Fellow Shareholders:

Fifty years ago, in 1969, there were three significant launches: fifty miles down the road Apollo 11 launched to the moon; the first flight of the Boeing 747 Jumbo Jet took off; and perhaps most importantly, Tomoka Land Company (Consolidated-Tomoka Land Co.) was launched as an independent public company, being spun off from Baker Fentress, with the issuance of 1,000,000 shares, at $14.00 per share, and trading with the ticker symbol CTO.

In 1969 CTO had a book value of just under $9 million and owned 32,000 acres of undeveloped land in Daytona Beach, Florida. Our board of directors included Calvin Fentress, the former chairman of Allstate Insurance and his two brothers Paul and James. The population of Volusia County in 1969 was approximately 176,000 vs the 538,692 residents who called the county home in 2017. For all the investment professionals and university professors who theorize about what the long-term returns are or should be for raw land, the results are in: based on our experience of the 100-year continued ownership, it is approximately 9% compounded. According to the Company's 1969 prospectus, our cost basis in our 32,000 acres of land in Daytona Beach, land we had owned since 1919, was approximately $4 per acre. If you assume an average sale price of $30,000 per acre today, after 100 years of ownership and annual real estate taxes, that would equal a compounded annual return of approximately 9%. Not bad!

Now, 50 years later, while there is no longer a Baker Fentress; the last 747 has recently been retired; and we can no longer land on the moon, we believe we are now launching CTO toward its best days yet. With less than 6,000 acres of land holdings remaining, and 33% of those acres under contract to be sold, I suspect there will be reason for another name change at some point in our Company's future, one that will reflect the transformation in character of the Company from primarily a Florida-centric agricultural business that in 1969 owned timber, citrus groves and various other assets only in Florida, to having a diversified portfolio of approximately $500 million in income properties in 14 states producing a strong, steady stream of cash flow that will help fortify our position against future economic downturns.

Last year was another year of tremendous progress in our transformation, as we sold 2,700 acres in 13 separate transactions, for combined proceeds of approximately $59 million, which was the largest dollar amount in the Company's history.

We also invested approximately $110 million in income producing properties, which positions our Company as primarily an income property company, with land becoming more and more in our rear-view mirror.

Last year had the potential to be an even better year for land sales as Minto communities, the contract purchaser of 1,600 acres for $26.5 million for Phase II of Latitude Margaritaville, didn't close as expected. Minto's first phase of Latitude Margaritaville active adult community, in addition to selling over 600 homes in its first 14 months, was named as the best 55+ retirement community in the nation and ranked as one of the U.S.'s top 50 largest selling master planned communities. Minto terminated its Phase II contract as they expressed concerns about the rapidly escalating transportation and impact fee costs that Volusia County was imposing on their second phase, estimated to be over 3x the cost of the first phase. These cost increases were difficult for Minto to absorb in addition to trying to predict what additional increases the city and county may impose in the next four years. Minto anticipated holding this land until they needed to begin the development of Phase II, as their Latitude Margaritaville product is an affordable housing product and has a limit to price increases that can be absorbed by their customer. Since Minto's announcement, we have been approached by others who have an interest in this site, given its entitlements for over 3,200 homes and 200,000 square feet of commercial, and its close proximity to I-95 and that it is only about six miles from the ocean. Needless to say, we believe this site is very attractive to both developers and home builders alike. We are hopeful that we could see this parcel transact in the near term.

Last year we repurchased more of our stock than at any time in our history and raised our dividend 50% higher than the previous year, a result of our investment property portfolio's strong cash flows. Both of these actions represent the company returning a good amount of capital to our shareholders.

Now let's recap our achievements 2018:

- Achieved earnings of $6.76 per share vs $7.53 in 2017
- Sold 2,700 acres of land for $59 million, a company record and 1,000 more acres than we sold in 2017
- Grew book value by 18%, to $38.95 per share
- Have approximately 1,800 acres of the Company's remaining 5,400 acres under contract for over $100 million
- Invested $110 million in income-producing assets at an average yield of approximately 6.36%
- Bought back over 168,000 shares of CTO stock for $10 million
- Raised the dividend by 50% on an annualized basis to $0.27 per share in 2018 vs $0.18 per share in 2017.
- Welcomed two new highly qualified independent members to our board of directors: George R. Brokaw and Blake Gable.

Despite the positive progress in our business, our share price performance lagged that of the RMZ. We are hopeful that this year will be the year that the Company's share price can reach escape velocity from the gravitational pull of public land companies, which seem to permanently trade in a low orbit consisting of a large discount to net asset value, as land produces no income, lacks strong liquidity, and has higher volatility than a portfolio of long-term net leased income properties.

## Performance Scorecard

| | Basic EPS | Dividend | CTO Share Price Performance(1) | RMZ Index(1) | Book Value Per Share |
|---|---|---|---|---|---|
| 2018 | $ 6.76 | $0.27 | (17.6%) | (4.2%) | $38.95 |
| 2017 | $ 7.53 | $0.18 | 19.3% | 5.1% | $32.98 |
| 2016 | $ 2.86 | $0.12 | 1.6% | 8.6% | $25.97 |
| 2015 | $ 1.44 | $0.08 | (5.4%) | 2.5% | $22.81 |
| 2014 | $ 1.11 | $0.07 | 54.0% | 30.4% | $21.83 |
| 2013 | $ 0.64 | $0.06 | 17.2% | 2.5% | $20.53 |
| 2012 | $ 0.10 | $0.04 | 14.7% | 17.8% | $19.58 |
| 2011 | $( 0.82) | $0.04 | (6.2%) | 8.7% | $19.77 |
| 2010 | $( 0.11) | $0.04 | (17.2%) | 28.5% | $20.55 |

(1) Includes re-invested dividends

As our earnings, cash flow and dividends continue to reach higher orbits with the monetization of our land and the conversion of those proceeds into income property investments, we hope our share price will have a better outcome for 2019.

## Income Properties

Last year's acquisitions of nearly $110 million in income properties were located in Albuquerque, Jacksonville, Aspen and Dallas-Fort Worth. The eleven properties we invested in were acquired at an average cap rate of

6.36% with an average lease duration of 13.4 years and added high quality tenants, including an affiliate of Fidelity Investments, JP Morgan and WaWa, to our roster of strong credits. This year we hope to find an equal amount of high-quality acquisitions as we continue to grow, improve and refine our income property portfolio to a single-tenant focused portfolio that will be best in class, particularly when compared to the publicly-traded net lease companies.

Our Company now owns an income property portfolio with more than two million square feet of rentable space comprised of approximately half retail and half office with an average lease term of 8.3 years in fourteen states. Our twenty-seven properties in North Carolina, Oregon, Florida and California contribute the highest amount of our rental income per state, respectively. The largest tenant/credit in our portfolio is the A- rated Wells Fargo, comprised of two single-tenant properties, which provides a strong anchor to our increased cash flow. As a majority of our Company's asset base is now comprised of income properties, it is my hope you will compare our portfolio to other public net lease companies, and rightly discover that our portfolio is distinguished from theirs by the quality of our cash flows relative to both locations/markets of our properties as well as the underlying credit.

As previously announced, we are looking to monetize over $100 million or so of our multi-tenant properties to further focus our portfolio into pure single-tenant net least assets. We recently announced the sale of our multi-tenant Whole Foods anchored shopping center in downtown Sarasota for almost $25 million at a 5.1% cap rate.

## Land

As I mentioned before, the monetization of our land portfolio was strong last year as we sold 2,700 acres for $59 million, which included land for the following uses: multifamily, medical, a wetland mitigation bank, self-storage and retail. The land parcels we currently have under contract represent potential proceeds of over $100 million for the sale of approximately 1,800 acres and would include the following uses: single family residential homes, multifamily residential, commercial/retail and senior living. Currently there are two apartment communities under construction on our recently sold land, as well as a Sam's Club, Publix grocer, the new Costa Del Mar headquarters, self-storage facility and a Subaru dealership.

All of this development activity and capital investment on land we've sold is providing a tremendous level of jobs to our community and a greatly expanded future tax base for the city and county coffers.

## LPGA International Golf Club

We hope that our time of owning the challenging golf business known as LPGA International is to be short lived. We hired the leading broker of golf assets in the U.S. to sell this asset, which we expect will occur in 2019. Now that our large residential land ownership along LPGA Boulevard has been sold, there is little reason for us to own this asset. Even though we are now gaining members, the club needs an owner-operator in the golf business.

We expect to realize a tax loss on this sale, which will likely offset some land sale gains that we may not transact utilizing a 1031 exchange structure. If we are successful in selling the golf assets and operation, we expect to have a nice lift in Company cashflow, as the operations have had a consistent negative drag on our total cashflow.

## Subsurface

Our 455,000 acres of mineral rights in the state of Florida produced over $1.6 million of revenue in 2018, and we are hopeful that Kerogen will be drilling this year on the 15,000 acres they've leased from us, as their drilling permit is pending approval.

## Opportunity Zones

The creation of "opportunity zones" were established by the 2017 Jobs and Tax Cut Act and provides significant tax benefits to certain economically disadvantaged areas throughout the U.S., including approximately 200 acres of CTO land that has yet to be sold and 13 square miles within the City of Daytona Beach. We are hopeful that this attractive tax advantaged structure will help accelerate Daytona's evolution of economic development.

Last year we were active in taking advantage of the transformation of the downtown Daytona Beach core area, purchasing parcels comprised of nearly a six-acre site that is within one of the new Opportunity Zones and also happens to be in a CRA, which should make this site attractive to developers and investors. As we pursue the entitlements for this parcel, we are also in active discussions to either sell this site or contribute the parcel into a joint venture with a developer. This site is in the vicinity of Brown & Brown's future $25 million global headquarters which will add 600 new employees to Daytona Beach and have them all working just a few blocks from our six-acre site. These new employees to Daytona are expected to come primarily from Brown & Brown's operations in the northeast. There is likely going to be a strong demand for multifamily and office space in the urban core. In addition, Hyatt and Cici Brown have offered to donate $15 million to the city to help establish an incredible riverfront park, which will only add to Daytona's downtown revitalization momentum.

**Corporate Activities**

We are delighted to have George Brokaw and Blake Gable join our Board of Directors this past fall. George brings to us a wealth of experience in investment banking, private equity investing and public corporate board experience that will benefit us greatly. Blake brings to our Company vast experience working in Florida, particularly with land, oil, agriculture, development and investment experience, including through his role as President of the highly-respected Barron Collier Companies, of Naples, Florida. Thank you George and Blake for coming on board.

Of our eight independent directors, five are new to the Board within the last three years. Our Board members provide essential wisdom from their extensive experience and diverse backgrounds, including public real estate experience, that benefits all of our shareholders. As we continue to refresh the Board, we are thankful to our experienced members who are concluding their years of wise counsel to CTO at our Annual Meeting in April of this year.

Thank you Bill Olivari and Tom Warlow who are retiring from the Board, for their dedication and tireless efforts for our CTO shareholders. Bill joined the board 11 years ago and has been our local Daytona Beach civic leader and business owner. Bill's vast local relationships and accounting background have been a big help to our company and our Audit Committee. Tom joined the board in 2010 and has spent many hours with consultants and management to get the Company's compensation structure to be the best in class. Tom's experience and relationships throughout central Florida have helped us navigate our way through the years. Thanks to Bill and Tom for helping get us to where we are. We wish them both well.

As we embark on our 50th year as a public company, a special thanks to all our directors for their continued dedication to our company and shareholders, and for keeping us on the right trajectory. We look forward to continued success under their guidance and oversight.

Finally, and most importantly, I want to again thank the other 13 members of our team at the corporate headquarters of Consolidated Tomoka who make it happen every day. Back fifty years ago in 1969, the company had 175 employees and a $14 million equity market cap, so today with over a $300 million market cap and 14 employees, our folks are pulling their weight! Thanks to you all.

On behalf of the CTO Board of Directors, I want to thank you for your continued support.

John P. Albright
President and
Chief Executive Officer