 2016

- Mining Royalty and rents revenue were up \$1,444,000, or 24%, as tons sold continued to increase at several of our locations.

(dollars in thousands)	Years Ended September 30			
	2016	%	2015	%
Mining Royalty and rents	\$ 7,443	98.8%	5,999	98.4%
Revenue-reimbursements	<u>90</u>	<u>1.2%</u>	<u>95</u>	<u>1.6%</u>
Total revenue	7,533	100.0%	6,094	100.0%
Depreciation, depletion and amortization	104	1.4%	133	2.2%
Operating expenses	165	2.2%	251	4.1%
Property taxes	235	3.1%	232	3.8%
Corporate expense	<u>231</u>	<u>3.1%</u>	<u>1,322</u>	<u>21.7%</u>
Cost of operations	<u>735</u>	<u>9.8%</u>	<u>1,938</u>	<u>31.8%</u>
Operating profit	<u>\$ 6,798</u>	<u>90.2%</u>	<u>\$ 4,156</u>	<u>68.2%</u>

Total revenues in this segment were \$7,533,000 in fiscal 2016, an increase of 23.6%, versus \$6,094,000 in fiscal 2015 due to an increase in tons sold. Total operating profit in this segment was \$6,798,000 in fiscal 2016, an increase of \$2,642,000 (inclusive of a \$1,091,000 benefit from the Reallocation), versus \$4,156,000 in fiscal 2015.

Land Development and Construction Segment Results

Highlights of Fiscal 2016

- The Company executed a letter of intent with MRP Realty in May 2016 to develop Phase II of the Riverfront on the Anacostia project and recorded an estimated environmental remediation expense of \$2.0 million for the Company's estimated liability under the proposed agreement.

(dollars in thousands)	Twelve months ended September 30		
	2016	2015	Change
Rental revenue	\$ 662	464	198
Revenue-reimbursements	<u>523</u>	<u>518</u>	<u>5</u>
Total revenue	1,185	982	203
Depreciation, depletion and amortization	258	282	(24)
Operating expenses	314	425	(111)
Environmental remediation recovery	(1,000)	—	(1,000)
Property taxes	1,522	1,560	(38)
Management company indirect	1,031	912	119
Corporate expense	<u>1,258</u>	<u>737</u>	<u>521</u>

Cost of operations	<u>3,383</u>	<u>3,916</u>	<u>(533)</u>
Operating loss	<u>\$ (2,198)</u>	<u>(2,934)</u>	<u>736</u>

Beyond the aforementioned rezoning of Hampstead and settling the easement at Anacostia, during fiscal 2016 this segment successfully closed on the sale of Phase II of the Windlass Run residential land (a non-income producing property) for \$11,288,000. Using \$9,900,000 of the proceeds from that sale in a Section 1031 exchange, the Asset Management segment acquired the Port Capital building, a 91,218 square foot, 100% occupied warehouse with first full year projected rental revenue of \$594,000. Management successfully completed negotiations and entered into a \$3,000,000 settlement of environmental claims against our former tenant at the Riverfront on the Anacostia property and continued to pursue settlement negotiations with other potentially responsible parties. The Company executed a letter of intent with MRP Realty in May 2016 to develop Phase II of the Riverfront on the Anacostia project and recorded an estimated environmental remediation expense of \$2.0 million for the Company's estimated liability under the proposed agreement. Construction of the 79,550 square foot spec warehouse at Hollander Business Park was completed during the third quarter of fiscal 2016 and was transferred to the Asset Management segment for lease-up. Also in the third quarter of fiscal 2016 we started construction on a 103,653 square foot building in Patriot Business Center and pre-leased 51,727 square feet.

LIQUIDITY AND CAPITAL RESOURCES

The growth of the Company's businesses requires significant cash needs to acquire and develop land or operating buildings and to construct new buildings and tenant improvements. As of December 31, 2017, we had no debt borrowed under our \$20 million Wells Fargo revolver, \$2,297,000 outstanding under letters of credit and \$17,703,000 available to borrow under the revolver. The Company closed on a \$20 million secured revolver with First Tennessee Bank on July 24, 2015 and as of December 31, 2017, there was no debt borrowed and \$20,000,000 available to borrow under the revolver. The Company expects to close on a second facility with First Tennessee Bank with a \$20 million ten year term loan secured by to-be-determined collateral. In November, we secured \$90 million in permanent financing for Dock 79 from EagleBank, the proceeds of which were used to pay off \$79 million of construction and mezzanine debt. The remainder was distributed pari passu between the Company and our partners.

Cash Flows - The following table summarizes our cash flows from operating, investing and financing activities for each of the periods presented (in thousands of dollars):

	<u>Year ended December 31, 2017</u>	<u>Three months ended December 31, 2016</u>	<u>Year ended September 30, 2016</u>	<u>Year ended September 30, 2015</u>
Total cash provided by (used for):				
Operating activities	21,059	5,590	19,490	17,226
Investing activities	(17,321)	(5,575)	(15,039)	(9,708)
Financing activities	786	(15)	(4,870)	(8,112)
Increase (decrease) in cash and cash equivalents	4,524	—	(419)	(594)
Outstanding debt at the beginning of the period	40,745	41,932	47,801	55,314
Outstanding debt at the end of the period	118,317	40,745	41,932	47,801

Operating Activities - Net cash provided by operating activities increased \$1,569,000 to \$21,059,000 for the year ended December 31, 2017 compared to the year ended September 30, 2016. The total of net income plus depreciation, depletion and amortization less gains on sales of property and equipment less gains on remeasurement increased \$693,000 versus the year ended September 30, 2016. These changes are described above under "Comparative Results of Operations". Equity in the loss of joint ventures was \$1,598,000 in fiscal 2017 primarily as a result of expenses and depreciation during the lease up of Dock 79. Deferred income tax liabilities increased by \$9,527,000 primarily due to consolidation of the assets (at current fair value), liabilities and operating results of the RiverFront joint venture. Income tax receivable was \$2,962,000 at December 31, 2017 compared to income tax payable of \$13,000 at September 30, 2016, primarily due to the bonus depreciation on Dock 79 and other assets impacted by the enactment of the Tax Cuts and Jobs Act.

In 2016, net cash provided by operating activities was \$19,490,000 compared to \$17,226,000 in 2015.

Investing Activities - For the year ended December 31, 2017, cash required by investing activities increased \$2,282,000 to \$17,321,000 over the year ended September 30, 2016.

In 2016, cash required by investing activities was \$15,039,000 compared to \$9,708,000 in 2015 due to increased construction activity in 2016. Proceeds from the sale of the Windlass Run Residential Phase 2 property of \$11,288,000 was used in a tax deferred reverse Section 1031 exchange to acquire the Port Capital property for a total purchase price of \$9,900,000. In July, 2016 the Gilroy Road building was purchased for \$8,300,000.

Financing Activities – For the year ended December 31, 2017, cash provided by financing activities was \$786,000 versus cash required of \$4,870,000 in 2016. In November, we secured \$90 million in permanent financing for Dock 79 from EagleBank, the proceeds of which were used to pay off \$79 million of construction and mezzanine debt. The remainder was distributed *pari passu* between the Company and our partners.

In 2016, cash required by financing activities was \$4,870,000 compared to \$8,112,000 in 2015. In January 2015 the Company prepaid the \$1,314,000 remaining principal balance on 8.55% and 7.95% mortgages. The prepayment penalty of \$116,000 is included in interest expense. The remaining deferred loan costs of \$15,000 were also included in interest expense.

Credit Facilities - On January 30, 2015, in connection with the Spin-off, the Company terminated its \$55 million credit facility entered with Wells Fargo Bank, N.A. in 2012 and simultaneously entered into a new five year credit agreement with Wells Fargo with a maximum facility amount of \$20 million (the "Credit Agreement"). The Credit Agreement provides a revolving credit facility (the "Revolver") with a \$10 million sublimit available for standby letters of credit. At the time of the Spin-off, the Company refinanced \$10,483,000 of borrowings then outstanding on the terminated revolver.

As of December 31, 2017, there was no debt outstanding on the revolver and \$2,297,000 outstanding under letters of credit and \$17,703,000 available for borrowing. The letters of credit were issued to guarantee certain obligations to state agencies related to real estate development. Most of the letters of credit are irrevocable for a period of one year and typically are automatically extended for additional one-year periods. The Revolver bears interest at a rate of 1.4% 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 credit agreement contains certain conditions and financial covenants, including a minimum \$110 million tangible net worth. As of December 31, 2017, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of \$86.3 million combined. The Company was in compliance with all covenants as of December 31, 2017.

During the first quarter of fiscal 2015, the Company announced the execution of a commitment from First Tennessee Bank to provide up to \$40 million dollars of mortgage backed financing in two separate facilities. On July 24, 2015 the Company closed on a five year, \$20 million secured revolver with a twenty-four month window to convert up to the full amount of the facility into a ten year term loan. Interest accrues at 1.90% over one month LIBOR plus an annual commitment fee of 0.10%. As of December 31, 2017, there was no debt outstanding on the revolver and \$20,000,000 available for borrowing. The second facility is a \$20 million ten year term loan secured by to-be-determined collateral from our current pool of unencumbered warehouse/office properties. The purpose of these loans is to facilitate growth through new construction in the Land Development and Construction segment and/or acquisition of existing, operating buildings to be added to the Asset Management segment.

On November 17, 2017, Riverfront Holdings I, LLC (the "Joint Venture") refinanced the Dock 79 project pursuant to a Loan Agreement and Deed of Trust Note entered into with EagleBank ("Loan Documents"). The Joint Venture, which was formed between FRP Holdings, Inc. (the "Company") and MRP SE Waterfront Residential, LLC ("MRP") in 2014 in connection with the development of the Riverfront on the Anacostia property, borrowed a principal sum of \$90,000,000 in connection with the refinancing. The loan is secured by the Dock 79 real property and improvements, bears a fixed interest rate of 4.125% per annum and has a term of 120 months. During the first 48 months of the loan term, the Joint Venture will make monthly payments of interest only, and thereafter, make monthly payments of principal and interest in equal installments based upon a 30-year amortization period. The loan is a non-recourse loan. However, all amounts due

under the Loan Documents will become immediately due upon an event of default by the Joint Venture, such events including, without limitation, Joint Venture's (i) failure to: pay, permit inspections or observe covenants under the Loan Documents, (ii) breach of representations made under the Loan Documents (iii) voluntary or involuntary bankruptcy, and (iv) dissolution, or the dissolution of the guarantor. MidAtlantic Realty Partners, LLC, an affiliate of MRP, has executed a carve-out guaranty in connection with the loan.

Cash Requirements – The Board of Directors has authorized Management to repurchase shares of the Company's common stock from time to time as opportunities arise. During fiscal 2017 the Company repurchased 2,000 shares of stock. As of December 31, 2017, \$4,883,000 was authorized for future repurchases of common stock. The Company does not currently pay any cash dividends on common stock.

The Company expended capital of \$16,610,000 during fiscal 2017. These capital expenditures were funded mostly out of cash generation from operations and property sales or partly from borrowings under our credit facilities.

Non-GAAP Financial Measures.

To supplement the financial results presented in accordance with GAAP, FRP presents a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measure included in this Annual Report on Form 10-K is net operating income (NOI). FRP uses this non-GAAP financial measure to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. This measure is not, and should not be viewed as, a substitute for GAAP financial measures.

Net Operating Income Reconciliation

Twelve months ended 12/31/17 (in thousands)

	Asset Management Segment	Land Development Segment	Dock 79 Segment	Mining Royalties Segment	Unallocated Corporate Expense	FRP Holdings Totals
Income (loss) from continuing operations	6,392	(1,677)	39,837	3,956	12,043	60,551
Income Tax Allocation	4,150	(1,082)	13,735	2,569	(12,043)	7,329
Income (loss) from continuing operations before income taxes	10,542	(2,759)	53,572	6,525	—	67,880
Less:						
Gain on remeasurement of investment in real estate partnership	—	—	60,196			
Lease intangible rents	6	—	—			
Unrealized rents	210	—	123			
Plus:						
Equity in loss of Joint Venture	—	—	1,558			
Interest Expense	1,340	—	2,983			
Depreciation/Amortization	8,111	335	4,975			
Management Co. Indirect	834	1,113	82			
Allocated Corporate Expenses	1,917	1,231	65			
Net Operating Income (loss)	22,528	(80)	2,916			

Net Operating Income Reconciliation

Twelve months ended 9/30/16 (in thousands)

	Asset Management Segment	Land Development Segment	Mining Royalties Segment	Unallocated Corporate Expenses	FRP Holdings Totals
Income from continuing operations	6,188	1,738	4,098	—	12,024
Income Tax Allocation	4,041	1,134	2,676	—	7,851
Inc. from continuing operations before income taxes	10,229	2,872	6,774	—	19,875
Less:					
Gains on investment land sold	8	6,006			
Lease intangible rents	27	—			
Other income	—	2			
Plus:					
Unrealized rents	95	—			

Equity in loss of Joint Venture	—	938
Interest Expense	1,562	—
Depreciation/Amortization	7,689	258
Management Co. Indirect	813	1,031
Allocated Corporate Expenses	<u>1,591</u>	<u>1,257</u>
Net Operating Income	21,944	348

Net Operating Income Reconciliation
Twelve months ended 9/30/15 (in thousands)

	Asset Management Segment	Land Development Segment	Mining Royalties Segment	Unallocated Corporate Expenses	FRP Holdings Totals
Income from continuing operations	6,146	(1,874)	2,480	(659)	6,093
Income Tax Allocation	<u>3,930</u>	<u>(1,199)</u>	<u>1,586</u>	<u>(422)</u>	<u>3,895</u>
Inc. from continuing operations before income taxes	10,076	(3,073)	4,066	(1,081)	9,988
Less:					
Lease intangible rents	53	—			
Plus:					
Loss on investment land sold	—	34			
Unrealized rents	110	—			
Equity in loss of Joint Venture	—	105			
Interest Expense	1,964	—			
Depreciation/Amortization	6,963	282			
Management Co. Indirect	735	912			
Allocated Corporate Expenses	<u>1,248</u>	<u>737</u>			
Net Operating Income (loss)	21,043	(1,003)			

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES

Management of the Company considers the following accounting policies critical to the reported operations of the Company:

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

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

	<u>Years</u>
Buildings and improvements	3-39

Depletion of sand and stone deposits is computed on the basis of units of production in relation to estimated reserves.

The Company periodically reviews property and equipment for potential impairment whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. This review consists of comparing cap rates on recent cash flows and market value estimates to the carrying values of each asset group. If this review indicates the carrying value might exceed fair value then an estimate of future cash flows for the remaining useful life of each property is prepared considering anticipated vacancy, lease rates, and any future capital expenditures. The Company's estimated holding period for developed buildings with current vacancies is long enough that the undiscounted cash flows exceed the carrying value of the properties and thus no impairment loss is recorded. Changes in estimates or assumptions could have an impact on the Company's financials.

All direct and indirect costs, including interest and real estate taxes, associated with the development, construction, leasing or expansion of real estate investments are capitalized as a development cost of the property. Included in indirect costs is an estimate of internal costs associated with development and rental of real estate investments. Changes in estimates or assumptions could have an impact on the Company's financials.

Income Taxes. The Company accounts for income taxes under the asset-and-liability method. Deferred tax assets and liabilities represent items that will result in taxable income or a tax deduction in future years for which the related tax expense or benefit has already been recorded in our statement of earnings. Deferred tax accounts arise as a result of timing differences between when items are recognized in the Consolidated Financial Statements compared with when they are recognized in the tax returns. The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent recovery is not probable, a valuation allowance is established and included as an expense as part of our income tax provision. No valuation allowance was recorded at December 31, 2017, as all deferred tax assets are considered more likely than not to be realized. Significant judgment is required in determining and assessing the impact of complex tax laws and certain tax-related contingencies on the provision for income taxes. As part of the calculation of the provision for income taxes, we assess whether the benefits of our tax positions are at least more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we accrue the largest amount of the benefit that is more likely than not of being sustained in our consolidated financial statements. Such accruals require estimates and judgments, whereby actual results could vary materially from these estimates. Further, a number of years may elapse before a particular matter, for which an established accrual was made, is audited and resolved.

CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2017:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Mortgages Including Interest	\$ 175,054	11,042	19,856	19,165	124,991
Purchase Commitments	<u>2,677</u>	<u>2,677</u>	-	-	-
Total Obligations	<u>\$ 177,731</u>	<u>13,719</u>	<u>19,856</u>	<u>19,165</u>	<u>124,991</u>

INFLATION

Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operations. Substantially all of the Company's royalty agreements are based on a percentage of the sales price of the related mined items. Minimum royalties and substantially all lease agreements provide escalation provisions.

SEASONALITY

The Company's business is subject to limited seasonality due to the cyclical nature of our royalty revenues with revenues generally declining slightly during winter months.

FORWARD LOOKING STATEMENTS

Certain matters discussed in this report contain forward-looking statements, including without limitation relating to the Company's plans, strategies, objectives, expectations, intentions, capital expenditures, future liquidity, and plans and timetables for completion of pending development projects. The words or phrases "anticipate," "estimate," "believe," "budget," "continue," "could," "intend," "may," "plan," "potential," "predict," "seek," "should," "will," "would," "expect," "objective," "projection," "forecast," "goal," "guidance," "outlook," "effort," "target" and similar expressions identify forward-looking statements. 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: levels of construction activity in the markets served by our mining properties; risk insurance markets; availability and terms of financing; competition; 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.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Revenues:				
Rental revenue	\$ 30,385	6,328	24,457	23,410
Mining Royalty and rents	7,153	1,857	7,443	5,999
Revenue – reimbursements	5,653	1,327	5,557	5,237
Total Revenues	43,191	9,512	37,457	34,646
Cost of operations:				
Depreciation, depletion and amortization	13,532	2,095	8,051	7,378
Operating expenses	5,621	994	4,624	4,609
Environmental remediation recovery	—	—	(1,000)	—
Property taxes	5,024	1,089	4,475	4,443
Management company indirect	2,029	475	1,844	1,647
Corporate expenses (Note 4 Related Party)	3,380	855	3,080	4,388
Total cost of operations	29,586	5,508	21,074	22,465
Total operating profit	13,605	4,004	16,383	12,181
Interest income	—	—	2	—
Interest expense	(4,323)	(306)	(1,561)	(2,014)
Equity in loss of joint ventures	(1,598)	(1,119)	(978)	(145)
Gain on remeasurement of investment in real estate partnership	60,196	—	—	—
Gain (Loss) on investment land sold	—	—	6,029	(34)
Income from continuing operations before income taxes	67,880	2,579	19,875	9,988
Provision for income taxes	7,329	897	7,851	3,895
Income from continuing operations	60,551	1,682	12,024	6,093
Gain from discontinued transportation operations, net of taxes	—	—	—	2,179
Net income	60,551	1,682	12,024	8,272
Income attributable to noncontrolling interest	18,801	—	—	—
Net income attributable to the Company	<u>\$ 41,750</u>	<u>1,682</u>	<u>12,024</u>	<u>8,272</u>
Earnings per common share:				
Income from continuing operations-				
Basic	\$ 6.07	0.17	1.22	0.62
Diluted	\$ 6.03	0.17	1.22	0.62
Discontinued operations-				
Basic	\$ —	—	—	0.23
Diluted	\$ —	—	—	0.22
Net Income-				
Basic	\$ 4.19	0.17	1.22	0.85
Diluted	\$ 4.16	0.17	1.22	0.84
Number of shares (in thousands) used in computing:				
-basic earnings per common share	9,975	9,879	9,846	9,756
-diluted earnings per common share	10,040	9,923	9,890	9,827

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year ended December 31, <u>2017</u>	Three months ended December 31, <u>2016</u>	Year ended September 30, <u>2016</u>	Year ended September 30, <u>2015</u>
Revenues:				
Net income	\$ 60,551	1,682	12,024	8,272
Other comprehensive income (loss) net of tax:				
Spin-off adjustment	—	—	—	(53)
Minimum pension liability	24	(6)	26	7
Comprehensive income	<u>\$ 60,575</u>	<u>1,676</u>	<u>12,050</u>	<u>8,226</u>
Less comp. income attributable to noncontrolling interest	<u>18,801</u>	<u>—</u>	<u>—</u>	<u>—</u>
Comprehensive income attributable to the Company	\$ 41,774	1,676	12,050	8,226

See accompanying notes.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31, 2017	December 31, 2016	September 30, 2016
Assets:			
Real estate investments at cost:			
Land	\$ 127,700	99,417	99,357
Buildings and improvements	334,327	195,443	193,283
Projects under construction	<u>8,381</u>	<u>11,779</u>	<u>8,592</u>
Total investments in properties	470,408	306,639	301,232
Less accumulated depreciation and depletion	<u>94,804</u>	<u>82,392</u>	<u>80,616</u>
Net investments in properties	<u>375,604</u>	<u>224,247</u>	<u>220,616</u>
Real estate held for investment, at cost	7,176	7,176	7,176
Investment in joint ventures	<u>13,406</u>	<u>22,901</u>	<u>23,854</u>
Net real estate investments	<u>396,186</u>	<u>254,324</u>	<u>251,646</u>
Cash and cash equivalents	4,524	—	—
Cash held in escrow	333	—	—
Accounts receivable, net	1,020	710	987
Federal and state income taxes receivable	2,962	—	—
Unrealized rents	4,311	4,562	4,657
Deferred costs	9,217	6,786	7,321
Other assets	181	178	178
Total assets	<u>\$ 418,734</u>	<u>266,560</u>	<u>264,789</u>
Liabilities:			
Line of credit payable	\$ —	6,665	6,807
Secured notes payable, current portion	4,463	4,526	4,455
Secured notes payable, less current portion	113,854	29,554	30,670
Accounts payable and accrued liabilities	4,370	3,747	4,344
Environmental remediation liability	2,037	2,037	2,037
Bank overdraft	—	254	6
Federal and state income taxes payable	—	887	13
Deferred revenue	1,074	1,126	1,423
Deferred income taxes	25,982	16,455	16,436
Deferred compensation	1,457	1,475	1,453
Deferred lease intangible, net	—	9	14
Tenant security deposits	915	1,005	1,032
Total liabilities	<u>154,152</u>	<u>67,740</u>	<u>68,690</u>
Commitments and contingencies (Note 14 & 15)			
Equity:			
Common stock, \$.10 par value	1,001	991	987
25,000,000 shares authorized, 10,014,667, 9,914,054 and 9,867,279 shares issued and outstanding, respectively			
Capital in excess of par value	55,636	52,647	51,606
Retained earnings	186,855	145,168	143,486
Accumulated other comprehensive income, net	<u>38</u>	<u>14</u>	<u>20</u>
Total shareholders' equity	243,530	198,820	196,099
Noncontrolling interest MRP	<u>21,052</u>	<u>—</u>	<u>—</u>
Total equity	<u>264,582</u>	<u>198,820</u>	<u>196,099</u>
Total liabilities and shareholders' equity	<u>\$ 418,734</u>	<u>266,560</u>	<u>264,789</u>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Cash flows from operating activities:				
Net income	\$ 60,551	1,682	12,024	8,272
Adjustments to reconcile net income to net cash provided by continuing operating activities:				
Income from discontinued operations, net	—	—	—	(2,179)
Depreciation, depletion and amortization	14,591	2,171	8,288	7,533
Deferred income taxes	9,527	19	1,895	1,572
Equity in loss of joint ventures	1,598	1,119	978	145
Gain on remeasurement of invest in real estate partnership	(60,196)	—	—	—
Loss (gain) on sale of equipment and property	12	—	(6,047)	138
Stock-based compensation	713	79	578	803
Net changes in operating assets and liabilities:				
Accounts receivable	(270)	277	(209)	349
Deferred costs and other assets	(1,168)	274	(1,816)	(1,489)
Accounts payable and accrued liabilities	(333)	(895)	3,237	(2,024)
Income taxes payable and receivable	(3,849)	874	406	(965)
Other long-term liabilities	(117)	(10)	156	87
Net cash provided by operating activities of continuing operations	21,059	5,590	19,490	12,242
Net cash provided by operating activities of discontinued operations	—	—	—	4,984
Net cash provided by operating activities	<u>21,059</u>	<u>5,590</u>	<u>19,490</u>	<u>17,226</u>
Cash flows from investing activities:				
Investments in properties	(16,610)	(5,407)	(27,554)	(6,493)
Investments in joint ventures	(693)	(168)	(929)	(625)
Proceeds from sale of assets	16	—	13,444	43
Cash at consolidation of real estate partnership	2,295	—	—	—
Cash distributed to non-controlling interest	(2,167)	—	—	—
Cash held in escrow	(162)	—	—	61
Net cash used in investment activities of continuing operations	(17,321)	(5,575)	(15,039)	(7,014)
Net cash used in investing activities of discontinued operations	—	—	—	(2,694)
Net cash used in investing activities	<u>(17,321)</u>	<u>(5,575)</u>	<u>(15,039)</u>	<u>(9,708)</u>
Cash flows from financing activities:				
Increase (decrease) in bank overdrafts	(254)	248	6	—
Proceeds from long-term debt	90,496	—	—	—
Repayment of long-term debt	(83,608)	(1,088)	(4,179)	(5,402)
Proceeds from borrowing on revolving credit facility	13,420	7,832	29,583	19,400
Payment on revolving credit facility	(20,085)	(7,974)	(31,270)	(21,269)
Debt issue costs	(1,406)	—	(139)	(397)
Repurchase of company stock	(74)	—	(43)	—
Excess tax benefits from exercises of stock options	—	—	—	175
Exercise of employee stock options	2,297	967	1,172	1,012
Net cash provided by (used in) financing activities of continuing operations	786	(15)	(4,870)	(6,481)
Net cash used in financing activities of discontinued operations	—	—	—	(1,631)
Net cash provided by (used in) financing activities	<u>786</u>	<u>(15)</u>	<u>(4,870)</u>	<u>(8,112)</u>
Net increase (decrease) in cash and cash equivalents	4,524	—	(419)	(594)
Cash and cash equivalents at beginning of year	—	—	419	1,013
Cash and cash equivalents at end of the year	<u>\$ 4,524</u>	<u>—</u>	<u>—</u>	<u>419</u>
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest, net of capitalized amounts	\$ 4,673	261	1,538	2,335
Income taxes	\$ 1,657	—	5,565	3,923
See accompanying notes.				

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Stock		Capital in	Retained	Accumulated Other Comprehensive Income, net of tax	Total Share Holders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount	Excess of Par Value	Earnings				
Balance at October 1, 2014	9,703,270	\$ 970	\$47,892	\$ 157,413	\$ 40	\$206,315	\$ —	\$206,315
Exercise of stock options	72,300	7	1,005			1,012		1,012
Excess tax benefits from exercises of stock options			174			174		174
Stock option compensation			267			267		267
Shares granted to Directors	16,200	2	534			536		536
Spin-off adjustment				(34,188)	(53)	(34,241)		(34,241)
Net income				8,272		8,272		8,272
Minimum pension liability, net					7	7		7
Balance at September 30, 2015	9,791,770	979	49,872	131,497	(6)	182,342	—	182,342
Exercise of stock options	63,730	7	1,165			1,172		1,172
Stock option compensation			166			166		166
Shares granted to Directors	13,200	1	411			412		412
Shares purchased and cancelled	(1,421)		(8)	(35)		(43)		(43)
Net income				12,024		12,024		12,024
Minimum pension liability, net					26	26		26
Balance at September 30, 2016	9,867,279	987	51,606	143,486	20	196,099	—	196,099
Exercise of stock options	46,775	4	962			966		966
Stock option compensation			79			79		79
Net income				1,682		1,682		1,682
Minimum pension liability, net					(6)	(6)		(6)
Balance at December 31, 2016	9,914,054	991	52,647	145,168	14	198,820	—	198,820
Exercise of stock options	92,130	9	2,288			2,297		2,297
Stock option compensation			268			268		268
Shares granted to Directors	10,483	1	444			445		445
Shares purchased and cancelled	(2,000)		(11)	(63)		(74)		(74)
Net income				41,750		41,750		41,750
Non-controlling interest							21,052	21,052
Minimum pension liability, net					24	24		24
Balance at December 31, 2017	10,014,667	1,001	55,636	186,855	38	243,530	21,052	264,582

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies.

ORGANIZATION - FRP Holdings, Inc. ("FRP" or the "Company") is a holding company engaged in the real estate business, namely (i) warehouse/office building ownership, leasing and management, (ii) mining royalty land ownership and leasing, (iii) land acquisition, entitlement and development primarily for future warehouse/office building construction, and (iv) leasing and management of a residential apartment building.

On January 30, 2015, FRP completed the tax-free Spin-off ("Spin-off") of its transportation business into a new, separately traded public company, Patriot Transportation Holding, Inc. (Nasdaq GM: PATI) ("Patriot"). In the Spin-off, FRP distributed all of the outstanding stock of Patriot to FRP's shareholders as of the record date of January 9, 2015. FRP's shareholders received one share of Patriot for every three shares of FRP owned on the record date. Patriot now is an independent, publicly traded company, and FRP retains no ownership in Patriot. The Company retained the real estate business, which is now the sole business of the Company. See Note 4, regarding more information regarding the spin-off.

FRP Holdings, Inc. was incorporated on April 22, 2014 in connection with a corporate reorganization that preceded the Spin-off. The Company's successor issuer was formed on July 20, 1998. The business of the Company is conducted through our wholly-owned subsidiaries FRP Maryland, Inc., a Maryland corporation, FRP Development Corp., a Maryland corporation and Florida Rock Properties, Inc., a Florida corporation, and the various subsidiaries of each.

On December 19, 2016, the Executive Committee of the Board of Directors approved the change in the Company's fiscal year end from September 30 to December 31. The quarter ending December 31, 2016 was a transition period.

CONSOLIDATION - The consolidated financial statements include the accounts of the Company inclusive of our operating real estate subsidiaries, FRP Development Corp. ("Development") and Florida Rock Properties, Inc. ("Properties"). Our investment in the Brooksville joint venture and BC FRP Realty joint venture are accounted for under the equity method of accounting (See Note 2). All significant intercompany transactions have been eliminated in consolidation.

Effective July 1, 2017 the Company consolidated the assets (at fair value), liabilities and operating results of our Riverfront Investment Partners I, LLC partnership ("Dock 79") which was previously accounted for under the equity method. Subsequent to the July 1, 2017 consolidation, the ownership of Dock 79 attributable to our partner MRP Realty is reflected on our consolidated balance sheet as a noncontrolling interest. Such noncontrolling interests are reported on the Consolidated Balance Sheets within equity but separately from shareholders' equity. On the Consolidated Statements of Income, all of the revenues and expenses from Dock 79 are reported in net income, including both the amounts attributable to the Company and the noncontrolling interest. The amounts of consolidated net income attributable to the noncontrolling interest is clearly identified on the accompanying Consolidated Statements of Income.

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

REVENUE AND EXPENSE RECOGNITION - Real estate rental revenue and mining royalties are generally recognized when earned under the leases and are considered collectable. Rental income from leases with scheduled increases or other incentives during their term is recognized on a straight-line basis over the term of the lease. Reimbursements of expenses, when provided in the lease, are recognized in the period that the expenses are incurred.

Sales of real estate are recognized when the collection of the sales price is reasonably assured and when the Company has fulfilled substantially all of its obligations, which are typically as of the closing date.

Accounts receivable are recorded net of discounts and provisions for estimated allowances. We estimate allowances on an ongoing basis by considering historical and current trends. We record estimated bad debts expense as part of operating expenses. We estimate the net collectibility of our accounts receivable and establish an allowance for doubtful accounts based upon this assessment. Specifically, we analyze the aging of accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms.

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

	Years
Building and improvements	3-39

Depletion of sand and stone deposits is computed on the basis of units of production in relation to estimated reserves. Reserve estimates are periodically adjusted based upon surveys.

The Company recorded depreciation and depletion expenses for fiscal year 2017, the transition period, fiscal year 2016 and fiscal year 2015 of \$9,781,000, \$1,778,000, \$6,809,000, and \$6,195,000, respectively.

All direct and indirect costs, including interest and real estate taxes, associated with the development, construction, leasing or expansion of real estate investments are capitalized as a cost of the property. Included in indirect costs is an allocation of internal costs associated with development of real estate investments. The cost of routine repairs and maintenance to property and equipment is expensed as incurred.

IMPAIRMENT OF LONG-LIVED ASSETS – The Company reviews its long-lived assets, which include property and equipment and purchased intangible assets subject to amortization for potential impairment annually or whenever events or circumstances indicate the carrying amount of a long-lived asset may not be recoverable. This review consists of comparing cap rates on recent cash flows and market value estimates to the carrying values of each asset group. If this review indicates the carrying value might exceed fair value then an estimate of future cash flows for the remaining useful life of each property is prepared considering anticipated vacancy, lease rates, and any future capital expenditures.

DEVELOPED PROPERTY RENTALS PURCHASE ACCOUNTING – Acquisitions of rental property, including any associated intangible assets, are measured at fair value at the date of acquisition. Any liabilities assumed or incurred are recorded at their fair value at the time of acquisition. The fair value of the acquired property is allocated between land and building (on an as-if vacant basis) based on management’s estimate of the fair value of those components for each type of property and to tenant improvements based on the depreciated replacement cost of the tenant improvements, which approximates their fair value. The fair value of the in-place leases is recorded as follows:

- the fair value of leases in-place on the date of acquisition is based on absorption costs for the estimated lease-up period in which vacancy and foregone revenue are avoided due to the presence of the acquired leases;
- the fair value of above and below-market in-place leases based on the present value (using a discount rate that reflects the risks associated with the acquired leases) of the difference between contractual rent amounts to be paid under the assumed lease and the estimated market lease rates for the corresponding spaces over the remaining non-cancelable terms of the related leases; and
- the fair value of intangible tenant or customer relationships.

The Company’s determination of these fair values requires it to estimate market rents for each of the leases and make certain other assumptions. These estimates and assumptions affect the rental revenue, and depreciation and amortization expense recognized for these leases and associated intangible assets and liabilities.

INVESTMENTS - The Company uses the equity method to account for its investment in Brooksville, in which it has a voting interest of 50% and has significant influence but does not have control. The Company also uses the equity method to account for its investment in BC FRP Realty, in which it has a voting interest of 50%. Under the equity

method, the investment is originally recorded at cost and adjusted to recognize the Company's share of net earnings or losses of the investee, limited to the extent of the Company's investment in and advances to the investee and financial guarantees on behalf of the investee that create additional basis. The Company regularly monitors and evaluates the realizable value of its investments. When assessing an investment for an other-than-temporary decline in value, the Company considers such factors as, the performance of the investee in relation to its own operating targets and its business plan, the investee's revenue and cost trends, as well as liquidity and cash position, and the outlook for the overall industry in which the investee operates. From time to time, the Company may consider third party evaluations or valuation reports. If events and circumstances indicate that a decline in the value of these assets has occurred and is other-than-temporary, the Company records a charge to investment income (expense).

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

STOCK BASED COMPENSATION – The Company accounts for compensation related to share based plans by recognizing the grant date fair value of stock options and other equity-based compensation issued to employees in its income statement over the requisite employee service period using the straight-line attribution model. In addition, compensation expense must be recognized for the change in fair value of any awards modified, repurchased or cancelled after the grant date. The fair value of each grant is estimated on the date of grant using the Black-Scholes option-pricing model. The assumptions used in the model and current year impact are discussed in Note 9.

PENSION PLAN - The Company accounts for its pension plan following the requirements of FASB ASC Topic 715, "Compensation – Retirement Benefits", which requires an employer to: (a) recognize in its statement of financial position the funded status of a benefit plan; (b) measure defined benefit plan assets and obligations as of the end of the employer's fiscal year (with limited exceptions); and (c) recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise but are not recognized as components of net periodic benefit costs pursuant to prior existing guidance.

EARNINGS PER COMMON SHARE - Basic earnings per common share are based on the weighted average number of common shares outstanding during the periods. Diluted earnings per common share are based on the weighted average number of common shares and potential dilution of securities that could share in earnings. The differences between basic and diluted shares used for the calculation are the effect of employee and director stock options and restricted stock.

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

Certain accounting policies and estimates are of more significance in the financial statement preparation process than others. The most critical accounting policies and estimates include the economic useful lives of our mining reserves, property and equipment, provisions for uncollectible accounts receivable and collectibility of unrealized rents, estimates of exposures related to our insurance claims plans and environmental liabilities, and estimates for taxes. To

the extent that actual, final outcomes are different than these estimates, or that additional facts and circumstances result in a revision to these estimates, earnings during that accounting period will be affected.

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

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

RECENTLY ISSUED ACCOUNTING STANDARDS – In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, will be required. Lessors will account for leases using an approach that is substantially equivalent to existing accounting standards. The new standard will become effective for the Company beginning with the first quarter 2019 and requires a modified retrospective transition approach and includes a number of practical expedients. Early adoption of the standard is permitted. As the Company is primarily a lessor the adoption of this guidance is not expected to have a material impact on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which replaces existing revenue recognition standards and significantly expand the disclosure requirements for revenue arrangements. Topic 606 applies to all contracts with customers except those that are within the scope of other topics in the FASB's accounting standards codification. As a result, Topic 606 does not apply to revenue from lease contracts until the adoption of the new leases standard, Topic 842, in January 2019. The majority of the Company's revenue originates from lease contracts and will be subject to Topic 842 to be adopted in January 2019. Upon the adoption of the new leases standard, certain recoveries from tenants may become subject to the revenue standard, which may have a different recognition pattern or presentation than under current GAAP. It may be adopted either retrospectively or on a modified retrospective basis to new contracts and existing contracts with remaining performance obligations as of the effective date. The new standard is effective beginning with the first quarter of 2018. The Company currently does not expect the adoption of this guidance to result in a material impact on its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs", which relates to the financial statement presentation of debt issuance costs. This guidance requires debt issuance costs to be presented in the balance sheet as a reduction of the related debt liability rather than included in the asset deferred costs. The Company adopted this guidance as of October 1, 2016 with retrospective presentation. Unamortized debt issuance costs of \$887,000 and \$884,000 have been reclassified to offset the related debt as of September 30, 2016 and September 30, 2015, respectively.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting". The ASU includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. Excess tax benefits for share-based payments are recorded as a reduction of income taxes and reflected in operating cash flows upon the adoption of this ASU. Excess tax benefits were recorded in equity and as financing activity prior to adoption of this ASU. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The Company adopted this guidance prospectively as of October 1, 2016. As a result of this adoption in 2017 we recorded a \$14,000 reduction of income tax expense from excess tax benefits on stock option exercises.

In January 2017, the FASB issued ASU No. 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business", to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions of assets or businesses. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute

to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be a business without outputs, there will now need to be an organized workforce. ASU 2017-01 further states that when substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The Company adopted this guidance prospectively as of July 1, 2017. This standard will result in building acquisitions being considered an asset rather than a business. This change will result in acquisition costs being capitalized as part of the asset acquisition, whereas prior treatment has them recognized in earnings in the period incurred.

2. Investments in Joint Ventures.

Brooksville. In 2006, the Company entered into a Joint Venture Agreement with Vulcan Materials Company to jointly own and develop approximately 4,300 acres of land near Brooksville, Florida. Under the terms of the joint venture, FRP contributed its fee interest in approximately 3,443 acres formerly leased to Vulcan under a long-term mining lease which had a net book value of \$2,548,000. Vulcan is entitled to mine a portion of the property until 2032 and pay royalties to the Company. FRP also contributed \$3,018,000 for one-half of the acquisition costs of a 288-acre contiguous parcel. Vulcan contributed 553 acres that it owned as well as its leasehold interest in the 3,443 acres that it leased from FRP and \$3,018,000 for one-half of the acquisition costs of the 288-acre contiguous parcel. The joint venture is jointly controlled by Vulcan and FRP. Distributions will be made on a 50-50 basis except for royalties and depletion specifically allocated to the Company. Other income for the year ended December 31, 2017 includes a loss of \$40,000 representing the Company's portion of the loss of this joint venture.

BC FRP Realty (Windlass Run). During the quarter ending March 2016, we entered into an agreement with a Baltimore development company (St. John Properties, Inc.) to jointly develop the remaining lands of our Windlass Run Business Park. The 50/50 partnership initially calls for FRP to combine its 25 acres (valued at \$7,500,000) with St. John Properties' adjacent 10 acres fronting on a major state highway (valued at \$3,239,536) which resulted in an initial cash distribution of \$2,130,232 to FRP in May, 2016. Thereafter, the venture will jointly develop the combined properties into a multi-building business park to consist of approximately 329,000 square feet of single story office space. On September 28, 2017 BC FRP Realty, LLC obtained \$17,250,000 of construction financing commitments for 4 buildings through September 15, 2022 and \$330,000 for one lot through September 15, 2018 from BB&T at 2.5% over LIBOR. The balance outstanding on these loans at December 31, 2017 was \$2,986,739.

Investments in Joint Ventures (in thousands):

	Ownership	Total Investment	Total Assets of the Partnership	Net Loss of the Partnership	The Company's Share of Net Loss of the Partnership
As of December 31, 2017					
RiverFront Holdings I, LLC (1)	—	\$ —	—	(2,019)	(1,558)
Brooksville Quarry, LLC	50.00%	7,516	14,411	(80)	(40)
BC FRP Realty, LLC	50.00%	5,890	15,027	—	—
Total		\$ 13,406	29,438	(2,099)	(1,598)
As of December 31, 2016					
RiverFront Holdings I, LLC	77.14%	\$ 10,151	90,420	(1,446)	(1,115)
Brooksville Quarry, LLC	50.00%	7,522	14,341	(8)	(4)
BC FRP Realty, LLC	50.00%	5,228	10,784	—	—
Total		\$ 22,901	115,545	(1,454)	(1,119)
As of September 30, 2016					
RiverFront Holdings I, LLC	77.14%	\$ 11,261	85,106	(1,193)	(938)
Brooksville Quarry, LLC	50.00%	7,496	14,350	(80)	(40)

BC FRP Realty, LLC	50.00%	<u>5,097</u>	<u>10,573</u>	<u>—</u>	<u>—</u>
Total		\$ 23,854	110,029	(1,273)	(978)

(1) The Company consolidated this joint venture effective July 1, 2017 (see Footnote 3).

Balance Sheets at December 31, 2016 and September 30, 2016 (in thousands):

	As of December 31, 2016			
	<u>Riverfront Holdings I, LLC</u>	<u>Brooksville Quarry, LLC</u>	<u>BC FRP Realty, LLC</u>	<u>Total</u>
Cash	\$ 1,023	\$ 18	\$ 21	\$ 1,062
Cash held in escrow	88	—	—	88
Investments in real estate, net	<u>89,309</u>	<u>14,323</u>	<u>10,763</u>	<u>114,395</u>
Total Assets	<u>\$ 90,420</u>	<u>\$ 14,341</u>	<u>\$ 10,784</u>	<u>\$ 115,545</u>
Other Liabilities	\$ 6,348	\$ 1	\$ 47	\$ 6,396
Long-term Debt	69,042	—	—	69,042
Capital – FRP	10,151	7,522	5,228	22,901
Capital - Third Parties	<u>4,879</u>	<u>6,818</u>	<u>5,509</u>	<u>17,206</u>
Total Liabilities and Capital	<u>\$ 90,420</u>	<u>\$ 14,341</u>	<u>\$ 10,784</u>	<u>\$ 115,545</u>

	As of September 30, 2016			
	<u>Riverfront Holdings I, LLC</u>	<u>Brooksville Quarry, LLC</u>	<u>BCF FRP Realty, LLC</u>	<u>Total</u>
Cash	\$ 297	\$ 35	\$ 20	\$ 352
Cash held in escrow	13	—	—	13
Amortizable Debt Costs	1,179	—	—	1,179
Investments in real estate, net	<u>83,617</u>	<u>14,315</u>	<u>10,553</u>	<u>108,485</u>
Total Assets	<u>\$ 85,106</u>	<u>\$ 14,350</u>	<u>\$ 10,573</u>	<u>\$ 110,029</u>
Other Liabilities	\$ 5,140	\$ 65	\$ 17	\$ 5,222
Long-term Debt	63,495	—	—	63,495
Capital - FRP	11,261	7,496	5,097	23,854
Capital - Third Parties	<u>5,210</u>	<u>6,789</u>	<u>5,459</u>	<u>17,458</u>
Total Liabilities and Capital	<u>\$ 85,106</u>	<u>\$ 14,350</u>	<u>\$ 10,573</u>	<u>\$ 110,029</u>

Income statements for the RiverFront Holdings I, LLC, prior to consolidation July 1, 2017 (in thousands):

	<u>Year ended December 31, 2017</u>	<u>Three months ended December 31, 2016</u>	<u>Year ended September 30, 2016</u>	<u>Year ended September 30, 2015</u>
Revenues:				
Rental Revenue	\$ 3,053	759	127	—
Revenue – Reimbursements	<u>33</u>	<u>19</u>	<u>—</u>	<u>—</u>
Total Revenues	3,086	778	127	—
Cost of operations:				
Depreciation and amortization	1,958	819	258	—
Operating expenses	1,096	562	741	108
Property taxes	<u>459</u>	<u>199</u>	<u>41</u>	<u>—</u>
Total cost of operations	3,513	1,580	1,040	108
Total operating profit	(427)	(802)	(913)	(108)

Interest expense	(1,592)	(644)	(280)	—
Net loss of the Partnership	<u>\$ (2,019)</u>	<u>(1,446)</u>	<u>(1,193)</u>	<u>(108)</u>

The amount of consolidated retained earnings for these joint ventures was \$(2,638,000), \$(1,667,000), and \$(990,000) as of December 31, 2017, December 31, 2016 and September 30, 2016 respectively.

3. Consolidation of RiverFront Investment Partners I, LLC.

On 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 first phase only 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 and own an approximately 300,000 square foot residential apartment building (including approximately 18,000 square feet of retail) on approximately 2 acres of the roughly 5.82 acre site. The joint venture, RiverFront Investment Partners I, LLC (“RiverFront I”) was formed in June 2013 as contemplated. The Company contributed land with an agreed to value of \$13,500,000 (cost basis of \$6,165,000) and contributed cash of \$4,866,000 to the Joint Venture for a 77.14% stake in the venture. MRP contributed capital of \$5,553,000 to the joint venture including development costs paid prior to formation of the joint venture. Construction commenced in October 2014, first occupancy was in August 2016. The Company’s equity interest in the joint venture was previously accounted for under the equity method of accounting as MRP acts as the administrative agent of the joint venture and oversees and controls the day to day operations of the project.

In July 2017, Phase I (Dock 79) reached stabilization, meaning 90% of the individual apartments have been leased and are occupied by third party tenants. Upon reaching stabilization, the Company has, for a period of one year, the exclusive right to (i) cause the joint venture to sell the property or (ii) cause the Company’s and MRP’s percentage interests in the joint venture to be adjusted so as to take into account the contractual payouts assuming a sale at the value of the development at the time of this “Conversion election”.

The attainment of stabilization results in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at fair value), liabilities and operating results of the joint venture. This consolidation resulted in a gain on remeasurement of investment in real estate partnership of \$60,196,000 of which \$20,469,000 was attributed to the noncontrolling interest. In accordance with the terms of the Joint Venture agreements, the Company used the fair value amount at date of conversion and calculated an adjusted ownership under the Conversion election. As such for financial reporting purposes effective July 1, 2017 the Company ownership is based upon this substantive profit sharing arrangement and is estimated at 66.0% on a prospective basis.

	As of July 1, 2017 (in thousands)		
	Riverfront Holdings I, LLC	Gain on Remeasure- ment	Revised
Land	\$ 7,220	\$ 21,107	\$ 28,327
Building and improvements, net	81,773	34,362	116,135
Value of leases in place	—	4,727	4,727
Cash	2,295	—	2,295
Cash held in escrow	171	—	171
Accounts receivable	40	—	40
Prepaid expenses	142	—	142
Total Assets	<u>\$ 91,641</u>	<u>\$ 60,196</u>	<u>\$ 151,837</u>
Long-term Debt	\$ 78,587	\$ —	\$ 78,587
Amortizable debt costs	(852)	—	(852)

Other liabilities	905	—	905
Equity – FRP	8,583	39,727	48,310
Equity – MRP	4,418	20,469	24,887
Total Liabilities and Capital	<u>\$ 91,641</u>	<u>\$ 60,196</u>	<u>\$ 151,837</u>

4. Spin-off.

On January 30, 2015, FRP Holdings, Inc. (Nasdaq GM: FRPH) (the “Company” or “FRP”) completed the spin-off of its transportation business into a new, separately traded public company - Patriot Transportation Holding, Inc. (Nasdaq GM: PATI) (“Patriot”) - resulting in FRP becoming a pure real estate company. As a result, the former transportation segment is reported as a discontinued operation without any corporate overhead allocation. Hence, all corporate overhead attributable to the transportation group through the date of the spin-off is included in “corporate expense” on the Company’s historical consolidated income statements.

The results of operations associated with discontinued operations for fiscal 2015 were as follows (in thousands):

	Year ended September 30, 2015
Revenue	\$ 41,800
Cost of operations	<u>38,195</u>
Operating profit	3,605
Interest expense	<u>(33)</u>
Income before income taxes	3,572
Provision for income taxes	<u>1,393</u>
Income from discontinued operations	<u>\$ 2,179</u>

5. Related Party Transactions.

The Company is a party to a Transition Services Agreement which resulted from our January 30, 2015 spin-off of Patriot Transportation Holding, Inc. (Patriot). The Transition Services Agreement sets forth the terms on which Patriot will provide to FRP certain services that were shared prior to the Spin-off, including the services of certain shared executive officers. The boards of the respective companies amended and extended this agreement for one year effective April 1, 2017.

The consolidated statements of income reflect charges and/or allocation from Patriot for these services of \$1,580,000, \$377,000, \$1,542,000 and \$2,211,000 for fiscal 2017, the transition period, fiscal 2016 and 2015, respectively. Included in the charges above are amounts recognized for corporate executive stock-based compensation expense. These charges are reflected as part of corporate expenses.

To determine these allocations between FRP and Patriot as set forth in the Transition Services Agreement, we generally employed the same methodology historically used by the Company pre Spin-off to allocate said expenses and thus we believe that the allocations to FRP are a reasonable approximation of the costs related to FRP’s operations but any such related-party transactions cannot be presumed to be carried out on an arm’s-length basis as the terms were negotiated while Patriot was still a subsidiary of FRP.

As a result of the Spin-off the former transportation segment of the Company is reported as a discontinued operation and thus is not allowed any corporate overhead allocation. Hence, all corporate overhead of the transportation group through the date of the Spin-off is included in “corporate expense” on the Company’s consolidated income statements.

The consolidated statements of income reflect charges and/or allocation for these services of \$1,081,000 for fiscal 2015.

6. Debt.

Debt is summarized as follows (in thousands):

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016
Revolving credit agreements	\$ —	6,665	6,807
5.6% to 7.9% mortgage notes due in installments through 2027	29,664	34,080	35,125
Riverfront permanent loan	<u>88,653</u>	<u>—</u>	<u>—</u>
	118,317	40,745	41,932
Less portion due within one year	<u>4,463</u>	<u>4,526</u>	<u>4,455</u>
	<u>\$ 113,854</u>	<u>36,219</u>	<u>37,477</u>

The aggregate amount of principal payments, excluding the revolving credit, due subsequent to December 31, 2017 is: 2018 - \$4,463,000; 2019 - \$3,908,000; 2020 - \$3,701,000; 2021 - \$3,456,000; 2022 - \$4,177,000 and subsequent years - \$98,612,000.

The non-recourse fully amortizing mortgage notes payable are collateralized by real estate having a carrying value of approximately \$186,181,000 at December 31, 2017.

On January 30, 2015, the Company entered into a five year credit agreement with Wells Fargo with a maximum facility amount of \$20 million (the "Credit Agreement"). The Credit Agreement provides a revolving credit facility (the "Revolver") with a \$10 million sublimit available for standby letters of credit. As of December 31, 2017, there was no debt outstanding on the revolver, \$2,297,000 outstanding under letters of credit and \$17,703,000 available for borrowing. The letters of credit were issued to guarantee certain obligations to state agencies related to real estate development. Most of the letters of credit are irrevocable for a period of one year and typically are automatically extended for additional one-year periods. The Revolver bears interest at a rate of 1.4% over the selected LIBOR, which may change quarterly based on the Company's ratio of Consolidated Total Debt to Consolidated Total Capital, as defined which excludes FRP RiverFront. 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 credit agreement contains certain conditions and financial covenants, including a minimum \$110 million tangible net worth. As of December 31, 2017, the tangible net worth covenant would have limited our ability to pay dividends or repurchase stock with borrowed funds to a maximum of \$86.3 million combined. The Company was in compliance with all covenants as of December 31, 2017.

On July 24, 2015 the Company closed on a five year, \$20 million secured revolver with First Tennessee Bank with a twenty-four month window to convert up to the full amount of the facility into a ten year term loan. Interest accrues at 1.90% over one month LIBOR plus an annual commitment fee of 0.10%. As of December 31, 2017, there was no debt outstanding on the revolver and \$20,000,000 available for borrowing. The second facility is a \$20 million ten year term loan secured by to-be-determined collateral from our current pool of unencumbered warehouse/office properties. The purpose of these loans is to facilitate growth through new construction in the Land Development and Construction segment and/or acquisition of existing, operating buildings to be added to the Asset Management segment.

Effective July 1, 2017 the Company consolidated the assets (at current fair value), liabilities and operating results of our Riverfront Investment Partners I, LLC partnership ("Dock 79") which was previously accounted for under the equity method. As such the full amount of our construction loan and secondary financing were recorded in the consolidated financial statements.

Effective August 7, 2014, the Dock 79 obtained a commitment for a construction loan from a financial institution in the principal amount of \$65,000,000 to fund certain development and construction costs of the Dock 79. The initial maturity date of the loan is the earlier of (i) August 7, 2018, or (ii) the date to which the loan is accelerated pursuant to certain terms as outlined in the agreement. The interest rate on the loan through the initial maturity date is based on the 2.35% over one month LIBOR. This loan was paid in full on November 17, 2017. Also effective August 7, 2014, Dock 79 partnership member EB5 Capital-Jobs Fund 8, L.P. made an initial capital contribution of \$17 million in cash into an escrow account with a financial institution all of which were used for construction. Associated with the \$17 million cash contribution, EB5 is entitled to earn an investment return. The investment return requires the Dock 79 to pay interest monthly based on an annual rate of 4.95% for the first 5 years. Due to the mandatory redemption requirements associated with the EB5 financing arrangement, the related investment was classified as a liability on the balance sheets. EB5 was paid in full on November 17, 2017. Subsequent to the repayment of the investment return, EB5 is no longer a partner in the Dock 79. A prepayment penalty of \$440,000 and the remaining deferred loan costs of \$714,000 were recorded into interest expense in the quarter ending December 31, 2017.

On November 17, 2017, Dock 79's construction loan and EB5 investment were refinanced by borrowing a principal sum of \$90,000,000 pursuant to a Loan Agreement and Deed of Trust Note entered into with EagleBank ("Loan Documents"). The loan is secured by the Dock 79 real property and improvements, bears a fixed interest rate of 4.125% per annum and has a term of 120 months. During the first 48 months of the loan term, the Joint Venture will make monthly payments of interest only, and thereafter, make monthly payments of principal and interest in equal installments based upon a 30-year amortization period. The loan is a non-recourse loan. However, all amounts due under the Loan Documents will become immediately due upon an event of default by the Joint Venture, such events including, without limitation, Joint Venture's (i) failure to: pay, permit inspections or observe covenants under the Loan Documents, (ii) breach of representations made under the Loan Documents (iii) voluntary or involuntary bankruptcy, and (iv) dissolution, or the dissolution of the guarantor. MidAtlantic Realty Partners, LLC, an affiliate of MRP, has executed a carve-out guaranty in connection with the loan.

During fiscal 2017, the transition period, fiscal 2016 and 2015 the Company capitalized interest costs of \$1,026,000, \$328,000, \$1,086,000, and \$1,041,000, respectively.

In January 2015 the Company prepaid the \$1,314,000 remaining principal balance on 8.55% and 7.95% mortgages. The prepayment penalty of \$116,000 is included in interest expense. The remaining deferred loan costs of \$15,000 were also included in interest expense.

7. Leases.

At December 31, 2017, the total carrying value of property owned by the Company which is leased or held for lease to others is summarized as follows (in thousands):

Construction aggregates property	\$ 35,294
Commercial property	440,083
	<u>475,377</u>
less accumulated depreciation and depletion	93,581
	<u>\$ 381,796</u>

The minimum future straight-lined rentals due the Company on noncancelable leases as of December 31, 2017 are as follows: 2018 - \$33,347,000; 2019 - \$26,118,000; 2020 - \$21,938,000; 2021 - \$18,400,000; 2022 - \$15,058,000; 2023 and subsequent years \$56,149,000.

8. Earnings per Share.

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

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Common shares:				
Weighted average common shares outstanding during the period - shares used for basic earnings per common share	9,975	9,879	9,846	9,756
Common shares issuable under share based payment plans which are potentially dilutive	<u>65</u>	<u>44</u>	<u>44</u>	<u>71</u>
Common shares used for diluted earnings per common share	<u>10,040</u>	<u>9,923</u>	<u>9,890</u>	<u>9,827</u>
Income from continuing operations	\$ 41,750	1,682	12,024	6,093
Discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,179</u>
Net income attributable to the Company	<u>\$ 41,750</u>	<u>1,682</u>	<u>12,024</u>	<u>8,272</u>
Basic earnings per common share:				
Income from continuing operations	\$ 4.19	0.17	1.22	0.62
Discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.23</u>
Net income attributable to the Company	<u>\$ 4.19</u>	<u>0.17</u>	<u>1.22</u>	<u>0.85</u>
Diluted earnings per common share				
Income from continuing operations	\$ 4.16	0.17	1.22	0.62
Discontinued operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.22</u>
Net income attributable to the Company	<u>\$ 4.16</u>	<u>0.17</u>	<u>1.22</u>	<u>0.84</u>

For 2017, the transition period, 2016, and 2015, 48,122, 61,640, 72,090, and 56,110 shares, respectively, attributable to outstanding stock options were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

9. Stock-Based Compensation Plans.

The Company has two Stock Option Plans (the 2006 Stock Incentive Plan and the 2016 Equity Incentive Option Plan) under which options for shares of common stock were granted to directors, officers and key employees. The 2016 plan permits the grant of stock options, stock appreciation rights, restricted stock awards, restricted stock units, or stock awards. The options awarded under the plans have similar characteristics. All stock options are non-qualified and expire ten years from the date of grant. Stock based compensation awarded to directors, officers and employees are exercisable immediately or become exercisable in cumulative installments of 20% or 25% 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. The number of common shares available for future issuance was 544,217 at December 31, 2017.

The Company utilizes the Black-Scholes valuation model for estimating fair value of stock compensation for options

awarded to officers and employees. Each grant is evaluated based upon assumptions at the time of grant. The assumptions were no dividend yield, expected volatility between 32% and 43%, risk-free interest rate of .6% to 4.2% and expected life of 3.0 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 at the date of grant with a term consistent with the expected life of the options granted. The expected life calculation is based on the observed and expected time to exercise options by the employees.

As a result of the Spin-off and pursuant to the Employee Matters Agreement, we made certain adjustments to the exercise price and number of outstanding FRP stock options. All outstanding options held by the Company directors, Company officers and key employees on January 30, 2015 were cancelled and replaced by an equal number of FRP options at 75.14% of the previous exercise price based upon the market value of FRP less the when issued market value of the Company on that day. For FRP officers additional options were issued rather than issuing Patriot options for the 24.86% market value attributed to Patriot. The adjusted stock options are subject to the same vesting conditions and other terms that applied to the original FRP award immediately prior to the Spin-off, except as otherwise described above.

Subsequent to Spin-off, the realized tax benefit pertaining to options exercised and the remaining compensation cost of options previously granted prior to the Spin-off will be recognized by FRP or Patriot based on the employment location of the related employee or director.

As previously disclosed, Thompson S. Baker II resigned from his position as CEO and from the board of directors on March 13, 2017. In recognition of his outstanding service to the Company, the Board approved the vesting of all of Mr. Baker's outstanding FRP stock options, which expired 90 days following the termination of his employment. The vesting of Mr. Baker's outstanding FRP options that were issued prior to the spin-off required Patriot to record modification stock compensation expense of \$150,000. FRP reimbursed Patriot for this cost under the transition services agreement. The vesting of Mr. Baker's outstanding FRP options that were issued subsequent to the spin-off required modified stock compensation expense of \$41,000.

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

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Stock option grants	\$ 268	79	166	267
Annual director stock award	445	—	412	536
	<u>\$ 713</u>	<u>79</u>	<u>578</u>	<u>803</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(000's)</u>
Outstanding at October 1, 2014	326,830	\$ 25.43	5.0	\$ 3,481
Spin-off adjustment				\$ (865)
Spin-off conversion	17,795	\$ 20.63		\$ 155
Granted	39,425	\$ 26.97		\$ 432
Forfeited	(6,000)	\$ 14.97		\$ (35)
Exercised	<u>(72,300)</u>	<u>\$ 13.31</u>		<u>\$ (430)</u>

Outstanding at					
September 30, 2015	305,750	\$	21.90	5.9	\$ 2,738
Granted	21,540	\$	31.15		\$ 272
Exercised	(63,730)	\$	18.39		\$ (471)
Outstanding at					
September 30, 2016	263,560	\$	23.50	5.6	\$ 2,539
Granted	19,600	\$	39.00		\$ 297
Exercised	(46,775)	\$	20.66		\$ (396)
Outstanding at					
December 31, 2016	236,385	\$	25.35	6.1	\$ 2,440
Granted	30,255	\$	43.45		\$ 440
Modification	—	\$	30.21		\$ (137)
Exercised	(92,130)	\$	24.93		\$ (842)
Outstanding at					
December 31, 2017	174,510	\$	28.70	6.0	\$ 1,901
Exercisable at					
December 31, 2017	129,916	\$	25.66	5.1	\$ 1,223
Vested during					
twelve months ended					
December 31, 2017	41,810				\$ 405

The following table summarizes information concerning stock options outstanding at December 31, 2017:

Range of Exercise Prices per Share	Shares under Option	Weighted Average Exercise Price	Weighted Average Remaining Life
Non-exercisable:			
\$24.76 - \$37.25	7,084	26.97	6.9
\$37.26 - \$41.39	37,510	39.59	9.0
	<u>44,594</u>	\$ 37.58	8.7 Years
Exercisable:			
\$16.51 - \$24.75	14,100	16.72	3.9
\$24.76 - \$37.25	73,928	22.06	3.9
\$37.26 - \$41.39	41,888	35.01	7.6
	<u>129,916</u>	\$ 25.66	5.1 Years
Total	<u>174,510</u>	\$ 28.70	6.0 Years

The aggregate intrinsic value of exercisable in-the-money options was \$2,418,000 and the aggregate intrinsic value of outstanding in-the-money options was \$2,719,000 based on the market closing price of \$44.25 on December 29, 2017 less exercise prices.

The unrecognized compensation cost of options granted to FRP employees but not yet vested as of December 31, 2017 was \$583,000, which is expected to be recognized over a weighted-average period of 4.1 years.

Gains of \$1,634,000 were realized by option holders during the year ended December 31, 2017. Patriot realized the tax benefits of \$1,525,000 of these gains because these options were exercised by Patriot employees for options granted prior to the spin-off.

10. Income Taxes.

Fourth quarter 2017 net income included \$12,043,000, or \$1.20 per share, due to a deferred tax benefit resulting from

revaluing the company's net deferred tax liabilities per the Tax Cuts and Jobs Act of 2017. The company's net deferred tax liability was reduced as a result of the lower corporate income tax rates applicable to the Company going forward. The adjustment included \$209,000 from reducing the effective tax rate for 2017 from 39.5% to 39.07% as a result of not being required to add to deferred taxes in anticipation of future taxable income in excess of \$10 million where the federal rate increases from 34% to 35%. Our tax rate including the effect of state income taxes, but not including excess tax benefits from stock option exercises, is projected to decrease from 39.07% to 27.05% starting in 2018.

Income tax expense may differ from the above estimate, possibly materially, due to, changes in interpretations of the Tax Act or related accounting guidance, the projected deferred tax changes for fiscal 2018, and projected effective state tax rates. We currently anticipate finalizing and recording any resulting adjustments by the end of our current fiscal year ending December 31, 2018.

The provision for income taxes for continuing operations consists of the following (in thousands):

	Year ended December 31, <u>2017</u>	Three months ended December 31, <u>2016</u>	Year ended September 30, <u>2016</u>	Year ended September 30, <u>2015</u>
Current:				
Federal	\$ (1,763)	693	4,807	1,803
State	(429)	185	1,165	524
	<u>(2,192)</u>	<u>878</u>	<u>5,972</u>	<u>2,327</u>
Deferred	<u>9,521</u>	<u>19</u>	<u>1,879</u>	<u>1,568</u>
Total	<u>\$ 7,329</u>	<u>897</u>	<u>7,851</u>	<u>3,895</u>

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

	Year ended December 31, <u>2017</u>	Three months ended December 31, <u>2016</u>	Year ended September 30, <u>2016</u>	Year ended September 30, <u>2015</u>
Amount computed at statutory				
Federal rate	\$ 16,723	777	6,797	3,396
State income taxes (net of Federal income tax benefit)	2,476	115	1,002	504
Tax Cut and Jobs Act of 2017	(11,834)	—	—	—
Other, net	(36)	5	52	(5)
Provision for income taxes	<u>\$ 7,329</u>	<u>897</u>	<u>7,851</u>	<u>3,895</u>

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

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

	As of December 31, <u>2017</u>	As of December 31, <u>2016</u>	As of September 30, <u>2016</u>
Deferred tax liabilities:			
Property and equipment	\$ 25,212	15,127	15,197
Depletion	660	776	526
Unrealized rents	1,166	1,786	1,823

Prepaid expenses	431	763	913
Gross deferred tax liabilities	<u>27,469</u>	<u>18,452</u>	<u>18,459</u>
Deferred tax assets:			
Employee benefits and other	<u>1,487</u>	<u>1,997</u>	<u>2,023</u>
Gross deferred tax assets	<u>1,487</u>	<u>1,997</u>	<u>2,023</u>
Net deferred tax liability	<u>\$ 25,982</u>	<u>16,455</u>	<u>16,436</u>

The Company has no unrecognized tax benefits.

FRP tax returns in the U.S. and various states that include the Company are subject to audit by taxing authorities. As of December 31, 2017, the earliest tax year that remains open for audit in the United States is 2012.

11. Employee Benefits.

The Company and certain subsidiaries have a savings/profit sharing plan for the benefit of qualified employees. The savings feature of the plan incorporates the provisions of Section 401(k) of the Internal Revenue Code under which an eligible employee may elect to save a portion (within limits) of their compensation on a tax deferred basis. The Company contributes to a participant's account an amount equal to 50% (with certain limits) of the participant's contribution. Additionally, the Company may make an annual discretionary contribution to the plan as determined by the Board of Directors, with certain limitations. The plan provides for deferred vesting with benefits payable upon retirement or earlier termination of employment. The Company's cost was \$54,000 in fiscal 2017, \$16,000 in the transition period, \$51,000 in fiscal 2016 and \$45,000 in fiscal 2015.

The Company has a defined benefit pension plan, the Management Security Plan (MSP) for certain officers and key employees. The accruals for future benefits are based upon the remaining years to retirement of the participating employees and other actuarial assumptions. Life insurance on the lives of one of the participants has been purchased to partially fund this benefit and the Company is the owner and beneficiary of that policy. The expense for fiscal 2017, the transition period, fiscal 2016 and 2015 was \$12,000, \$13,000, \$161,000 and \$163,000, respectively. The accrued benefit under this plan as of December 31, 2017, December 31, 2016 and September 30, 2016 was \$1,457,000, \$1,475,000 and \$1,485,000 respectively.

12. Business Segments.

The Company is reporting its financial performance based on four reportable segments, Asset Management, Mining Royalty Lands, Land Development and Construction and RiverFront on the Anacostia, as described below.

The Asset Management segment owns, leases and manages warehouse/office buildings located predominately in the Baltimore/Northern Virginia/Washington, DC market area.

Our Mining Royalty Lands segment owns several properties comprising approximately 15,000 acres currently under lease for mining rents or royalties (this does not include the 4,280 acres owned in our Brooksville joint venture with Vulcan Materials). Other than one location in Virginia, all of these properties are located in Florida and Georgia.

Through our Land Development and Construction segment, we own and are continuously monitoring for their "highest and best use" several parcels of land that are in various stages of development. Our overall strategy in this segment is to convert all of our non-income producing lands into income production through (i) an orderly process of constructing new buildings for us to own and operate or (ii) a sale to, or joint venture with, third parties.

In July 2017, Phase I (Dock 79) of the development known as RiverFront on the Anacostia in Washington, D.C., a 300,000 square foot residential apartment building developed by a joint venture between the Company and MRP SE Waterfront Residential, LLC ("MRP"), reached stabilization, meaning 90% of the individual apartments have been

leased and are occupied by third party tenants. Upon reaching stabilization, the Company has, for a period of one year, the exclusive right to (i) cause the joint venture to sell the property or (ii) cause the Company's and MRP's percentage interests in the joint venture to be adjusted so as to take into account the value of the development at the time of stabilization. The attainment of stabilization also resulted in a change of control for accounting purposes as the veto rights of the minority shareholder lapsed and the Company became the primary beneficiary. As such, beginning July 1, 2017, the Company consolidated the assets (at current fair value), liabilities and operating results of the joint venture as a new segment called RiverFront on the Anacostia.

Subsequent to the Spin-off, the Company is receiving certain services from Patriot (e.g. executive oversight, accounting, information technology and human resource services) which are billed to the Company on a monthly basis in accordance with the Transition Services Agreement entered into and made effective as of the date of the Spin-off. As was the case prior to the Spin-off, these costs (excluding stock compensation) are included in the Company's corporate expense and are fully allocated to the business segments. Certain other corporate expenses (primarily stock compensation, corporate aircraft and one-time Spin-off related expenses) are reported as "unallocated" on the Company's consolidated income statement and are not allocated to any business segment. As a result of the Spin-off the former transportation segment of the Company is reported as a discontinued operation and thus is not allowed any corporate overhead allocation. Hence, all corporate overhead of the transportation group through the date of the Spin-off is included in "corporate expense" on the Company's consolidated income statements herein. Reclassifications to the appropriate prior period line items and amounts have been made to be comparable to the current presentation.

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

	Year ended December 31, 2017	Three months ended December 31, 2016	Year ended September 30, 2016	Year ended September 30, 2015
Revenues:				
Asset management	\$ 29,873	7,321	28,739	27,570
Mining royalty lands	7,241	1,880	7,533	6,094
Land development and construction	1,230	311	1,185	982
RiverFront on the Anacostia	4,847	—	—	—
	<u>\$ 43,191</u>	<u>9,512</u>	<u>37,457</u>	<u>34,646</u>
Operating profit:				
Before corporate expenses:				
Asset management	\$ 13,799	3,509	13,374	13,288
Mining royalty lands	6,732	1,750	7,029	5,478
Land development and construction	(1,528)	(400)	(940)	(2,197)
RiverFront on the Anacostia	(2,018)	—	—	—
Corporate expenses:				
Allocated to asset management	(1,917)	(485)	(1,591)	(1,248)
Allocated to mining royalty	(167)	(42)	(231)	(1,322)
Allocated to land development and construction	(1,231)	(328)	(1,258)	(737)
Allocated to RiverFront on the Anacostia	(65)	—	—	—
Unallocated to discontinued operations	—	—	—	(1,081)
	<u>(3,380)</u>	<u>(855)</u>	<u>(3,080)</u>	<u>(4,388)</u>
	<u>\$ 13,605</u>	<u>4,004</u>	<u>16,383</u>	<u>12,181</u>
Interest expense:				
Asset management	\$ 1,340	306	1,561	2,014
RiverFront on the Anacostia	2,983	—	—	—
	<u>\$ 4,323</u>	<u>306</u>	<u>1,561</u>	<u>2,014</u>
Depreciation, depletion and amortization:				
Asset management	\$ 8,110	2,005	7,689	6,963
Mining royalty lands	110	35	104	133

Land development and construction	337	55	258	282
RiverFront on the Anacostia	4,975	—	—	—
	<u>\$ 13,532</u>	<u>2,095</u>	<u>8,051</u>	<u>7,378</u>
Capital expenditures:				
Asset management	\$ 6,913	1,199	20,747	2,408
Mining royalty lands	—	2	205	—
Land development and construction	8,840	4,206	6,602	4,085
RiverFront on the Anacostia	857	—	—	—
	<u>\$ 16,610</u>	<u>5,407</u>	<u>27,554</u>	<u>6,493</u>
Identifiable net assets at end of period:				
Asset management	\$ 179,654	169,736	170,562	151,023
Mining royalty lands	38,656	39,259	39,570	39,300
Land development and construction	46,684	57,126	54,157	60,682
RiverFront on the Anacostia	144,386	—	—	—
Cash items	4,524	—	—	419
Unallocated corporate assets	4,830	439	500	1,054
	<u>\$ 418,734</u>	<u>266,560</u>	<u>264,789</u>	<u>252,478</u>

13. Fair Value Measurements.

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

As of December 31, 2017 the Company had no assets or liabilities measured at fair value on a recurring or non-recurring basis. At December 31, 2017, December 31, 2016 and September 30, 2016, the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, short-term notes payable and revolving credit approximate their fair value based upon the short-term nature of these items.

The fair values of the Company's other mortgage notes payable were estimated based on current rates available to the Company for debt of the same remaining maturities. At December 31, 2017, the carrying amount and fair value of such other long-term debt was \$118,317,000 and \$122,271,000, respectively. At December 31, 2016, the carrying amount and fair value of such other long-term debt was \$40,745,000 and \$43,747,000, respectively. At September 30, 2016, the carrying amount and fair value of such other long-term debt was \$41,932,000 and \$46,216,000, respectively.

14. 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. 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.

Preliminary testing on the site of the Company's four phase master development known as RiverFront on the Anacostia in Washington, D.C. indicated the presence of contaminated material that will have to be specially handled upon excavation in conjunction with construction. The Company agreed with our joint venture partner to bear the cost of handling the contaminated materials on the first phase of this development up to a cap of \$1.871 million. As of

September 30, 2016, the excavation and foundation work for Phase 1 were substantially complete and the total remediation expense was \$1.833 million. During the quarter ending December 31, 2015, management successfully completed negotiations and entered into a \$3,000,000 settlement of environmental claims on all four phases against our former tenant at the Riverfront on the Anacostia property and continues to pursue settlement negotiations with other potentially responsible parties. The Company executed a letter of intent with MRP Realty in May 2016 to develop Phase II of the Riverfront on the Anacostia project and recorded an estimated environmental remediation expense of \$2.0 million for the Company's estimated liability under the proposed agreement. The Company has no obligation to remediate this contamination on Phases III and IV of the development until such time as it makes a commitment to commence construction on each phase. The Company's actual expense to address this issue may be materially higher or lower than the expense previously recorded depending upon the actual costs incurred.

15. Commitments.

The Company, at December 31, 2017, had entered into various contracts to develop real estate with remaining commitments totaling \$2,677,000.

16. Concentrations.

One tenant accounts for 10% of the Company's consolidated revenues during 2017. The mining royalty lands segment has a total of four tenants currently leasing mining locations and one lessee that accounted for 13.6% of the Company's consolidated revenues during 2017 and \$190,000 of accounts receivable at December 31, 2017. The termination of these lessees' underlying leases could have a material adverse effect on the Company. The Company places its cash and cash equivalents with First Tennessee Bank. At times, such amounts may exceed FDIC limits.

17. Unusual or Infrequent Items Impacting Quarterly Results.

In January 2015 the Company prepaid the \$1,314,000 remaining principal balance on 8.55% and 7.95% mortgages. The prepayment penalty of \$116,000 is included in interest expense. The remaining deferred loan costs of \$15,000 were also included in interest expense.

Costs of operations for the land development and construction segment for the quarter ending December 31, 2015 includes a \$3,000,000 positive benefit from settlement of environmental claims against our former tenant at the Riverfront on the Anacostia property (see Note 14).

Gain on investment land sold for the quarter ending December 31, 2015 includes \$6,277,000 gain on the sale of phase 2 of Windlass Run residential property.

Costs of operations for the land development and construction segment for the quarter ending June 30, 2016 includes a \$2,000,000 expense for estimated environmental remediation liability on Phase II of the Riverfront on the Anacostia property (see Note 14).

On July 1, 2017, the Company consolidated the assets (at fair value), liabilities and operating results of the Dock 79 joint venture. This consolidation resulted in a gain on remeasurement of investment in real estate partnership of \$60,196,000 of which \$20,469,000 was attributed to the noncontrolling interest.

The construction financing for Dock 79 was refinanced and a prepayment penalty of \$440,000 and the remaining deferred loan costs of \$714,000 were recorded into interest expense in the quarter ending December 31, 2017.

Fourth quarter 2017 net income included \$12,043,000, or \$1.20 per share, due to a deferred tax benefit resulting from revaluing the company's net deferred tax liabilities per the Tax Cuts and Jobs Act of 2017.

18. Real Estate Business Park Acquisitions.

The Company has allocated the purchase price of the property acquisitions based upon the fair value of the assets acquired, consisting of land, buildings and intangible assets, including in-place leases and below market leases. These deferred leasing intangible assets are recorded within Deferred Costs and Deferred lease intangible, net in the consolidated balance sheets. The value of the in-place lease intangibles will be amortized to amortization expense over the remaining lease terms. The fair value assigned pertaining to the above market in-place leases values are amortized as a reduction to rental revenue, and the below market in-place lease values are amortized as an increase to rental revenue over the remaining non-cancelable terms of the respective leases.

PORT CAPITAL PROPERTY - On October 19, 2015, the Company purchased for approximately \$9.9 million, 7700 Port Capital Drive in Elkridge, Maryland which consists of 1 building on 6.39 acres totaling 91,218 square feet plus approximately 29,558 square feet of mezzanine space. The Company will recognize the amortization related to the Port Capital Drive property intangible assets according to the following schedule (in thousands):

	<u>In- place Leases</u>
Initial Values	\$ 1,126
Annual Amortization:	
2016	\$ 104
3 months ended December 31, 2016	28
2017	114
2018	114
2019	114
2020	114
2021	114
2022	114

GILROY ROAD PROPERTY – On July 1, 2016, the Company purchased for approximately \$8.3 million, 10820 Gilroy Road in Hunt Valley, Maryland which consists of 1 building on 7 acres totaling 116,338 square feet inclusive of 8,900 square feet of second floor mezzanine office space (107,438 sf footprint). The Company will recognize the amortization related to the Port Capital Drive property intangible assets according to the following schedule (in thousands):

	<u>In-place Leases</u>
Initial Values	\$ 277
Annual Amortization:	
2016	\$ 55
3 months ended December 31, 2016	55
2017	167

DOCK 79 – The Company will recognize the amortization related to the Dock 79 intangible assets (Note 3) according to the following schedule (in thousands):

	<u>In-place Leases</u>
Initial Values	\$ 4,727
Annual Amortization:	
2017	\$ 2,501
2018	2,201
2019	25

19. Intangible Assets.

The Company reviews intangible assets for impairment, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of long-lived assets is measured by a

comparison of the carrying amount of the asset group to the future undiscounted net cash flows expected to be generated by those assets. If such assets are considered to be impaired, the impairment charge recognized is the amount by which the carrying amounts of the assets exceeds the fair value of the assets.

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

	<u>December 31, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	<u>Gross Accumulated</u>	<u>Amortization</u>	<u>Gross Accumulated</u>	<u>Amortization</u>	<u>Gross Accumulated</u>	<u>Amortization</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Amortizable intangible assets:						
In-place leases (useful life 7-8 years)	\$ 7,515	4,206	2,788	1,300	2,788	1,175
Above Market leases (useful life 5 years)	48	27	48	24	48	23
	<u>\$ 7,563</u>	<u>4,233</u>	<u>2,836</u>	<u>1,324</u>	<u>2,836</u>	<u>1,198</u>

	<u>December 31, 2017</u>		<u>December 31, 2016</u>		<u>September 30, 2016</u>	
	<u>Gross Accumulated</u>	<u>Amortization</u>	<u>Gross Accumulated</u>	<u>Amortization</u>	<u>Gross Accumulated</u>	<u>Amortization</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Amortizable intangible liabilities:						
Below Market leases (useful life 4-5 years)	\$ 220	220	220	211	220	206
	<u>\$ 220</u>	<u>220</u>	<u>220</u>	<u>211</u>	<u>220</u>	<u>206</u>

Report of Management

Management's Responsibility for the Financial Statements

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

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

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

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 ("Exchange Act"). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) ("COSO") in Internal Control—Integrated Framework. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2017.

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

Audit Committee's Responsibility

The Audit Committee of our Company's Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the Nasdaq Stock Market listing standards, the Exchange Act, and the Company's Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal controls and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit Committee. Our Audit Committee's Report can be found in the Company's 2018 Proxy Statement.

Report of Independent Registered Certified Public Accounting Firm

The Shareholders and Board of Directors
FRP Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of FRP Holdings, Inc. (the “Company”) as of December 31, 2017 and 2016 and September 30, 2016, the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for the year ended December 31, 2017, the three month period ended December 31, 2016 and the years ended September 30, 2016 and 2015, and the related notes to the consolidated financial statements (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016 and September 30, 2016, and the results of their operations and their cash flows for the year ending December 31, 2017, the three month period ended December 31, 2016 and the years ended September 30, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 16, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting..

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Hancock Askew & Co., LLP

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

Savannah, Georgia
March 16, 2018

Report of Independent Registered Certified Public Accounting Firm on Internal Control Over Financial Reporting

The Shareholders and Board of Directors
FRP Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited FRP Holdings, Inc. (the “Company’s”) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO criteria. In our opinion, the Company

maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of the Company as of December 31, 2017 and 2016 and September 30, 2016, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows, for the year ended December 31, 2017, the three month period ended December 31, 2016 and the years ended September 30, 2016 and 2015, and the related notes to the consolidated financial statements and our report dated March 16, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Respectfully submitted,

Hancock Askew & Co., LLP

Savannah, Georgia
March 16, 2018

DIRECTORS AND OFFICERS

Directors

John D. Baker II (1)
Chief Executive Officer of the Company

Charles E. Commander III (2)(3)
Retired Partner
Foley & Lardner

H. W. Shad III (2)(4)
Owner, Bozard Ford Company

Martin E. Stein, Jr. (3)(4)
Chairman and Chief Executive Officer of
Regency Centers Corporation

William H. Walton (2)(3)(4)
President of Rockpoint Group LLC

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

Officers

John D. Baker II
Chief Executive Officer

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

David H. deVilliers, Jr.
President
President, FRP Development Corp. and
Florida Rock Properties, Inc.

John D. Klopfenstein
Controller and Chief Accounting Officer

FRP Holdings, Inc.

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

Annual Meeting

Shareholders are cordially invited to attend the Annual Shareholders Meeting which will be held at 10 a.m. local time, on Tuesday, May 8, 2018, at The River Club, Ortega Room, on the 34th floor of the Wells Fargo Building, One Independent Drive, Jacksonville, Florida.

Transfer Agent

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

General Counsel

Nelson Mullins Riley & Scarborough LLP
Jacksonville, Florida

Independent Registered Certified Public Accounting Firm

Hancock Askew & Co., LLP
Savannah, Georgia

Common Stock Listed

The Nasdaq Stock Market
(Symbol: FRPH)

Form 10-K

Shareholders may receive, without charge, a copy of FRP Holdings, Inc.'s annual report on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission by writing to the Treasurer at 200 West Forsyth Street, 7th Floor, Jacksonville, Florida 32202. The most recent certifications by our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K.

Company Website

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

CERTIFICATIONS

Exhibit 31(a)

I, John D. Baker II, certify that:

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

Date: March 16, 2018

/s/John D. Baker II
John D. Baker II
Chief Executive Officer

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

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

Date: March 16, 2018

/s/John D. Milton, Jr.

John D. Milton, Jr.

Executive Vice President, Treasurer, Secretary and
Chief Financial Officer

CERTIFICATIONS

Exhibit 31(c)

I, John D. Klopfenstein, certify that:

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

Date: March 16, 2018

/s/John D. Klopfenstein

John D. Klopfenstein

Controller and Chief Accounting Officer

Exhibit 32

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 FRP Holdings, Inc.

FRP HOLDINGS, INC.

March 16, 2018

/s/JOHN D. BAKER II

John D. Baker II
Chief Executive Officer

/s/JOHN D. MILTON, JR.

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

/s/JOHN D. KLOPFENSTEIN

John D. Klopfenstein
Controller and Chief Accounting
Officer

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

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