Fellow Shareholders:

The cover of this year's annual report "the wind at our back," is meant to convey to our shareholders that the environment is strengthening for our Company to continue its solid progress toward generating strong and sustainable cash flow and unlocking shareholder value. Whether via a stronger local economic environment, favorable Florida demographics, active residential development, or new companies migrating to Daytona Beach, we are poised to move our Company forward.

Here is a look at what happened in 2013:

- Highest Earnings Per Share since 2008 at $0.64
- Increased Book Value to $20.53 (per share)
- Grew Net Cash Flow
- Litigation in the rearview mirror
- Lower General and Administrative Expense
- Material New Revenue from Oil Exploration Lease
- Started Construction on a New Flex-Office Development
- Increased Dividend for the first time since 2010
- Growth and Diversification of our Investment Portfolio

Performance Scorecard

	EPS	Dividend	CTO Share Price Performance(1)	RMZ Index(1)	Book Value Per Share
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
2009	.14	.30	-7.6%	27.6%	$20.62

(1) Performance assumes reinvested dividends

The Numbers

In 2013, CTO earned $0.64 per share. This is the highest annual earnings since 2008, and we hope to break the buck in EPS this year (a good breaking the buck). Given that the local economy is on better footing and we have a good handle on our operations, we rolled out our first full year guidance for 2014 in our fourth quarter earnings release. Since our existing shareholders and prospective shareholders do not have the benefit of stock brokerage analyst coverage, we decided to offer up this full year guidance. Well, perhaps it is a benefit to our shareholders as the Company's 2013 share price performance has outperformed some of our peers who have the "benefit" of analyst coverage!

Investments

In 2013, we invested over $57 million: $39.3 million in single-tenant properties and a $19.6 million first mortgage that was purchased for $17.5 million. The single-tenant properties included some new credits for us and some new markets, including Hilton Corporation (Orlando, FL), Big Lots (Germantown, MD and Phoenix, AZ), and Rite Aid (Renton, WA).

In 2013, we recycled five of our single-tenant properties with an average lease term of seven years for $18.6 million, allowing us to end the year with an average lease term of over 10 years for the balance of our single-tenant portfolio. We aim to have an average lease term life longer than 10 years, but if we see a favorable investment opportunity with a shorter lease life, we aren't going to lose sleep if our average drops below 10 years.

Our discounted purchase of a $19.6 million first mortgage loan, secured by an upscale hotel in Atlanta, worked out nicely, as the loan was paid off five months later, before its scheduled maturity, and resulted in earnings of $2.5 million over the short duration. In fact, we liked this investment so much we bought the $5 million mezzanine loan on the subsequent five-year financing at a 12% annual interest rate. We will keep an eye out for loans that provide us with suitable risk adjusted yields.

We hope to find larger single-tenant asset acquisitions in 2014 as we believe there is less efficient pricing in the $10 to $50 million range. We call this the “Goldilocks strategy”—too large for most individual buyers and too small for most institutional investors, but just right for CTO.

Land

We said that over time we plan to own less land and more income properties. We ended 2013 with a little over 10,000 acres although, by February of 2014, our land position jumped to over 10,500 acres. More on that later.

In 2013, the Company sold three parcels of land for approximately $3 million on a total of just over 11 acres of land to RaceTrac, CarMax, and Intracoastal Bank at an average price of approximately $289,000 per acre. We think that these prices help demonstrate the imbedded value of the Company to our shareholders. These businesses will bring new investment, job growth, tax base and, hopefully, a multiplier effect for growth in the local economy. We are experiencing increased interest in our land holdings in virtually every land use type.

In February 2014, we were successful in our litigation, and ultimate foreclosure, on approximately 600 acres stemming from $3.6 million in unreimbursed road work on a project adjacent to the Bayberry residential community, which is located in close proximity to our LPGA International Golf Club. This litigation resulted in the foreclosure of approximately 600 acres that were originally planned for development into approximately 900 residential units. We intend to move quickly to bring the expired entitlements and permits back into effect. We hope to have a developer contracted on this property in 2014, and we believe the market is ready for this land to be absorbed.

Development

Construction is nearly complete on the last phase of the Mason Commerce Center flex-office project we’ve rebranded as “Williamson Business Park.” This approximately 31,000 square-foot, two-building project is anchored by a 10-year lease for 25% of the space to Lamar Advertising Company. This development will most likely be our new corporate home as soon as we can sublease our existing 8,000 square foot corporate headquarters lease which expires in March 2016.

Golf

LPGA International continued to narrow its losses through 2013. Membership is up, but we feel continued improvement will soon need to come from residential growth; and we believe that growth is on the horizon. For instance, a residential developer is looking to purchase a 57 acre parcel of land (not owned by us) adjacent to the clubhouse. The developer has plans to develop 150 lots for homes that are projected to sell above $300,000. These future owners will be within walking distance to the club’s golf facilities, restaurant, pool, and new fitness center.

In November, we converted the small unused “conference center” into a modern, state-of-the-art fitness center at the club. A modest capital expense has already generated additional memberships and helps position LPGA International as the best fitness facility in the area. As a result of the fitness center addition, we have upgraded 87 members since opening in December.

Oil/Billboard/Subsurface

As many of our shareholders know, the Company owns approximately 490,000 acres of subsurface rights in Florida. The portions located in Lee and Hendry Counties seem to have the most promise for oil. In fact, our 1978 annual report mentions that the Company received $669,000 from nine producing wells in Lee County alone. In 1999, the Company was receiving royalties on 141,973 barrels of oil, compared with 2013, where we received royalties from just over 88,700 barrels of oil, on two existing wells. Given today’s advanced drilling technology, this area is now undergoing a renaissance. Our lease with Kerogen Florida Energy Company LP on approximately 136,000 net mineral acres was reduced to 80,000 acres in Hendry County. Kerogen released 56,000 acres in Lee County, which we hope to lease to another operator. Oil royalties from our two existing wells in Lee County were actually down 7% to $267,000.

As the economy began to pick up we received approximately $120,000 in surface release fees in 2013 on approximately 820 acres. This type of transaction was up from $46,000 on 124 acres in 2012. These were transactions where land owners needed to purchase our surface entry rights in order to build on the land.

Our billboard revenues were up over 50% to $189,000 in 2013.

Agricultural Operations

In 2013, we harvested over 400 acres of timberland, which compares to less than 100 acres in 2012. Our hay sales income was less than 2012 as our new hay operator invested in improving conditions for future harvests. Our hunting lease revenue was up approximately 20% to $51,000.

Balance Sheet

Currently, our leverage is very modest at less than 25%. We continue to look for suitable investments to move us closer to 40% leverage.

We addressed our pension liability by terminating the Pension Plan, which means buying an annuity or making a one-time lump sum payment to participants. The good news is we had a swing from a $1.3 million liability to a positive pension asset on our balance sheet.

In order to give our shareholders more useful information this year, we broke out “Impact Fee and Mitigation Credits” from other assets to give our shareholders better visibility to this $6 million asset. Developers can purchase these credits from us as development occurs.

Company History

There can be pleasant surprises with a company with such a long history such as Consolidated Tomoka. For instance, this year we discovered that the Company donated a small parcel of land in the 1950’s to the State of Florida. The donation stipulated that if the State no longer needed the land it would “revert” back to the Company. The State informed us in 2013 that they no longer needed this facility. Not big dollars, but there’s nothing like putting on an old pair of jeans and finding a five dollar bill in the pocket!

Last year we reviewed some of our old annual reports dating back to 1968. We found that going back 45 years, the Company earned an average of $0.60 per share in annual EPS (adjusting for stock splits). To paraphrase Garrison Keillor, we are aiming to be above average! Hopefully, way above average!

Linda Crisp, our highly capable Corporate Secretary and general knowledge of all, brought to my attention our Company’s history with the famous Baker Fentress & Co., a Chicago based investment company. In 1923, Baker Fentress bought a third of Consolidated Tomoka’s stock, and in 1930, Calvin Fentress used Consolidated Tomoka as the vehicle to purchase one third of Barnett National Bank a year after the great stock market crash of 1929. After the Bank Holding Company Act of 1956, Consolidated divested its ownership of Barnett Bank by distributing Barnett stock to Consolidated’s shareholders, mainly Baker Fentress. In 1961, Consolidated became a closed-end investment company. In 1969, Consolidated-Tomoka Land Co. became a separate company, majority owned by Baker Fentress. In 1999, Consolidated was fully jettisoned from Baker Fentress!

Daytona Beach 2.0

We are hoping that the building blocks for a reinvention of Daytona Beach are firmly in place. International Speedway Corporation (“ISCA”) is approximately 30% into a $400 million renovation of their speedway, which will bring their facility into the forefront of the modern motorsports experience. This renovation is scheduled to be completed by the 2016 Daytona 500.

The ISCA also plans to build a $180 million mixed-use entertainment, shopping, and residential area across from the Speedway called ONE Daytona. This is to be anchored by Bass Pro Shop and Cobb Theaters. The Speedway plans to break ground on this project later this year.

Embry-Riddle Aeronautical University announced that Diamond Aircraft Industries will have a presence in Embry-Riddle's 90-acre Aerospace Research and Technology Park in Daytona Beach. In addition to the development of a new wind tunnel and over $100 million of campus expansion, this aeronautical university is driving innovation and education for the global aviation industry from right here in Daytona Beach.

In 2014, Florida is expected to overtake New York as the third most populous state. Speaking of favorable Florida demographics for our Company, according to Raymond James, Florida's "55-Plus age" is expected to grow 30% from 2010 levels, to an astounding 7.3 million people by 2020. This compares with only a 5% growth for the under-55 age group. Florida's population is forecast to grow by almost 4.8 million between 2010 and 2030. Thank goodness that I-95 and I-4 are being expanded to accommodate our future residents.

In 2013, builders pulled 1,174 home construction permits in Volusia County, this equates to a 55% increase over 2012 and a 160% increase over 2011. We hope this momentum builds.

In 2013, AARP ranked Daytona Beach as one of the most affordable places to retire, and USA Today ranked Daytona's beaches as one of the top 10 places to visit in Florida. We couldn't agree more on both counts!

Corporate Activities/Dividends/Share Buy Backs

In 2013, we demonstrated to our shareholders that the Company has a healthy cash flow. In fact, we raised our dividend, which the Company has continuously paid since 1976. Given our C Corp status and the double taxation associated with paying dividends, we tend to be modest on the dividends and reinvest the capital into strong cash flow investments.

"You can lead a horse to water, but you can't make him drink," so the saying goes. Despite strong results, more transparency to the market on our progress, and our stock showing a respectable return in 2013, we believe our shares trade at a compelling discount to net asset value. The Board decided it was time to update our existing share repurchase program to a share price that captures this compelling investment. As of March 5, we have repurchased 10,095 shares in 2014.

We ended the year with 13 full-time employees including a new team member - Brian K. Snell, as Director of Treasury and Cash Management.

Corporate Actions

We have reached our goal to reduce our board to seven members as Bill Davison has decided not to stand for re-election, and the Board elected not to replace his seat. We thank Bill for his service and wish him well. In October, the Board appointed Chip Skinner as Vice Chairman of the Company in the event we need to have someone fill the large shoes of our Chairman, Jeffry Fuqua.

On behalf of our dedicated team members at CTO, we want to thank our Chairman, Jeffry Fuqua, and each of our directors for their continued wisdom and support as we continue to grow cash flow and unlock value from our asset rich company.

I look forward to seeing you in Daytona Beach for our annual shareholders meeting on April 23, 2014.

John P. Albright
President and Chief
Executive Officer