



2006  
Annual Report



Piecing Together Shareholder Value



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Amex Symbol: CTO

# To Our Shareholders

Despite a weak residential real estate market, near record net income of \$14,028,322 or \$2.47 basic earnings per share was reported in 2006 compared to net income of \$14,817,750 or \$2.62 basic earnings per share in 2005. Earnings before depreciation, amortization, and deferred taxes (EBDDT) of \$21,626,683 or \$3.80 per basic share in 2006 reflected an increase over EBDDT of \$14,797,476 or \$2.61 per basic share in the prior year.

In 2006, EBDDT was significantly higher because all qualifying profits from 2006 sales were deferred for tax purposes compared with 2005 when only a portion of the profits were deferred for tax purposes and a \$5 million reclassification adjustment of deferred taxes resulting from an Internal Revenue Service settlement agreement was recorded.

## 2006 Highlights

Real estate sales for 2006 totaled 213 acres at an average price of \$96,470 per acre, which price exceeded the three-year average. Land sales in 2006 were accomplished without the benefit of an unusually large sale. Rather, results reflected a mix of smaller sales and a larger number of transactions. The Company's participation in the planning and building of major road networks and other infrastructure components is a vital activity in generating long-term value for our undeveloped land holdings. During 2006, we facilitated the widening of major roads through the sale of land to Volusia County for retention ponds.

In relevant political activity, the Company played active roles in defeating proposed Volusia County Charter Amendments and a new Daytona Beach Vision Plan with unpopular provisions, both of which we viewed as not constructive for the future of the Daytona Beach area. During the year, a long-standing dispute between the Cities of Daytona Beach and Ormond Beach over water/sewer service areas affecting 3,000 acres of Company land was settled. The settlement will be of significant benefit to the Company when this land is ready for development.

## Business Plan Update

The strategy of increasing shareholder value by converting proceeds from the sale of agricultural land holdings into ownership of income properties continues as our central focus. To date, we have accumulated an income property portfolio of 25 properties with a cost of \$110.3 million, which provided approximately 19% percent of 2006 revenues. A Dick's Sporting Goods store and a Best Buy store, both in the Atlanta metropolitan area, were added during the year. In addition to the forestry business in which we have been engaged since 1902, we entered the hay business in 2004. Over time, we expect that most of our forestry lands will be converted into hay production. During 2006, new and more sophisticated operating procedures were implemented to maximize the efficiency of our conversion.


## Corporate Actions


At its meeting on July 26, 2006, the Board of Directors declared an increase in the quarterly dividend from \$0.08 to \$0.09 per share, an increase of 12.5%. At its annual meeting on April 26, 2006, John C. Myers, III, was elected to fill the vacancy created by the retirement of David D. Peterson, who had reached the mandatory retirement age established by the Board. Mr. Peterson had served as a Director since 1984, as President and Chief Executive Officer from 1989 to 1990, and as Chairman of the Board from 1987 to 1998. The Company benefitted greatly from his leadership, and we extend our thanks for his significant contributions to the success of the Company. Mr. Myers is President and Chief Executive Officer of the Reinhold Corporation, a privately owned family corporation with major Florida land holdings, including forestry operations, and an ornamental tree nursery.

## Real Estate Trends

Management believes that the overall demand for our commercial real estate will remain vibrant for the foreseeable future. The unique and maturing location of our Company lands in the fast growing central Florida economy, coupled with the ongoing westward growth of the City of Daytona Beach, continues to improve the long-term value of our real estate holdings. During 2006, the City of Daytona Beach purchased property from the Company adjacent to our Gateway Center development for the construction of its new police station. This decision recognized that this location is becoming the new geographic center of the city.

The local residential housing market remains depressed. Many forecasters are now predicting the national housing market will bottom out by the end of 2007 with a slow recovery beginning in 2008 and continuing through 2009. We believe the local market will mirror the national recovery. Management will aggressively pursue its long-term strategy of improving the entitlements on our westerly lands in order to be in a position to benefit from a resurgence in residential demand when it materializes.

  
Bob D. Allen  
Chairman of the Board

  
William H. McMunn  
President and Chief Executive Officer

## Board of Directors

**John C. Adams, Jr. (1)(3)**  
Retired Executive Vice President  
of Brown & Brown, Inc.  
(an insurance agency)

**Bob D. Allen (1)**  
Chairman of the Board  
of the Company

**Gerald L. DeGood (3)**  
Consultant

**James E. Gardner (2)(4)**  
Retired President and Chief  
Executive Officer of ITT  
Community Development Corporation

**Byron E. Hodnett (2)(4)**  
Retired President and Chief Executive  
Officer of First Union Florida Bank

**Robert F. Lloyd (2)(4)**  
Chairman of the Board and Chief  
Executive Officer of Lloyd Automotive  
Management, Inc.

**William H. McMunn (1)**  
President and Chief Executive  
Officer of the Company

**John C. Myers, III (2)(4)**  
President and Chief Executive  
Officer of Reinhold Corporation  
(a privately owned family corporation)

**William J. Voges (3)**  
President, Chief Executive Officer,  
and General Counsel of  
The Root Organization  
(a private investment company  
with diversified holdings)

(1) Member of the Executive Committee  
(2) Member of the Compensation and  
Stock Option Committee  
(3) Member of the Audit Committee  
(4) Member of the Governance Committee

## Officers

**William H. McMunn\***  
President and Chief  
Executive Officer

**Bruce W. Teeters\***  
Senior Vice President-Finance  
and Treasurer

**Robert F. Apgar\***  
Senior Vice President-General Counsel  
and Assistant Corporate Secretary

**Linda Crisp**  
Vice President and  
Corporate Secretary

**Gary Moothart**  
Vice President and Controller

\*Executive Officers

## Counsel

Lowndes, Drosdick, Doster  
Kantor & Reed, P.A.  
450 South Orange Avenue, Suite 800  
Orlando, FL 32801

## Auditors

KPMG LLP  
One Independent Drive, Suite 2700  
Jacksonville, FL 32202

## Registrar and Stock Transfer Agent

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, NJ 07016-3752

## Mailing Address

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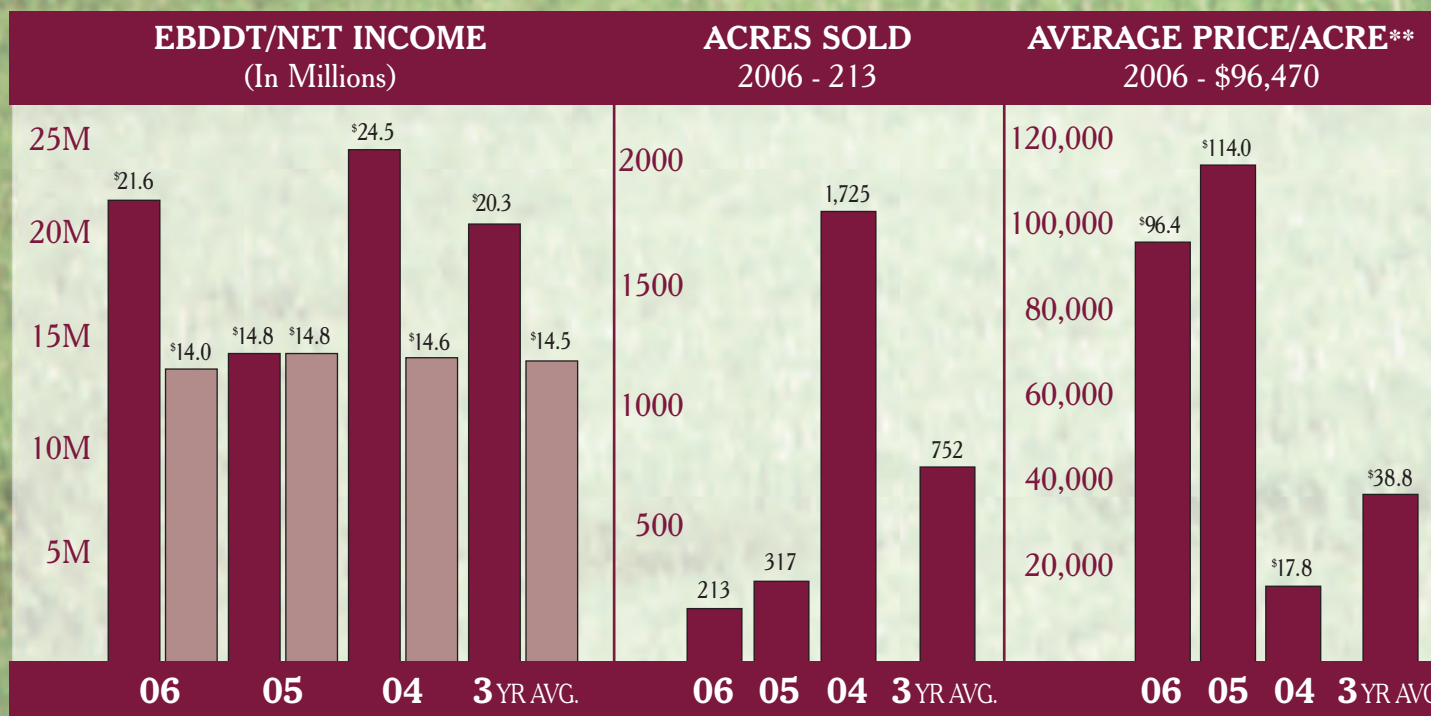


# Company Strategy

To increase long-term shareholder value by maximizing the appreciation in value of the Company's agricultural land holdings, accelerating the rate of annual sales, and converting the sales proceeds into a stable long-term income stream by acquiring quality income properties.

| OPERATIONS                      | 2006           | 2005          | 2004          | 3 YR AVG      |
|---------------------------------|----------------|---------------|---------------|---------------|
| NET INCOME                      | \$ 14,028,322  | \$ 14,817,750 | \$ 14,651,739 | \$ 14,499,270 |
| *EBDDT                          | \$ 21,626,683  | \$ 14,797,476 | \$ 24,586,030 | \$ 20,336,730 |
| <b>BASIC EARNINGS PER SHARE</b> |                |               |               |               |
| NET INCOME                      | \$ 2.47        | \$ 2.62       | \$ 2.60       | \$ 2.56       |
| *EBDDT                          | \$ 3.80        | \$ 2.61       | \$ 4.36       | \$ 3.59       |
| <b>FINANCIAL POSITIONS</b>      |                |               |               |               |
| CASH                            | \$ 1,924,226   | \$ 8,967,310  | \$ 27,991,793 |               |
| INVESTMENT SECURITIES           | \$ 11,780,205  | \$ 14,341,097 | \$ 3,642,785  |               |
| INCOME PROPERTIES               | \$ 110,711,749 | \$ 96,690,220 | \$ 61,618,021 |               |
| LONG-TERM DEBT                  | \$ 7,061,531   | \$ 7,297,593  | \$ 8,716,976  |               |
| SHAREHOLDERS' EQUITY            | \$ 102,997,307 | \$ 94,967,887 | \$ 79,610,749 |               |
| ACRES SOLD                      | 213            | 317           | 1,725         | 752           |
| AVG PRICE PER ACRE              | \$ 96,470      | \$ 114,096    | \$ 17,819     | \$ 38,782     |

AMEX  
Stock Symbol  
**CTO**



\*EBDDT - Earnings Before Depreciation Amortization and Deferred Taxes, EBDT is not a measure of operating results or cash flows from operating activities as defined by U.S. generally accepted accounting principles. Further, EBDT is not necessarily indicative of cash availability to fund cash needs and should not be considered as an alternative to cash flow as a measure of liquidity. The Company believes, however, that EBDT provides relevant information about operations and is useful, along with net income, for an understanding of the Company's operating results.

EBDDT is calculated by adding depreciation, amortization, and deferred income taxes to net income as they represent non-cash charges.

\*\*Average price per acre sold in any year is affected by the relative percentage of commercial vs. residential land and the amount of wetlands sold in any year.

# Income Properties

The Company's current strategy of converting proceeds from the sale of its long-held agricultural land holdings into the ownership of income properties utilizing deferred like-kind exchanges was adopted in 1999.

By year end, the Company's portfolio of net lease properties exceeded \$110 million.

Properties added in 2006 are indicated with a **red dot** and include: Dick's Sporting Goods and Best Buy located near Atlanta, Georgia.

During 2006, the Company was able to convert all of its qualified sales revenue into income properties that met the Company's quality standards and minimum return rates.

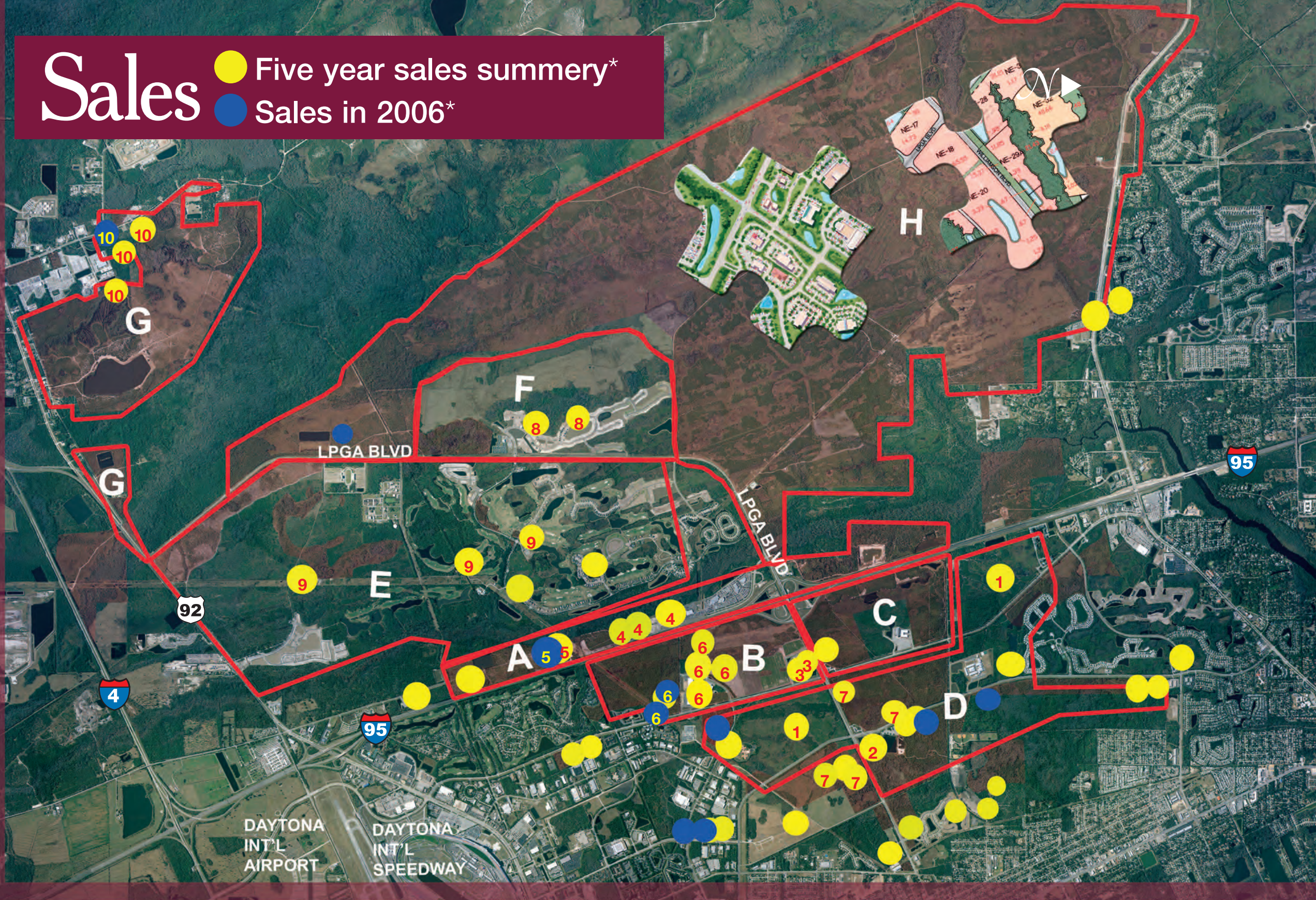


- Best Buy: Georgia - Atlanta
- Dick's Sporting Goods: Georgia - Atlanta
- Lowe's: North Carolina - Lexington
- Northern Tool: North Carolina - Ashville
- Walgreens: Georgia - Alpharetta, Powder Springs  
Florida - Apopka, Clermont, Palm Bay, Orlando/Kissimmee (2)
- Barnes & Noble: Florida - Daytona Beach, Lakeland
- RBC Centura Bank: Georgia - Alpharetta  
Florida - Altamonte Springs, Orlando
- CVS: Florida - Tallahassee, Sanford (2), Clermont (2), Sebring, Vero Beach, Sebastian, Melbourne



# Sales

- Five year sales summary\*
- Sales in 2006\*



## Activity Centers

- A. Interstate Commerce Park
- B. Interstate Office Park and Business Center at Gateway Center
- C. Interstate Technology Park at Gateway Center
- D. Medical Park
- E. LPGA International Golf Community
- F. USA-Tennis Florida and Bayberry Residential Community
- G. Daytona West Industrial/Distribution Park
- H. Daytona West Proposed Residential Community

## Planning For Tomorrow's Growing Needs

The rapid westerly urbanization of the metro Daytona Beach market has made it more profitable for the Company to accelerate its conversion from agricultural operations into income producing properties throughout Florida and the Southeastern United States.

\*Excludes sales in Highlands County and other areas of Volusia County

- |                             |   |
|-----------------------------|---|
| 1. Hospital Complexes       | 7. Bank Offices                               |
| 2. Surgery/MRI Center       | 8. Bayberry                                   |
| 3. Cornerstone Office Park  | 9. LPGA International/MSKP                    |
| 4. Auto Mall                | 10. Daytona West Industrial/Distribution Park |
| 5. Interstate Commerce Park |   |
| 6. Gateway Center           |   |



# Conversion of Assets



**Agricultural Assets**



**Planning, Land Use and Other Entitlements**



**Tax-Deferred Sales**



**Self Development and Leasing**



**Add Infrastructure**



**Non-Tax Deferred Sales**



**Diversified Portfolio of Income Producing Assets**

The Company's business plan is to increase shareholder value by converting its agricultural land holdings into a diversified portfolio of income properties. To increase the conversion rate, the Company has developed a series of "Activity Centers," (see previous page for details) each targeted to specific customer needs. The Company also imposes land use and architectural controls on sales to protect and enhance the value of our adjacent land holdings.

The Company is continually seeking comprehensive planning and other long range entitlements that it believes will increase the long-term value of its agricultural land and accelerate the rate of conversion.

To the maximum extent possible, the Company uses tax deferred exchanges to dispose of agricultural land and acquire income producing properties throughout the southeast. The Company has also entered the business of building, leasing, and holding in portfolio select income producing properties that are strategically located on its lands.

Some properties are sold to third parties on a non-tax deferred basis.



# Converting the Pieces

*timber & hay*



The Company has owned most of its lands since the early 1900's. During that time, it has continuously utilized the land for agricultural and timber operations. Today these operations encompass approximately 11,000 acres. Timber values since the 1998 wild fires have remained depressed. Current industry projections for the next 15 to 20 years do not indicate a significant increase in timber values. Timber is a crop that matures slowly in 14 to 20 years and loses significant value if harvested early. Management believes that current market factors are causing an accelerated urbanization of timber lands that is inconsistent with the maturing of the Company's timber crop and expected revenues.



In 2001, the Company began testing hay as an alternate crop to timber. Hay has several advantages over timber. Quality hay is a scarce local commodity that is projected to continue to increase in value, and once planted can be grown and harvested multiple times each year. Management has been developing improved best management conversion practices. In late 2004, the Company formed a wholly owned subsidiary, W. Hay Inc., to manage the conversion of these timber lands into hay production. Annually, management will assess which areas should be converted from timber into hay operations. These decisions will be based on the current economics of both the timber and hay businesses, and the then-current evaluation of the estimated maturity date of planted timber parcels. As mature timber is harvested, the decision to replant or convert will be evaluated on the same criteria. It is currently planned that, over time, a significant portion of the Company's land will be converted into hay production.

Approximately 225 additional acres of land were converted into hay production during 2006.

