Fellow Shareholders:

In 2015 our Company and Daytona Beach made major strides in a transformation that we believe positions us for many more good things to come. Last year we closed approximately $22.5 million of land sales on a total of 114 acres, or $197,000 per acre, representing less than 1% of our land acreage in Daytona Beach. As accretive and important as these sales were to our earnings per share and book value, the most valuable aspect of the transactions is who the buyer was and what they are bringing to Daytona Beach. We believe their developments will lead to additional value-enhancing activity on our land. In the last two years, we have sold over $30 million of land sales and converted the proceeds into income properties with a growing cash flow stream. Our business plan is working nicely!

One of the land buyers, Tanger Factory Outlets (NYSE:SKT), purchased 39 acres for the development of a 350,000 square foot outlet mall that is expected to include 80-90 stores when it opens in November 2016. This $100 million development is expected to create over 900 full and part-time jobs and to serve as the anchor to the 235-acre Tomoka Town Center. Joining Tanger Outlets at Tomoka Town Center is Sam's Club, which purchased 18 acres within Tomoka Town Center and is expected to start construction this year on their proposed 140,000 square foot store. Finally, North American Development Group closed on 37 acres in Tomoka Town Center and has the remaining 86 usable acres under contract, which we hope will add to our earnings in the next couple of years as we expect them to exercise their purchase rights on this remaining land for $22 million. North American should be submitting their development plans for City consideration this spring.

Coupled with the land sales at Tomoka Town Center was the sale of 15 acres along Williamson Boulevard for a 264-unit luxury apartment project being developed by an affiliate of Integra Land. Integra Land has already started construction on this Class A multi-family project. As the employment opportunities in our area are taking off, I doubt 264 units is going to meet all of the demand. For instance, in 2014 we sold a small 21-acre site along Williamson to a developer who now has a 50,000 square foot headquarters building under construction for TopBuild (NYSE:BLD), a $1 billion market cap spinoff from MASCO. TopBuild plans to have over 250 employees at their new headquarters location when construction is completed later this year.

You may recall that we sold a small 6-acre parcel of land to CarMax in 2013. It took a while, but they started site work this January on an 18,000 square foot showroom that is expected to employ 50 people.

Of course, all of this is in addition to the $80 million, 630,000 square foot grocery distribution center for a premier national grocer, completed in the summer of 2015 that was developed on 76 acres of land that we sold in 2014. The distribution center could have as many as 400 employees already working in our neighborhood.

It's a good time to be a contractor in Daytona Beach!

All of this activity helped the following happen in 2015:

- Highest earnings since 2007 with $1.44 per share, almost 30% higher than 2014
- Book value grew by 4% to $22.81 per share
- Increased dividend by 14% to $.08 per share per year for 2015
- Invested over $96 million in income-producing properties, commercial loan investments, and a real estate venture
- Issued a five-year, $75 million convertible bond offering at an interest rate of 4.5% and a conversion price at $68.90 per share
- Sold six non-core income properties for $24.3 million or $311 per square foot
- Have four pending land sale contracts, on 16% of our remaining land, for potential proceeds of $56 million

- Repurchased back 119,403 shares

Performance Scorecard

	Basic EPS	Dividend	CTO Share Price Performance [1]	RMZ Index [1]	Book Value Per Share
2015	$1.44	.08	(-5.5%)	2.5%	$22.81
2014	1.11	.07	54.0%	30.5%	$21.83
2013	.64	.06	17.2%	2.5%	$20.53
2012	.10	.04	14.7%	17.8%	$19.58
2011	(.82)	.04	-6.2%	8.6%	$19.77
2010	(.11)	.04	-17.2%	28.4%	$20.55

[1] Includes Re-invested Dividends

Good earnings and disappointing stock performance: we will do our best to fix the latter. Our share price total return for the last four calendar years under new management is 95.8% vs. the S&P index of 76.8%, the Russell 2000 of 62% and the RMZ of 61.4%. Not bad since we started this turn around in August 2011.

The Numbers

In 2015, CTO earned $1.44 per share, which was almost 30% higher than the previous year. While our performance has been good, we again anticipate that the year ahead could be even better. As noted our share performance for 2015 was certainly disappointing, but we're encouraged that we outperformed many of our peers, even with the headwinds we encountered in the fourth quarter from some public communications we received from our largest shareholder.

Investments

In 2015, we invested over $76.4 million in four income properties, originated a $14.5 million first mortgage loan investment secured by a hotel in San Juan, Puerto Rico and invested $5.7 million in a six-acre ocean front real estate venture for total investment activity of over $96 million, an increase of approximately 31% over the $73.4 million we invested in 2014. Our largest purchases last year included a 450,000 square foot Wells Fargo office complex in Raleigh, NC for $42 million, or $94 per square foot, and a 137,000 square foot Class A office building on the St. Johns River in Jacksonville, FL for $25 million. The Wells Fargo complex includes three Class A office buildings, all net leased to Wells Fargo under a long-term lease that includes extensions. The Jacksonville building, known as 245 Riverside, was built by St. Joe for their corporate headquarters until they left in 2010. We were able to purchase it below replacement cost even though it is nearly 100% leased. Our income property portfolio now includes 40 properties with approximately 1.7 million square feet in 10 states.

Last year we said we would be more active in recycling our weaker properties, and we were, selling six non-core properties for $24.3 million, or $311 per square foot. These properties were in smaller regional markets in Florida such as Sanford, Melbourne, Vero Beach, and Clermont. We were delighted to move these investment dollars into better assets in stronger, deeper real estate markets such as Raleigh and Jacksonville. In 2016, we expect to continue to pursue the transitioning of our non-core portfolio into better assets and stronger locations.

Land

We are hopeful that Minto's contract to purchase approximately 1,600 acres will close in 2016, and they are too. As a result of the permitting process for new development, the Company is working diligently to resolve issues raised by federal agencies regarding certain environmental matters pertaining to wetlands, including Minto's 1,600 acres and some adjacent acreage owned by the Company. As indicated by their public comments, Minto is itching to go and should be in front of the City soon for site plan approval. We expect/hope this transaction will close in the latter half of 2016, but there is no guarantee.

We bought a 51% ownership position on six acres of vacant beachfront land in Daytona Beach for $5.7 million, which values the parcel at $11.3 million. We are working on getting entitlements for a high-rise development, which we think will make this parcel more valuable in the future, and the plan is to sell this parcel to a developer. We may also look at a temporary use such as a beachside restaurant. In the meantime, our investment was structured with a preferred return on our money and a return of our capital before any distributions are made to our partner.

Self-Developed Properties

In 2015, we leased 15,000 square feet in our Williamson Business Park to Teledyne for an expansion to their existing facility located next to our property. This high quality, institutional tenant signed a ten-year lease. We may look to monetize this asset in 2016.

We were considering relocating our corporate office to the last remaining space in our Williamson Business Park development; however, given all of our other corporate activities, we decided it was best to stay a year or so longer in our current leased location.

Golf

Golf decreased its annual loss to under $400,000 this year. Encouraging but still painful, we can't wait for more rooftops!

Oil/Billboards/Subsurface/Agriculture

In September, the Kerogen folks continued their minerals lease on 25,000 acres in Hendry County as they have focused on what they apparently believe is the prime acreage of the original 136,000 acre lease. We received $1.4 million from Kerogen for the renewal for the 5th year of this 8-year lease, but I am not too optimistic for what 2016 holds given current oil prices. Our two existing wells from which we receive royalties, located in Lee County, produced only $68,000 in 2015 and I suspect that, regardless of production levels, we will see even less revenue in 2016.

In November, we hired Lantana Advisors to market our entire 500,000 acre portfolio of subsurface interests for a possible sale. In the past three years we have received almost $10 million from this segment. However, given the weakness in the commodity markets, the bids may not be sufficient for us to transact this holding even though our basis is effectively $0 at year end 2015.

Our billboard revenue was $189,000 in 2015, a slight decrease from 2014. Our billboard count is 21.

Timber, hay, and hunting lease revenues produced approximately $76,000 in 2015, which was a decrease of approximately $202,000 due to no timber harvesting occurring in 2015.

Investment Securities

As I mentioned in last year's letter, we purchased investment securities in a public real estate company. Though we believed this to be an attractive investment, this investment became a distraction to our shareholders and we have started the process of decreasing our position in this investment, anticipating an eventual exit. At year end, we had $5.7 million in common stock and debt securities in this company.

Balance Sheet

We took advantage of the capital market strength in the earlier part of 2015 and raised $75 million in a five-year convertible bond offering. The convertible bonds were priced at a 4.5% coupon and a conversion premium of 23.5% which translates to a conversion price of $68.90 per share. This capital provided our Company more flexibility to buy large income properties in advance of land sale transaction closings, thus reducing our risk of closing a land sale transaction and not being able to find the right 1031 exchange in the required timeframe. This also terms out our debt and locks in a favorable rate for our small cap company. At year-end, our leverage stood at approximately 32.1% of our total enterprise value net of cash.

What's doin' in Daytona?

We are encouraged to see that the Hilton Hotel on the beach was purchased for over $90 million by Starwood Capital last year and that they plan on investing $20 million to renovate this hotel. This 744-room hotel is the bell cow of Daytona Beach. Having been owned or operated by a special servicer for over four years, it's about time some experienced institutional capital has made a large investment on the beach. In January of this year JetBlue started their daily non-stop service between Daytona Beach and JFK. It's a significant step for Daytona to have a direct connection to one of the most important international airports in the world and now New Yorker's have direct access to the World's Most Famous Beach. Also, Daytona International Speedway finished the $400 million renovation of their speedway facility and announced the addition of Cobb Theatre, Bass Pro, a Marriott Autograph hotel, and a PF Chang's to their One Daytona project. This will be a welcome addition to our little beach town.

Just an hour south of Daytona, it seems like most of the world's billionaires are competing in a space race: Jeff Bezos, Elon Musk, Richard Branson, and Paul Allen, to name a few. These pioneers are deploying billions of dollars into commercial space travel, which should produce additional opportunities and other added benefits for the 5,800 students and 1,400 faculty and staff at Daytona's Embry Riddle Aeronautical University. The billionaires spend billions and Embry Riddle supplies them with highly-talented aeronautical engineers, which results in collaboration with companies such as Boeing, Textron, Lockheed Martin, Rockwell Collins, Gulfstream Aerospace and Northrup Grumman. This is the right stuff for a bright future in education and advanced technology for the Daytona area.

Corporate Activities

In 2015 we were active in our share buyback program as we bought $6.5 million of stock at an average price of $54.31, which completed our $8 million repurchase program that was originally approved by our Board in November 2008. We also announced a new $10 million buyback program, which we started to utilize in February to take advantage of what we believe are advantageous price levels in our stock.

As previously announced, the Company engaged an independent advisor to evaluate ways to maximize shareholder value. In February, a special committee of our Board engaged Deutsche Bank to advise the Company as to its options for maximizing shareholder value, including the sale of the Company, sale of assets or the continued pursuit of the Company's business plan. We are actively working with Deutsche Bank and look forward to the results of this process. We hit the pause button on our exploration of becoming a REIT until we see what the Deutsche Bank process yields for us.

In 2015 we brought on two new team members to strengthen our organization, while maintaining our employee count at 14. Scott Bullock joined us this summer as Vice President of Real Estate. Scott jumped into the fire and negotiated and closed the Tanger, North American Development, and Sam's transactions, as well as leading infrastructure development that is required under these contracts. Welcome, Scott, your timing was perfect! Jessica Sznapstajler joined us in late 2015 as our new Creative Services and Technology Manager. Jessica was instrumental in helping Tanger Outlets with their very successful wall-raising ceremony in January that over 300 people attended. Welcome, Jessica!

Thanks, as always, to our strong Board for their passion and wise guidance as we continue to transform CTO for the benefit of all shareholders. 2015 was a very busy year and they earned every penny of their fees, given the workload that was shared by only six independent directors. Rest assured, our independent

Board members are making decisions for all shareholders, no matter if you got shares in 1969 from our spinoff in Baker Fentress, like Warren Buffet did, or if you bought shares this morning.

As we review what we have been able to accomplish this year, we think the building blocks are in place for something special in Daytona Beach and for our Company. We look forward to seeing our shareholders in April at LPGA International for our annual meeting.