CONSOLIDATED TOMOKA

Fellow Shareholders:

In 1956, in one of the city's defining record-breaking moments, Betty Skelton set the women's land speed record when her Corvette hit 145 mph on the Daytona Beach sand flats.

That record-breaking spirit remains alive and well in Daytona Beach and here at Consolidated-Tomoka. In 2016 we achieved record earnings per share of $2.86 (up about 99% from $1.44 in 2015), while making significant progress toward realizing the full value potential of our Company. Including all of 2016 and the first months of 2017, we have received over $40 million in proceeds from the sale of 2,300 acres or 22% of our land holdings, allowing us to reinvest more capital from land sales than during any other period in our 110-year history. What's more, Consolidated-Tomoka still has an impressive pipeline of potential land sales under contract totaling $83 million in proceeds, representing 2,200 acres, or 27%, of our remaining 8,200 acres. Should these transactions close, as anticipated, CTO will have sold nearly half of our land holdings over the last 5+ years under the tenure of the present management team. As these land sales demonstrate, over the last year we have achieved a dramatic acceleration in our business plan to monetize our land and grow our income property investments.

The Company's land holdings are being sold to prominent developers who, in turn, plan to invest many times the cost of the land into developing new businesses or assets, which will employ thousands of workers, thereby creating additional demand for the goods and services in the local economy, such as housing, retail, healthcare, hospitality, restaurant and manufacturing. Think of our land holdings as a campus, which is all within a six mile radius of LPGA & I-95 that is being developed in real time and at an accelerating pace. In just three years, we have seen significant developments on our recently sold land including the following:

- National Grocery Retailer Distribution Center—630,000 sf of industrial space, 500 employees, $85 million investment—opened June 2015
- CarMax—opened October 2016
- Tanger Outlets—350,000 sf of retail space, 90 stores, 900 employees, $100 million investment—opened November 2016
- Sands Parc Apartments—264 Units, $25 million investment—opened December 2016
- TopBuild Headquarters—50,000 sf of corporate office space, 250 employees—opened January 2017
- ICI Homes—nearly 900 single-family homes on 604 acres—possibly having the homes available at the early part of 2018
- Minto Communities/Latitude Margaritaville—3,400 single-family homes in a unique age-restricted community on 1,581 acres—under construction and expected to deliver homes by summer 2018 (Phase II under contract—1,686 acres—3,500 homes)

Coming Soon:

- North American Development—Phase I 450,000 square foot of retail/entertainment space on 124 acres (including 82 acres under contract to be purchased).

These are powerful and impressive developments which should create additional velocity and value appreciation for much of our unsold land inventory.

We were also very busy last year growing our income property portfolio, acquiring 10 income properties for just over $86 million at a blended 6.3% cap rate with a weighted average lease term of 10 years. These high-quality assets are located in some of the fastest-growing MSA's in the country, including Santa Clara, California; Austin and Dallas, Texas; Raleigh, North Carolina; and Reno, Nevada. When investors compare our income property portfolio to those of other publicly-traded income property companies, we are confident they will recognize the quality and value differentiation of our portfolio, reflecting the important steps our Company is taking to continue increasing our value proposition.

In 2016, we decided to harvest the profit from a very high quality portfolio of fourteen properties, predominately Bank of America branches in Southern California, for $51.6 million at an attractive 4.73% cap. We then reinvested the proceeds, including the $11 million of profit, into those high-quality assets I mentioned earlier at higher yields.

In the past 12 months, we also returned significant capital to shareholders. We opportunistically took advantage of our low stock price to invest in our Company by buying back shares throughout the year. In fact, during 2016, we purchased over 151,000 shares for approximately $7.4 million, representing a weighted average price of $49.07 per share. We are continuing these actions in 2017, including a new $10 million buyback program our Board approved on March 15, 2017. These share repurchase initiatives are an important indication of the Board's confidence in the Company's current strategy and our efforts to maximize value for our investors.

Here's a run-down of our accomplishments for the year:

- Highest earnings in Company history at $2.86 per share, almost double from the previous year of $1.44
- Sold over 700 acres of land for approximately $14 million
- Grew book value by nearly 14% to approximately $25.97
- Invested over $86 million in income-producing properties at an average cap rate of 6.3%
- Sold $74.3 million of income assets for $11.3 million of profit representing a blended 5.8% cap rate
- Repurchased 151,453 shares of CTO stock for $7.4 million
- Doubled the dividend and moved from a semi-annual dividend to a quarterly dividend
- Leverage ended the year at approximately 33% based on net debt-to-total enterprise value

Performance Scorecard

	Basic EPS	Dividend	CTO Share Price Performance(1)	RMZ Index(1)	Book Value Per Share
2016	$ 2.86	$0.12	1.5%	8.6%	$25.97
2015	$ 1.44	$0.08	(5.5%)	2.5%	$22.81
2014	$ 1.11	$0.07	54.0%	30.5%	$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%)	8.6%	$19.77
2010	$(0.11)	$0.04	(17.2%)	28.4%	$20.55

(1) Includes re-invested dividends

Since my arrival in August 2011, our shares have seen a compounded annual return of over 13%. Not too bad for a sleepy Florida land company. Now, let's take a stroll back in time:

If you look back at CTO's annual report for 2010 (published on March 11, 2011), which was the last full year before I came on board in August 2011, and compare that to CTO today, I think you will agree that our Company has made terrific strides in improving our operating efficiency and generating income growth. See for yourself below:

	Then 2011	Now 2017	Difference
Board Members	11	9; going back to 7	-2; going to -4
Employees	21	14	-7
Part-Time Employees	2	0	-2
Land Acreage	11,600	8,200	-3,400
Income Assets	\$127mm	\$301mm	+\$174mm
Shareholders' Equity Market	\$168mm	\$314mm	+\$146mm
Shares Outstanding	5.8mm	5.7mm	-0.1mm
Share Price(1)	\$28.90	\$55.07	+\$26.17

(1) Stock price as of 8/1/2011 and 3/2/2017, respectively.

So, less people, converting more land into more income assets and creating greater shareholder value. That's a winning recipe!

Income Property Portfolio

Our Company owns an income property portfolio with more than 1.8 million square feet and an average lease term of 9.5 years in ten states with North Carolina, California and Florida contributing the highest rental revenues. The average 3-mile household income in the markets where our properties are located is \$83,285 and the 3-mile average population is 91,725. The total net operating income of our portfolio now stands at over \$21 million, which provides consistently strong cash flow to CTO.

We signed two leases with Wawa for 20 years each, one to potentially replace the Barnes & Noble in Daytona Beach, Florida, which may open in 2019, and the other located on an outparcel at The Grove in Winter Park, Florida, which we expect to open in 2018.

Speaking of The Grove, our anchor tenant, 24 Hour Fitness, had its grand opening on February 4, 2017. Including the 15 year, 40,000 square foot lease with 24 Hour Fitness, we have now leased 50% of The Grove to new tenants. We expect this 112,000 square foot neighborhood shopping center to generate positive cash flow by late 2017. Our total investment in this center is expected to be in the \$12.5 million range with a projected stabilized yield in the 8% – 10% range.

Some of our shareholders have commented to us that some of our income property acquisitions have been completed at very low initial investment yields. We received similar commentary when we bought the Bank of America portfolio back in late 2012, but not so much when we sold that portfolio as part of a 14-asset sale for a handsome profit of approximately \$11 million! However, let me walk you through our investment strategy on some of these lower initial yields. First, let me reiterate that we are a total return focused investor, which means, in the extreme, if we can buy an asset that produces little or no income currently, with the strong expectation that we will be able to sell it in the future for a return that is promising to our equity, we will. Actually, this is our preferred method because the after-tax return from the 1031 program is much higher than the after-tax return on current income yield since the 1031 program allows us to defer the income taxes, but current income is subject to the blended state and federal tax rate of approximately 38%. For instance, in 2016, we purchased a 1.26-acre property leased to Bank of America in downtown Monterey, California, at an initial investment cap rate of 3.5% with four years remaining on the lease. The lease was originally signed in 1982 and if the rent went to market today it would be more than double, which would equate to at least a 7.0% investment yield versus our initial purchase cap rate. So, our current income reflects the initial investment cap rate but there is a very high likelihood we have an imbedded pop in the yield four years down the road. In addition, our understanding is that the City of Monterey would like to see this property more intensively redeveloped to four stories versus the current two stories, which is known in the real estate world as a "covered land play." Simply put, we are receiving a low current yield on our investment but our underwriting anticipates that there is a much more valuable use for the property in the future versus the use today. Another example is the CVS ground lease we bought in uptown Dallas near the American Airlines Center where the Dallas Mavericks and Dallas Stars play. This area, just north of downtown Dallas, is going through intense redevelopment primarily into high rise residential and office while our lonely little one-story CVS store is waiting for the day that it will be torn down to make way for the development of a 20 - 40 story residential or hotel development. In the meantime, we get a 4.6% unleveraged yield. These types of investments make sense to us because we have investment grade tenants paying rent and if they leave, we expect to be able to make even more money by either moving the rents up to market rates or using the real estate for a higher and better use. Most recently, we purchased a 136,000-square foot grocery-anchored shopping center next to the TCU campus in Fort Worth, Texas. This dense in-fill location will provide us with many options in the future to improve the property and enhance our starting yield of 6.28%, particularly as some of the rents are way below market. If you have questions or observations about these investments, call Steven Greathouse, who is our resident miner that unearthed these jewels.

Land

At the very end of last year, we sold 604 acres to ICI Homes for $7.5 million, which they plan to develop into approximately 900 homes (which can't come fast enough for our LPGA International Golf Club). They are underway as you read this letter. In February of this year, Minto Communities closed on the first phase of 1,581 acres for $27.2 million to develop Latitude Margaritaville, Daytona Beach, a 3,400-unit master planned, age-restricted home community. Construction of this project has already begun as well. The Minto transaction took almost 3.5 years to complete, from signing the letter of intent to closing.

A warning to our shareholders: if you are looking for a quick buck in unentitled Florida land, it may leave you in tears. What takes so long? The City, County, Department of Transportation, St. John's Water Management District, Army Corps of Engineers, and EPA are only a few of the government agencies who are involved in the approvals process necessary to take unentitled land to development ready.

If you assume two people per household from the Minto and ICI projects, you are talking about over 8,000 additional residents in Daytona Beach, which would increase the population of Daytona Beach by well over 10%! This doesn't include Minto's second phase of Latitude Margaritaville, which is another 1,686 acres for approximately 3,000+ homes that they have under contract with us! Included in the total land pipeline of 2,200 acres under contract for $83 million in potential proceeds is the $31.4 million contract for 1,686 acres, which is Minto's second phase of Latitude Margaritaville. Minto has until the end of 2019 to purchase this land. We are hopeful that given the overwhelming positive initial response to this project that Minto may want to close earlier, but the timing of this sale again will depend on the approval process for the entitlements which, as I mentioned earlier, took the first Minto transaction a very long time, primarily because we had to deal with the EPA regarding the Company's prior agricultural activities. The good news hopefully is that this 1,686-acre parcel was included in our settlement with the EPA, so entitlements for this parcel should hopefully not experience any significant delays.

Another large component of the pipeline is the remaining 82 acres we have under contract with North American Development Group for approximately $20 million, which they have until the end of 2018 to purchase. To see North American's retail power center plan for Tomoka Town Center, go to www.nadg.com.

Another contract I will mention is the 35 acres at I-95 and LPGA for $14 million by a retailer who has selected our site in Daytona Beach for their very first Florida retail operation. This retailer has until 2019 to close this transaction, as this land will take some time to go through rezoning, site plan approval, DOT approval and permitting for wetlands mitigation. Although this retailer would like to close this transaction and start construction tomorrow, unfortunately it just doesn't work that way.

A big thank you to Teresa Thornton-Hill, our resident real estate attorney who helps us keep these deals moving and for getting all of these land sales contracts closed!

Now, let's discuss the remaining 6,000 acres that are not currently under contract, so that we can manage shareholder expectations. Of the 6,000 acres, the largest component would be the potential development of a nearly 2,400-acre parcel as a mitigation bank. This parcel is arguably our least valuable land as it is located along our westerly boundary. As a mitigation bank, the value of this land to us could range anywhere from $5,000 to $12,500 per acre or a total value of $12 million to $30 million. This will all depend on how many mitigation credits the State of Florida and Army Corps of Engineers will give the third-party developer (the buyer of the land) for the conservation of this land, the cost to improve the quality and functionality of the wetlands, and both the market price for mitigation credits at the time that a potential developer/buyer brings this bank online, as well as a buyer's assumption of how many years it will take to sell the mitigation credits to developers and ultimately the mitigation buyer's return threshold. We have been told it should take about 18 months to get through the permitting process with the State and Federal agencies to establish the mitigation bank, which again demonstrates that selling land in Florida is not like selling a stock on the NYSE with a three-day settlement.

The next largest parcel not under contract is our 1,053 acres that borders the south side of SR 40, which is our last residential type tract of any significant size. Given the number of homes being built by Minto and ICI in the next couple of years on parcels nearby or adjacent to this parcel, one could argue that we should leave this bottle in the cellar to age, to ensure we enjoy its maximum potential. However, some of our shareholders have indicated lately that they don't seem to be in the market to buy green bananas, so if we see an opportunity to monetize this parcel for a fair price we will likely uncork this asset.

Additional valuable sites include our 850-acre parcel of industrial land in the southwest end of our land campus and our 200 acres or so land parcel along I-95, north of LPGA Boulevard. We similarly expect both of these tracts to be valuable in the future, but the ultimate value and timing for realizing the value will be dependent on how much retail and industrial product the market can absorb and when.

I hope this helps our shareholders get their arms around our portfolio of land holdings. Again, I'd suggest you look at the Company's 2010 annual report to see what a challenge I had in analyzing the Company's operations and its 11,000 or so acres, which was when I purchased a large amount of shares for myself while living in Texas!

Minto Communities/Margaritaville

In 1977, Jimmy Buffett penned a song that took hold in our American culture called "Margaritaville," which, as he has said many times is not a place, but a state of mind. So, if you were entering college in 1977, you would now be around 58 or so years old and perhaps looking for a place to retire as the kids are out of the house (and you want to move before they move back in with you!). I can think of no better way to discover that fun lifestyle or keep it going, than to move into a 3,400-unit, age-restricted, golf cart community named "Latitude Margaritaville, Daytona Beach," which is only six miles from the world's most famous beach and adjacent to our championship golf club. So, for the folks who are changing latitude by heading south on I-95, they will know to stop off in Daytona Beach and they'll likely find a little change in attitude as well.

If you question the strength of the Margaritaville fan base, just go online to find your nearest Parrot Head chapter at www.phip.com.

If you want to add your name to the thousands who have already registered their names to receive more information on buying a house in Latitude Margaritaville, go to www.latitudemargaritaville.com.

Beachfront Land

Last year we bought the remaining 50% interest in a venture that owns a six-acre site on the beach in Daytona for \$4.8 million, bringing our total investment basis in this parcel, including what we spent to entitle the property, to approximately \$11.7 million. We entitled this parcel in late 2016, allowing for the development of two restaurants in the near term and ultimately to build over one million square feet of vertical development in the future. Our immediate plan is to build and lease two restaurants on this site, with the ability to cancel the leases after five years and redevelop the property into a high-rise development. We are working on the two leases, one with LandShark, which is a Jimmy Buffet restaurant concept and named after his beer of the same name, and the other is Cocina 214, an award winning Tex-Mex restaurant in Winter Park, Florida. We believe these two restaurants situated on a large six-acre parcel with abundant parking and a common green area will bring a quality development that Daytona Beach desperately needs. We expect these restaurants to be open in early 2018, and we project to earn a high single digit unleveraged yield with the added value possibility of a higher density use in the future. Congratulations to Scott Bullock for successfully working the entitlements through the city. Now the pressure is on to develop these restaurants hopefully by the end of this year!

Loan Investments

We have \$24 million of loan investments on three commercial projects, of which two are hotels and one is a retail store. Combined, these three loans yield approximately 9% and will continue to increase in yield if interest rates go up, as two of these loans totaling \$19 million adjust monthly with LIBOR. These loans have a maximum maturity, if all loan extensions are exercised, between the summer of 2018 and third quarter of 2019. We like the accretive cash flow of these loans more than the borrowing rate of our converts, which is set at 4.5%. Assuming we used our converts to make 50% of this \$24 million investment, we are earning a 13.5% return on equity. This brings us a nice return and strong cash flow until we find good investment properties to purchase.

LPGA International

Talking about our complaint box getting full… Some of the recent negative feedback we received was related to our purchase of the fee simple position in the majority of the land underlying our LPGA International Golf Club. Let's re-visit this challenging business segment. In the 1990's, the Company donated some 690 acres to the City of Daytona Beach to help attract the Ladies Professional Golf Association to Daytona Beach, for which the City agreed to develop two first class championship golf courses and a golf club. For reasons that obviously pre-date the current management team, something went awry and the Company had to step in and build the second golf course and the clubhouse facilities. Regardless who built which course, as part of donating the land the Company entered into a lease whereby the Company leased back the two courses and some of the clubhouse under a 25-year lease from the City, with seven 5-year renewal options. Fast forward nearly 20 years, the clubhouse and courses need capital improvements and there are only five years remaining on our primary lease term, thus our leasehold position wasn't very attractive (we weren't inclined to invest shareholder capital in golf courses we didn't own), especially since our golf operations are losing approximately \$400,000 per year. Therefore, we negotiated to buy out the lease with the City for effectively the remaining lease payments, plus commit to invest the needed capital in the greens on one of the golf courses and wait for the 4,000 plus new residential units to appear to help float this boat to profitability. This is a win-win for the City and for us, as the City will get, amongst other things, a piece of the action if and when we sell the golf business. If you are a betting person, I would suggest putting more money on "when" than "if," since operating a golf club isn't really a part of our long-term strategy. Kudos to Mark Patten for getting this deal done with the City, which took more effort than getting in 18-holes of golf during Hurricane Matthew.

Subsurface

In 2016, we were under contract to sell our 500,000 acres of subsurface interests for over $20 million. Unfortunately, this contract was terminated by the buyers in late 2016, as the prospective buyers weren't entirely comfortable with some of the title, particularly as they were looking to immediately resell a portion of the interests. In September, we received another $900,000 from Kerogen related to their lease on 15,000 acres in Hendry County. Currently, we believe Kerogen is busy formulating plans, pursuing permits and raising money to drill oil wells on our acreage. We are rooting for them! As always, if we see opportunities to monetize the entire portfolio and it makes sense to do so, we will, and we can utilize those proceeds in a 1031 transaction!

Corporate Activities

We are delighted to have had Laura M. Franklin join our Board of Directors this past fall. Laura's many years of experience as an Executive Vice President, Accounting and Administration and Corporate Secretary at Washington REIT (NYSE: WRE) have already been very helpful. Additionally, we announced the addition of Casey R. Wold as a new Director in March 2017. Casey has many years of experience buying and selling large institutional real estate assets across the country, having worked for Sam Zell, TrizecHahn, and Tishman Speyer and now running his own company, Vanderbilt Office Properties. We look forward to the insight and experience that both Laura and Casey will bring to our Board.

As mentioned last fall, A. Chester "Chip" Skinner, III, will be stepping down from the Board. Chip joined the board in 2010 and brought us great insight from his years at Regency Centers and his family's real estate business in Jacksonville, Florida. Thank you Chip, for all of your help and wisdom in guiding us.

If you are in Orlando and driving to the airport to start your journey, you will be driving on Jeffry Fuqua Boulevard, which was named for our esteemed Chairman. It's appropriate that the entry way to the airport was named in his honor, as Jeff was instrumental in the development of the Orlando International Airport as Chairman of the Airport Authority, overseeing the project that put MCO on the global map. So, I don't know what we can name after Jeff in Daytona, but it better be good! As we disclosed earlier this year, Jeff has decided to step down from the Board at this year's annual meeting after having provided exemplary leadership, stewardship and service since 2009, and incredible leadership as Chairman since 2011. Jeff has been particularly helpful to me in navigating the political and land regulatory agencies in Florida, drawing from his vast development experience in Florida. Jeff's guidance has been a real asset to our Company's success. On behalf of management, the Board and all of our stakeholders, thank you Jeff!

Our Board members bring vast knowledge and experience, particularly real estate expertise, to our company and for that we are very fortunate! It will sound fairly obvious, but it's essential for a public real estate company to have board members who have extensive experience and background in the real estate industry and, in our case, local and state experience to boot.

I would also like to thank the rest of the Board for all of the added work that they have encountered last year and the early part of this year primarily because of actions from our largest shareholder. Thank you for your dedicated work in doing what is best for all of our shareholders. Also, a big thanks to Daniel E. Smith our Corporate Secretary and General Counsel, as he has shepherded much of the legal work needed to deal with what has been a very busy year.

Daytona Beach Land Business

Thinking back to when Betty Skelton broke the speed record in Daytona Beach in 1956, the population of Daytona Beach was 30,000 people. Today it is 63,000 people, which reflects an annual population growth rate of nearly 2% for the last 60 years or, saying it another way, it took over half a century to double the population. Now, compare this growth rate with some place like Austin, Texas, whose population almost doubled over the last 15 years and is projected to double again in the next 25 years, and you will appreciate why maybe our land hasn't been absorbed at a moment's notice. Similarly, think about when Don Bren bought the 77,000 acre Irvine Ranch in Irvine, California, in 1977 by outbidding Mobil Oil for $337 million. At that time Don Bren put in $30 million and now 40 years later, he is worth $15 billion and he still hasn't developed all the land, even after giving away over half of it for preservation and despite it being in one of the strongest markets in the country!

Even though the land business is a slower paced business in terms of sales activity (just ask the folks at public land companies such as, St. Joe, Tejon Ranch, Alexander Baldwin, Stratus Properties, Forestar, or Homefed), we have made great strides executing on our plan to monetize our land and convert the proceeds into income-producing properties. As I mentioned, in the last three years we have sold almost 25% of our land for over $72 million, which leaves us with only 8,200 acres remaining, of which 2,200 acres are under contract.

Even More Governance Improvements

Since last year's annual shareholder meeting, where our shareholders voted against our say on pay vote, we have hired two recognized consultants to guide us in achieving the very best governance and executive compensation practices. As you may recall, we had previously changed to a de-staggered board with annual elections, vastly improved the financial presentation of our business and enhanced our disclosures, we have no poison pill, and the bulk of the executive management team's equity incentives vested when our stock price hit levels that we thought our shareholders would be thrilled to reach. However, our compensation consultants suggested implementing the following changes, among other actions we've taken:

- Additional increased stock ownership guidelines
- Additional Companies to our Peer Group
- Eliminated margin loans of CTO stock for management and board members. This particular item has created fodder for some, as I had to enter into a Rule 10b5-1 program to sell enough CTO stock to retire my margin loan balance. (That program is now complete).
- Added a clawback policy for our cash incentive compensation, not just the equity incentives.

Many positive changes came out of these discussions. Our Board's compensation committee conducted an outreach program to obtain shareholder feedback on our executive compensation practices. You can read all about the changes in our proxy statement, but we incorporated many of the comments we received and believe that these changes are consistent with current best practices. We also hosted our very first Investor Day last year and began hosting quarterly earnings calls to dramatically improve outreach to shareholders and provide additional disclosures about financial results and expanded information about our assets and operations. As a result, we are delighted to have the Company's first equity research coverage provided by David Corak of FBR & Co. Thank you, David for digging in on our small cap company and providing a thorough initiation report of 33 pages.

Finally, and most importantly, I want to thank the 13-member team at the corporate headquarters of Consolidated-Tomoka who make it happen every day. We are grateful to have dedicated employees who have been here for as long as 31 years to our newest team member who has been here less than a year. I am grateful for each and every one of them and for their commitment to our Company. Thank you all.

I want to conclude by noting that while we are extremely proud of the accomplishments our Company made during 2016, CTO is in the early stages of an exciting and notable transformation. To reiterate, over the last five years, our Company has delivered a compounded annual return of over 13%, which is better than the returns delivered by the Russell 2000, RMZ and S&P indices, with returns as high as 17% for the period from August, 2011 to November, 2015. By reducing our headcount and converting land into more income assets, we have been able to improve operational efficiency, drive income growth and create greater value for our shareholders. We believe that Daytona Beach and, more importantly, Consolidated-Tomoka are in the midst of a powerful renaissance, a redevelopment really that will most definitely elevate the Daytona Beach area for many years to come. We encourage you to see for yourself and attend our annual meeting at our 100% owned LPGA International Golf Club on April 26, 2017.

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