MERCURY AIR GROUP INC
Form 10-Q
February 14, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended December 31, 2001

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition period from to

Commission File No. 1-7134

MERCURY AIR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	11-1800515
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5456 McConnell Avenue, Los Angeles, CA	90066
(Address of principal executive offices)	(Zip Code)

(310) 827-2737

(Registrant s telephone number, including area code)

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

YES [X] No [ ]

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

Title	Number of Shares Outstanding As of February 11, 2002
Common Stock, $0.01 Par Value	6,577,380

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MERCURY AIR GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	DECEMBER 31, 2001	JUNE 30, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,215,000	$ 3,886,000
Trade accounts receivable, net of allowance for doubtful accounts of $2,270,000 at 12/31/01 and $1,653,000 at 6/30/01	44,062,000	53,530,000
Inventories, principally aviation fuel	3,136,000	4,069,000
Prepaid expenses and other current assets	5,643,000	2,882,000
Net assets of discontinued operations (Note 2)		4,338,000
Total current assets	56,056,000	68,705,000
PROPERTY, EQUIPMENT AND LEASEHOLDS , net of accumulated depreciation and amortization of $54,695,000 at 12/31/01 and $52,165,000 at 6/30/01	67,231,000	71,779,000
NOTES RECEIVABLE	1,784,000	1,510,000
OTHER ASSETS	8,237,000	9,140,000
	$ 133,308,000	$ 151,134,000
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 21,011,000	$ 31,668,000
Accrued expenses and other current liabilities	9,011,000	10,357,000
Income tax payable	317,000	96,000
Current portion of long-term debt	7,246,000	7,461,000
Total current liabilities	37,585,000	49,582,000
LONG-TERM DEBT	37,694,000	44,560,000
DEFERRED INCOME TAXES	401,000	380,000
SENIOR SUBORDINATED NOTE (Note 5)	23,123,000	23,030,000
COMMITMENTS AND CONTINGENCIES (Note 4)		
STOCKHOLDERS EQUITY:		
Preferred Stock $.01 par value; authorized 3,000,000 shares; no shares outstanding		
Common Stock $ .01 par value; authorized 18,000,000 shares; outstanding 6,577,380 shares at 12/31/01; outstanding 6,576,680 shares at 6/30/01	66,000	66,000
Additional paid-in capital	21,442,000	21,442,000
Retained earnings	13,758,000	12,835,000
Accumulated other comprehensive loss (Note 8)	(228,000)	(228,000)
Notes receivable from sale of stock	(533,000)	(533,000)
Total stockholders equity	34,505,000	33,582,000
	$ 133,308,000	$ 151,134,000

See accompanying notes to consolidated financial statements

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MERCURY AIR GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Six Months Ended December 31,		Three Months Ended December 31,	
	2001	**2000**	**2001**	**2000**
Sales and Revenues:				
Sales	$149,902,000	$199,131,000	$69,459,000	$109,455,000
Service revenues	45,941,000	46,357,000	22,632,000	24,638,000
	195,843,000	245,488,000	92,091,000	134,093,000
Costs and Expenses:				
Cost of sales	129,578,000	180,069,000	59,159,000	99,259,000
Operating expenses	50,427,000	45,943,000	24,840,000	24,384,000
	180,005,000	226,012,000	83,999,000	123,643,000
Gross Margin (Excluding depreciation and amortization)	15,838,000	19,476,000	8,092,000	10,450,000
Expenses (Income):				
Selling, general and administrative	4,435,000	4,156,000	2,487,000	2,124,000
Provision for bad debts	772,000	1,899,000	187,000	1,099,000
Depreciation and amortization	5,030,000	4,991,000	2,553,000	2,509,000
Interest expense	2,991,000	3,857,000	1,465,000	1,929,000
Costs and expenses of stock offering (Note 1)	985,000		985,000	
Loss on sale of property	71,000		71,000	
Interest income	(28,000)	(36,000)	(11,000)	(6,000)
	14,256,000	14,867,000	7,737,000	7,655,000
Income from Continuing Operations Before Provision for Income Taxes	1,582,000	4,609,000	355,000	2,795,000
Provision for Income Taxes	617,000	1,797,000	138,000	1,090,000
Income from Continuing Operations	965,000	2,812,000	217,000	1,705,000
(Loss) Income from Discontinued Operations net of income tax (benefit) charge of ($27,000) in 2001 and $81,000 and $50,000 in 2000	(42,000)	126,000		77,000
Net Income	$ 923,000	$ 2,938,000	$ 217,000	$ 1,782,000
Net Income Per Common Share (Note 6):				
Basic:				
From Continuing Operations	$ 0.15	$ 0.43	$ 0.03	$ 0.26
	(0.01)	0.02		0.01

(Loss) Income from Discontinued Operations				
Net income	$ 0.14	$ 0.45	$ 0.03	$ 0.27
Diluted:				
From Continuing Operations	$ 0.14	$ 0.42	$ 0.03	$ 0.25
(Loss) Income from Discontinued Operations		0.02		0.02
Net income	$ 0.14	$ 0.44	$ 0.03	$ 0.27

See accompanying notes to consolidated financial statements

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MERCURY AIR GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31,	
	2001	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 923,000	$ 2,938,000
Less: (Loss) Income from discontinued operations	(42,000)	126,000
Income from continuing operations	965,000	2,812,000
Adjustments to derive cash flow from Operating activities:		
Loss on sale of property	71,000	
Bad debt expense	772,000	1,899,000
Depreciation and amortization	5,030,000	4,991,000
Deferred income taxes	21,000	10,000
Amortization of senior subordinated note discount	93,000	93,000
Changes in operating assets and liabilities:		
Trade and other accounts receivable	8,696,000	(14,200,000)
Inventories	933,000	(1,252,000)
Prepaid expenses and other current assets	(2,761,000)	554,000
Accounts payable	(10,657,000)	11,317,000
Income taxes payable	221,000	1,408,000
Accrued expenses and other current liabilities	(1,346,000)	1,860,000
Net cash provided by operating activities	2,038,000	9,492,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in other assets	441,000	859,000
Increase in notes receivable	(274,000)	(1,547,000)
Acquisition of businesses		(10,400,000)
Proceeds from sale of property	2,078,000	
Additions to property, equipment and leaseholds	(2,169,000)	(3,268,000)
Net cash provided by (used in) investing activities	76,000	(14,356,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt		11,969,000
Reduction of long-term debt	(7,081,000)	(5,955,000)
Reduction of note receivable from sale of stock		75,000
Proceeds from exercise of stock options		187,000
Net cash (used in) provided by financing activities	(7,081,000)	6,276,000
Net Cash provided by (used in) Discontinued Operations	4,296,000	(117,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	(4,967,000)	1,412,000
CASH AND CASH EQUIVALENTS, beginning of period	3,886,000	2,143,000
CASH AND CASH EQUIVALENTS, end of period	$ 3,215,000	$ 3,438,000

CASH PAID DURING THE PERIOD:

Interest	$ 2,943,000	$ 3,816,000
Income taxes paid (refunded)	$ 348,000	($715,000)

See accompanying notes to consolidated financial statements

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MERCURY AIR GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001

(Unaudited)

Note 1 General:

Business:

Mercury Air Group, Inc., (the Company) a Delaware corporation, provides a broad range of services to the aviation industry through four principal operating units: fuel sales, cargo operations, fixed base operations and U.S. government contract services. Fuel sales include the sale of fuel and delivery of fuel primarily to domestic and international commercial airlines, business aviation and air freight airlines. Cargo operations consist of cargo handling, space logistics operations and general cargo sales agent services. Fixed base operations (FBOs) include fuel sales, into-plane services, ground support services, aircraft hangar and tie-down facilities and maintenance at certain locations for commercial, private, general aviation and military aircraft. Government contract services consist of aircraft refueling and fuel storage operations, base operating support (BOS) services, air terminal and ground handling services and weather observation and forecasting services performed principally for agencies of the United States government. Additionally, the Company had a fifth operating unit, RPA Airline Automation Services, Inc. (RPA) which was sold on July 3, 2001 and is classified as a discontinued operation (see Note 2).

MercFuel, Inc:

On March 7, 2001, the Company announced its plan to create an independent publicly traded company, MercFuel, Inc. (MercFuel). MercFuel was organized in Delaware on October 27, 2000 as a wholly owned subsidiary of the Company. On January 1, 2001, the Company transferred to MercFuel, the assets and liabilities of its Fuel Sales division. On May 16, 2001 and amended twice thereafter, MercFuel filed a registration statement related to the proposed sale of 1,200,000 shares of common stock (the Offering). On April 30, 2001, MercFuel agreed to sell 239,942 shares of common stock in a private placement at a per share price of $4.35. Due to market conditions, the Company was not able to complete the Offering and the proceeds of the private placement are expected to be returned. The Company incurred $985,000 of expenses associated with the Offering and private placement which were expensed in the quarter ended December 31, 2001. The Company has also elected to withdraw MercFuel s application for registration of its common stock; depending on market conditions and other factors, the Company may re-file a registration statement at a later point in time. The Company may pursue various financing options with respect to MercFuel.

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Basis of Presentation:

The accompanying unaudited financial statements reflect all adjustments (consisting of normal, recurring accruals only) which are necessary to fairly present the results for the interim periods. Such financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and therefore do not include all the information or footnotes necessary for a complete presentation. They should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended June 30, 2001 and the notes thereto. The results of operations for the six months ended December 31, 2001 are not necessarily indicative of results for the full year.

New Accounting Pronouncements:

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations. SFAS No. 141 requires the purchase method of accounting for business combinations initiated after June 30, 2001 and eliminates the pooling-of-interest method.

In July 2001, the FASB issued SFAS No. 142, Goodwill and Other Intangible Assets. The Company has elected to adopt SFAS No. 142 on July 1, 2002. SFAS No. 142 requires, among other things, the discontinuance of goodwill amortization. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill and the identification of reporting units for purposes of assessing potential future impairments of goodwill. SFAS. No. 142 also requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company has not yet determined what impact the adoption will have on its financial statements.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , which supersedes FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. This new statement also supersedes certain aspects of APB Opinion No 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be reported in discontinued operations in the period incurred (rather than as of the measurement date as presently required by APB Opinion No 30). In addition, more dispositions may qualify for discontinued operations treatment. The provisions of this statement are required to be applied on July 1, 2002. The Company has not yet determined what effect this statement will have on its financial statements.

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Note 2 Discontinued Operations:

On July 3, 2001, the Company completed the sale of its subsidiary, RPA Airline Automation Services, Inc. (RPA), which provides airline revenue accounting and management information software consisting of proprietary software programs which are marketed to foreign and domestic airlines. The Company has reclassified its consolidated financial statements to reflect the sale of RPA and to segregate the revenues, direct costs and expenses (excluding allocated costs), assets and liabilities, and cash flows of RPA. The net operating results, net assets and net cash flows of this business have been reported as Discontinued Operations in the accompanying consolidated financial statements. Summarized income statement information for the six months ended December 31, 2000 and balance sheet information as of June 30, 2001 are as follows:

	Six Months Ended December 31, 2000
Service revenues	$2,839,000
Operating expense	2,489,000
Gross margin	350,000
Other expense	143,000
Income before income taxes	207,000
Income tax charge	81,000
Net income	$ 126,000

	June 30, 2001
Current assets	$4,324,000
Total assets	5,292,000
Current and total liabilities	954,000
Net assets of discontinued operations	4,338,000

During the quarter ended September 30, 2001, the Company recorded a loss of $42,000 related to sale of a building that had previously been RPA s corporate headquarters. At December 30, 2001, the Company no longer retained any significant assets or liabilities related to RPA.

Note 3 Income Taxes:

Income taxes have been computed based on the estimated annual effective income tax rate for the respective periods.

Note 4- Litigation:

In April 2000, Mercury filed a collection action against AER Global Logistics (AER) in the state of New York. AER filed a counterclaim for $1.0 million alleging among other things, tortious interference with contract. Mercury believes that this claim is without merit, and accordingly, does not believe this matter will have a significant impact on it financial position or operating results.

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On April 3, 2001 Mercury received notice of an action filed by Skylink Express, Inc. in the Superior Court of Justice Ontario, Canada against Excel Cargo, Inc. and others for damages to aircraft occurring on November 30, 1999 and January 10, 2000 at Mirabel International Airport Quebec for a total amount of $2.5 million Canadian ($1.65 million U.S.) plus interest and fees. Mercury does not believe the outcome of this claim will have a significant impact on its financial position or operating results.

On November 30, 2001, the Company received notice of a counter-complaint filed by UPS against the Company and a third party seeking indemnification and reimbursement in the amount of $470,000 for the costs incurred as a result of the fuel spill at the Ontario, CA Airport. The Company has provided a response to UPS denying such claim and on September 28, 2001, filed a lawsuit seeking reimbursement for damages. Mercury does not believe the outcome of this claim will have a significant impact on its financial position or operating results.

In October 2001, Mercury received notice that the California Court of Appeals had rejected its appeal in the matter of Koye Fernandez v. Mercury Air Group, Inc. The case was settled in January 2002. The settlement amount of approximately $383,000 has been accrued as a liability at December 31, 2001.

The Company is also a defendant in certain litigation arising in the normal course of business. In the opinion of management, the ultimate resolution of such litigation will not have a significant effect on its financial position or operating results.

Note 5- Debt:

On September 10, 1999, the Company issued, in a private placement, a $24.0 million senior Subordinated 12% Note (the Note) due 2006 with detachable warrants to purchase 503,126 shares of the Company s common stock exercisable at $6.50 per share for seven years. On November 16, 2001, the agreement was amended to reduce the exercise price to $5.50 per share. The reduction in the exercise price of the warrants resulted in an insignificant change in the value of the warrants. The Note agreement contains covenants that, among other matters, limit senior indebtedness, the disposition of assets and unfunded capital expenditures. The covenants also included a ratio test for interest coverage, leverage, fixed charge coverage and debt service. On November 16, 2001 and effective September 30, 2001, the Company received a waiver pertaining to the interest coverage test and the agreement was amended by reducing the ongoing interest coverage test. The Company was in compliance with the debt covenants at December 31, 2001.

Note 6- Earnings Per Share:

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares and potential common shares. Potential common shares include stock options and shares resulting from the assumed conversion of subordinated debentures, when dilutive.

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	Six Months Ended				Three Months Ended			
	December 31, 2001		December 31, 2000		December 31, 2001		December 31, 2000	
	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic
Weighted average number of common shares outstanding during the period	6,577,000	6,577,000	6,516,000	6,516,000	6,577,000	6,577,000	6,531,000	6,531,000
Common share equivalents resulting from the assumed exercise of stock options	156,000		173,000		149,000		151,000	
Common shares resulting from the assumed conversion of debentures	32,000		46,000		32,000		46,000	
Weighted average number of common and common equivalent shares outstanding during the period	6,765,000	6,577,000	6,735,000	6,516,000	6,758,000	6,577,000	6,728,000	6,531,000

Note 7-Segment Reporting:

The Company operates and reports its activities through four principal units: 1) Fuel Sales, 2) Fixed Based Operations, 3) Cargo Operations and 4) Government Contract Services. Additionally, the Company had a fifth operating unit, RPA, which was sold on July 3, 2001. As a result, RPA s historical operating results have been reclassified as discontinued operations. The segment data for the quarter and six months ended December 31, 2000 included below has been restated to exclude amounts related to the RPA business unit.

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	Fuel Sales	Fixed Base Operations	Cargo Operations	Government Contract Services	Corporate or Unallocated	Total
			(Dollars in Thousands)			
Quarter Ended December 31, 2001						
Revenues	$ 54,610	$23,122	$ 7,548	$ 6,811		$ 92,091
Gross Margin	1,417	3,943	1,021	1,711		8,092
Depreciation and Amortization	16	1,468	721	191	$ 157	2,553
Capital Expenditures	11	832				843
Segment Assets	24,469	46,430	34,126	23,146	5,137	133,308
Quarter Ended December 31, 2000						
Revenues	$ 91,760	$26,444	$ 8,669	$ 7,220		$134,093
Gross Margin	2,511	4,065	2,349	1,525		10,450
Depreciation and Amortization	16	1,303	805	212	$ 173	2,509
Capital Expenditures	(26)	1,063	1,263	11	68	2,379
Segment Assets	26,532	39,331	34,598	20,557	38,979	159,997
Six Months Ended December 31, 2001						
Revenues	$119,110	$47,084	$14,686	$14,963		$195,843
Gross Margin	3,256	7,389	1,455	3,738		15,838
Depreciation and Amortization	31	2,811	1,481	384	$ 323	5,030
Capital Expenditures	11	2,057	97		4	2,169
Segment Assets	24,469	46,430	34,126	23,146	5,137	133,308
Six Months Ended December 31, 2000						
Revenues	$164,905	$50,335	$15,728	$14,520		$245,488
Gross Margin	4,534	7,810	4,071	3,061		19,476
Depreciation and Amortization	31	2,583	1,606	428	$ 343	4,991
Capital Expenditures	11	12,300	1,332	(43)	68	13,668
Segment Assets	26,532	39,331	34,598	20,557	38,979	159,997

Gross margin is used as the measure of profit and loss for segment reporting purposes as it is viewed by key decision makers as the principal operating indicator in measuring segment profitability. The key decision makers also view bad debt expense as an important measure of profit and loss. The predominant component of bad debt expense relates to Fuel Sales. Bad debt expense for Fuel Sales was approximately $87,000 and $999,000; total bad debt expense was $187,000 and $1,099,000 for the quarter ended December 2001 and December 2000, respectively. Bad debt expense for fuel sales was approximately $572,000 and $1,699,000; total bad debt expense was $772,000 and $1,899,000 for the six months ended December 31, 2001 and December 31, 2000, respectively.

Note 8 Comprehensive Income:

For the periods presented, adjustments to derive comprehensive income from net income were insignificant.

Note 9 Subsequent Event:

In January 2002, the Company sold land and building which comprise its corporate headquarters to CFK Realty Partners, LLC (CFK Partners) for $4.2 million, consisting of $2.8 million cash and a note receivable of $1.4 million. The note receivable accrues interest at 5% and is due on December 31, 2002, however, CFK Partners has options to extend the note through December 31, 2004. Concurrently, the Company also entered into a ten-year lease for the property.

CFK Partners is a partnership consisting of three of the Company s directors, one of whom also serves as the Company s Chief Executive Officer. In addition, CFK Partners also owns approximately 30% of the Company s outstanding shares.

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

Results of Operations- Comparison of the Three Months Ended December 31, 2001 and December 31, 2000 and Comparison of the Six Months Ended December 31, 2001 and December 31, 2000.

The following tables set forth, for the periods indicated, the revenues and gross margin for each of the Company s four operating units, as well as selected other financial statement date.

	Six Months Ended December 31,				Three Months Ended December 31,			
($ in millions)	2001		2000		2001		2000	
	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues
Revenues:								
Fuel sales	$119.1	60.8%	$164.9	67.2%	$54.6	59.3%	$ 91.8	68.4%
FBOs	47.1	24.0	50.4	20.5	23.1	25.1	26.4	19.7
Cargo operations	14.7	7.5	15.7	6.4	7.6	8.2	8.7	6.5
Government contract services	15.0	7.7	14.5	5.9	6.8	7.4	7.2	5.4
Total Revenue	$195.8	100.0%	$245.5	100.0%	$92.1	100.0%	$134.1	100.0%

	Amount	% of Unit Revenues	Amount	% of Unit Revenues	Amount	% of Unit Revenues	Amount	% of Unit Revenues
Gross Margin(1):								
Fuel sales	$ 3.3	2.7%	$ 4.5	2.7%	$1.4	2.6%	$ 2.5	2.7%
FBOs	7.4	15.7	7.8	15.5	4.0	17.1	4.1	15.4
Cargo operations	1.5	9.9	4.1	25.9	1.0	13.5	2.4	27.1
Government contract services	3.7	25.0	3.1	21.1	1.7	25.1	1.5	21.1
Total Gross Margin	$15.9	8.1%	$19.5	7.9%	$8.1	8.8%	$10.5	7.8%

	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues	Amount	% of Total Revenues
Selling, general and administrative	$ 4.4	2.3%	$4.2	1.7%	$2.5	2.7%	$2.1	1.6%
Provision for bad debts	0.8	0.4	1.9	0.8	0.2	0.2	1.1	0.8
Depreciation and amortization	5.0	2.6	5.0	2.0	2.6	2.8	2.5	1.9
Interest expense and other	4.0	2.0	3.8	1.6	2.5	2.7	1.9	1.4
Income before income taxes	1.6	0.8	4.6	1.9	0.4	0.4	2.8	2.1
Provision for income taxes	0.6	0.3	1.8	0.7	0.2	.02	1.1	0.8
	1.0	0.5	2.8	1.1	0.2	0.2	1.7	1.3

Income from continuing operations before tax								
(Loss) Income from discontinued operations	(0.1)	—	0.1	—	—	—	0.1	0.1
Net income	$ 0.9	0.5%	$2.9	1.2%	$0.2	0.2%	$1.8	1.3%

(1) Gross margin as used here and throughout Management s Discussion excludes depreciation and amortization and selling, general and administrative expense

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Three Months ended December 31, 2001 Compared to December 31, 2000

Revenue decreased by 31.3% to $92.1 million in the current period from $134.1 million in the prior year primarily due to lower fuel prices and fuel volume in the current period. Gross margin decreased 22.6 % to $ 8.1 million in the current period from $10.5 million a year ago, primarily due to declines in Cargo operations and fuel sales. The declines were, in part, caused by the slow down in the airline industry resulting from the events