

CONSOLIDATED TOMOKA LAND CO  
Form 10-Q  
August 11, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

\_\_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_ to \_\_

CONSOLIDATED-TOMOKA LAND CO.

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of  
incorporation or organization)

59-0483700  
(IRS Employer Identification No.)

1530 Cornerstone Boulevard, Suite 100  
Daytona Beach, Florida  
(Address of principal executive offices)

32117  
(Zip Code)

(386) 274-2202  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_\_\_\_\_

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See

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definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  x  
Non-accelerated filer  (Do not check if a Smaller reporting company   
smaller reporting company)

Indicate by check mark whether the registrant is a shell company  
(as defined by rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's  
classes of common stock, as of the latest practicable date.

Class of Common Stock Outstanding

August 8, 2008

\$1.00 par value 5,727,515

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PART I - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTSCONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED BALANCE SHEETS

(Unaudited)

	JUNE 30, 2008	DECEMBER 31, 2007
<b>ASSETS</b>		
Cash	\$ 533,569	\$ 863,826
Restricted Cash	--	10,387,550
Investment Securities	6,447,664	10,193,094
Notes Receivable	4,203,693	5,164,421
Land and Development Costs	16,208,954	15,654,456
Intangible Assets, Net	5,220,405	4,717,699
Other Assets	7,750,483	7,899,810
	40,364,768	54,880,856
<b>Property, Plant, and Equipment:</b>		
Land, Timber and Subsurface Interests	9,479,729	7,793,594
Golf Buildings, Improvements, and Equipment	11,736,143	11,713,046
Income Properties Land, Buildings, and Improvements	113,830,870	104,820,647
Other Building, Equipment, and Land Improvements	3,215,209	2,909,057
Construction in Process	2,393,767	--
Total Property, Plant, and Equipment	140,655,718	127,236,344
Less, Accumulated Depreciation and Amortization	(11,356,762)	(10,284,670)
Net - Property, Plant, and Equipment	129,298,956	116,951,674
<b>TOTAL ASSETS</b>	<b>\$ 169,663,724</b>	<b>\$ 171,832,530</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 524,057	\$ 452,090
Accrued Liabilities	8,773,701	8,684,175
Accrued Stock Based Compensation	1,614,762	3,277,821
Income Taxes Payable	422,232	3,058,049
Deferred Income Taxes	33,697,998	32,882,399
Notes Payable	6,671,682	6,807,388
<b>TOTAL LIABILITIES</b>	<b>51,704,432</b>	<b>55,161,922</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock	5,727,515	5,725,806
Additional Paid in Capital	5,217,955	5,130,574
Retained Earnings	108,194,023	107,012,038
Accumulated Other Comprehensive Loss	(1,180,201)	(1,197,810)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>117,959,292</b>	<b>116,670,608</b>
<b>TOTAL LIABILITIES AND</b>		

SHAREHOLDERS' EQUITY	\$ 169,663,724	\$ 171,832,530
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See Accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) Three Months Ended		(Unaudited) Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>Income</b>				
<b>Real Estate Operations:</b>				
<b>Real Estate Sales</b>				
Sales and Other Income	\$ 2,186,210	\$ 1,189,294	\$ 2,261,054	\$ 5,865,860
Costs and Other Expenses	(469,075)	(439,160)	(886,853)	(4,206,176)
	1,717,135	750,134	1,374,201	1,659,684
<b>Income Properties</b>				
Leasing Revenues and Other Income	2,320,993	2,169,889	4,494,466	4,330,674
Costs and Other Expenses	(464,693)	(427,866)	(893,936)	(853,082)
	1,856,300	1,742,023	3,600,530	3,477,592
<b>Golf Operations</b>				
Sales and Other Income	1,288,152	1,410,975	2,667,703	2,977,182
Costs and Other Expenses	(1,768,806)	(1,801,926)	(3,385,774)	(3,659,139)
	(480,654)	(390,951)	(718,071)	(681,957)
<b>Total Real Estate Operations</b>	<b>3,092,781</b>	<b>2,101,206</b>	<b>4,256,660</b>	<b>4,455,319</b>
<b>Profit on Sales of Other</b>				
Real Estate Interests	196,257	550,000	204,257	584,744
Interest and Other Income	142,122	150,084	444,750	300,793
<b>Operating Income</b>	<b>3,431,160</b>	<b>2,801,290</b>	<b>4,905,667</b>	<b>5,340,856</b>
<b>General and Administrative Expenses</b>	<b>76,058</b>	<b>(996,286)</b>	<b>(1,144,942)</b>	<b>(4,480,991)</b>
<b>Income Before Income Taxes</b>	<b>3,507,218</b>	<b>1,805,004</b>	<b>3,760,725</b>	<b>859,865</b>
<b>Income Taxes</b>	<b>(1,336,026)</b>	<b>(689,064)</b>	<b>(1,433,409)</b>	<b>(327,737)</b>
<b>Net Income</b>	<b>\$ 2,171,192</b>	<b>\$ 1,115,940</b>	<b>\$ 2,327,316</b>	<b>\$ 532,128</b>
<b>Per Share Information:</b>				
<b>Basic and Diluted Income Per Share</b>	<b>\$ 0.38</b>	<b>\$ 0.20</b>	<b>\$ 0.41</b>	<b>\$ 0.09</b>
<b>Dividends</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>	<b>\$ 0.20</b>	<b>\$ 0.18</b>

See Accompanying Notes to Consolidated Financial Statements

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CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
AND COMPREHENSIVE INCOME  
(UNAUDITED)

	Common Stock	Additional Paid- In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Comprehensive Income
Balance, December 31, 2007	\$ 5,725,806	\$ 5,130,574	\$ 107,012,038	\$ (1,197,810)	\$ 116,670,608	
Net Income			2,327,316		2,327,316	\$ 2,327,316
Other Comprehensive Income: Cash Flow						
Hedging Derivative, Net of Tax				17,609	17,609	17,609
Comprehensive Income						\$ 2,344,925
Exercise of Liability Classified Stock Options	1,709	87,381			89,090	
Cash Dividends (\$.20 per share)			(1,145,331)		(1,145,331)	
Balance, June 30, 2008	\$ 5,727,515	\$ 5,217,955	\$ 108,194,023	\$ (1,180,201)	\$ 117,959,292	

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED-TOMOKA LAND CO.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Six Months Ended	
	June 30, 2008	June 30, 2007
<b>Cash Flow from Operating Activities</b>		
Net Income	\$ 2,327,316	\$ 532,128
<b>Adjustments to Reconcile Net Income to Net Cash</b>		
<b>Provided By Operating Activities:</b>		
Depreciation and Amortization	1,289,761	1,231,250
Loss on Sale of Property, Plant, and Equipment	11,743	110,608
Deferred Income Taxes	815,599	190,537
Non-Cash Compensation	(1,542,744)	1,725,103
<b>Decrease (Increase) in Assets:</b>		
Notes Receivable	960,728	--
Land and Development Costs	(554,498)	620,870
Refundable Income Taxes	--	(282,717)
Other Assets	149,327	(891,352)
<b>Increase (Decrease) in Liabilities:</b>		
Accounts Payable	71,967	81,653
Accrued Liabilities and Accrued Stock Based Compensation	107,135	606,977
Deferred Profit	--	(563,467)
Income Taxes Payable	(2,635,817)	--
Net Cash Provided By Operating Activities	1,000,517	3,361,590
<b>Cash Flow From Investing Activities:</b>		
Acquisition of Property, Plant, and Equipment	(13,447,007)	(2,942,376)
Acquisition of Intangible Assets	(704,485)	--
Decrease (Increase) in Restricted Cash for Acquisitions		
Through the Like-Kind Exchange Process	10,387,550	(124,598)
Decrease In Investment Securities	3,745,430	2,531,245
Net Cash Used in Investing Activities	(18,512)	(535,729)
<b>Cash Flow from Financing Activities:</b>		
Proceeds from Notes Payable	4,898,000	1,776,000
Payments on Notes Payable	(5,033,706)	(1,900,677)
Cash Proceeds from Exercise of Stock Options	5,090	13,747
Cash Used to Settle Stock Appreciation Rights	(36,315)	(933,352)
Dividends Paid	(1,145,331)	(1,026,800)
Net Cash Used in Financing Activities	(1,312,262)	(2,071,082)
<b>Net (Decrease) Increase in Cash</b>	<b>(330,257)</b>	<b>754,779</b>

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Cash, Beginning of Year	863,826	738,264
Cash, End of Period	\$ 533,569	\$ 1,493,043

See Accompanying Notes to Consolidated Financial Statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

## NOTE 1. PRINCIPLES OF INTERIM STATEMENTS

The unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures, which are normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles, have been omitted pursuant to those rules and regulations. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position and the results of operations for the interim periods. The consolidated format is designed to be read in conjunction with the last annual report. For further information, refer to the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Inter-company balances and transactions have been eliminated in consolidation.

## NOTE 2. COMMON STOCK AND EARNINGS PER SHARE

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share are based on the assumption of the conversion of stock options at the beginning of each period using the treasury stock method at average cost for the periods.

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>Income Available to Common Shareholders:</b>				
Net Income	\$ 2,171,192	\$ 1,115,940	\$ 2,327,316	\$ 532,128
<b>Weighted Average Shares</b>				
Outstanding	5,726,848	5,715,885	5,726,848	5,710,009
<b>Common Shares Applicable to Stock</b>				
Options Using the Treasury Stock Method	--	--	--	20,207
Total Shares Applicable to Diluted Earnings Per Share	\$ 5,726,848	\$ 5,715,885	\$ 5,726,848	\$ 5,730,216
<b>Per Share Information:</b>				
<b>Basic and Diluted Income Per Share</b>				
Net Income	\$ 0.38	\$ 0.20	\$ 0.41	\$ 0.09

No impact was considered on the conversion of stock options during the periods as the effect would be antidilutive.

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## NOTE 3. NOTES PAYABLE

Notes Payable consist of the following:

	June 30, 2008	
	Total	Due Within One Year
\$20,000,000 Line of Credit	\$ --	\$ --
Notes Payable	6,671,682	259,092
<b>Total</b>	<b>\$ 6,671,682</b>	<b>\$ 259,092</b>

Payments applicable to reduction of principal amounts will be required as follows:

Year Ending June 30,	
2009	\$ 259,092
2010	303,218
2011	326,271
2012	5,783,101
2013 & thereafter	--
	<b>\$ 6,671,682</b>

During the first six months of 2008, interest expense was \$154,832, net of \$102,056 interest capitalized to land and development costs and construction in process, with interest of \$256,888 paid during the period.

For the first six months of 2007, interest expense was \$194,276, net of \$59,943 interest capitalized to land and development costs, with interest of \$254,219 paid during the six month period.

## NOTE 4. STOCK OPTION PLAN

The Company maintains the 2001 Stock Option Plan (the "Plan") pursuant to which 500,000 shares of the Company's common stock may be issued. A summary of share option activity under the Plan as of June 30, 2008, and changes during the six months then ended is presented below:

## STOCK OPTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2008:

	Shares	Wtd Avg Ex. Price	Wtd. Avg. Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding December 31, 2007	179,800	\$ 59.04		
Granted	63,000	\$ 54.45		
Exercised	(3,200)	\$ 25.88		
Expired	--	--		
Outstanding June 30, 2008	239,600	\$ 58.27	7.91	\$ 410,248
Exercisable at June 30, 2008	61,600	\$ 52.02	6.75	\$ 306,048

## STOCK APPRECIATION RIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2008:

Shares	Wtd.Avg.	Wtd. Avg.	Aggregate
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		Fair Value	Remaining Contractual Term (Years)	Intrinsic Value
Outstanding December 31, 2007	179,800	\$ 13.60		
Granted	63,000	\$ 5.61		
Exercised	(3,200)	\$ 10.52		
Expired	--	--		
Outstanding June 30, 2008	239,600	\$ 4.50	7.91	\$ 220,903
Exercisable at June 30, 2008	61,600	\$ 5.18	6.75	\$ 164,795

In connection with the exercise of 3,200 option shares, 1,709 shares of stock were issued and 1,491 shares of stock were withheld via net exercise to relieve the stock option liability by \$84,000. Cash proceeds of \$5,090 were received on the exercise of the stock options.

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## NOTE 5. PENSION PLAN

The Company maintains the Retirement Plan for Employees of Consolidated-Tomoka Land Co., a defined benefit pension plan for all employees who have attained the age of 21 and completed one year of service. The pension benefits are based primarily on age, years of service, and the average compensation for the highest five years during the final ten years of employment. The benefit formula provides for a life annuity benefit.

Following are the components of the Net Period Benefit Cost:

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Service Cost	\$ 84,092	\$ 72,716	\$ 168,184	\$ 145,432
Interest Cost	108,800	100,683	217,600	201,366
Expected Return on Plan Assets	(130,116)	(126,296)	(260,232)	(252,592)
Net Amortization	19,879	12,497	39,758	24,994
Net Periodic Benefit Cost	\$ 82,655	\$ 59,600	\$ 165,310	\$ 119,200

It is anticipated that contributions in 2008 will approximate \$600,000 to \$700,000

## NOTE 6. BUSINESS SEGMENT DATA

The Company primarily operates in three business segments: real estate; income properties; and golf. Real estate operations include commercial real estate, land sales and development, leasing properties for oil and mineral exploration, and agricultural operations.

The Company evaluates performance based on income or loss from operations before income taxes. The Company's reportable segments are strategic business units that offer different products. They are managed separately because each segment requires different management techniques, knowledge, and skills.

Information about the Company's operations in different segments is as follows (amount in thousands):



## NOTE 6. BUSINESS SEGMENT DATA (continued)

	Three Months Ended		Six Months Ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>Revenues:</b>				
Real Estate	\$ 2,186	\$ 1,189	\$ 2,261	\$ 5,866
Income Properties	2,321	2,170	4,494	4,331
Golf	1,288	1,411	2,668	2,977
General, Corporate & Other	339	700	649	885
	\$ 6,134	\$ 5,470	\$ 10,072	\$ 14,059
<b>Income (Loss):</b>				
Real Estate	\$ 1,717	\$ 750	\$ 1,374	\$ 1,660
Income Properties	1,856	1,742	3,601	3,478
Golf	(481)	(391)	(718)	(682)
General, Corporate & Other	415	(296)	(496)	(3,596)
	\$ 3,507	\$ 1,805	\$ 3,761	\$ 860
<b>June 30,</b>				
<b>2008</b>				
Identifiable Assets	\$			
Real Estate	34,622			
Income Properties	116,552			
Golf	8,080			
General, Corporate & Other	10,410			
	\$ 169,664			
<b>Depreciation and Amortization</b>				
Real Estate	\$ 192			
Income Properties	791			
Golf	250			
General, Corporate & Other	57			
	\$ 1,290			
<b>Capital Expenditures</b>				
Real Estate	\$ 1,937			
Income Properties	11,405			
Golf	22			
General, Corporate & Other	83			
	\$ 13,447			

Income represents income (loss) from continuing operations before income taxes.

Identifiable assets by segment are those assets that are used in the Company's operations in each segment. General corporate assets and assets used in the Company's other operations consist primarily of cash, investment securities, and property, plant, and equipment.

## NOTE 7. RECENT ACCOUNTING STANDARDS

In June 2000, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position EITF 03-6-1 "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities" ("The Staff Position"). The Staff Position holds that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are "participating securities" as defined in EITF 03-6 and therefore should be included in computing earnings per share using the two-class method. The Staff Position is effective for financial statements issued in fiscal years beginning after December 15, 2008, and interim periods within those years. The Company has evaluated the impact of the Staff Position and does not believe it will have an impact on its financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" ("SFAS 161"). This Statement requires enhanced disclosures about an entity's derivative and hedging activities, including (a) how and why and entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133, Accounting for Derivative Instruments and Hedging Activities, and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows, SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is in the process of evaluating the effect, if any, the adoption of SFAS 161 will have on its financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 161"). SFAS 162 is effective 60 days following the SEC's approval of the public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." This statement identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles.

On January 1, 2008 the Company adopted Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement No. 115 (Statement 159)." Statement 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. The adoption of Statement 159 had no impact on the Company's financial condition, results of operations or cash flows, as the fair value option was not elected by the Company.

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NOTE 7. RECENT ACCOUNTING STANDARDS (continued)

On January 1, 2008 the Company also adopted Statement No. 157, "Fair Value Measurement" (Statement 157). Statement 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The adoption of Statement 157 had no impact on the financial condition, results of operations or cash flows of the Company. Delayed application of this Statement is permitted for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Company has elected to defer the implementation of Statement 157 related to nonfinancial assets and nonfinancial liabilities. The Company is evaluating the impact of implementation. At the time the Company's debt was refinanced in 2002, the Company entered into an interest rate swap agreement. The fair market value of the interest rate swap agreement was determined using Significant Other Observable Inputs (Level 2) under Statement 157. A liability in the amount of \$516,618 at June 30, 2008, has been established on the Company's balance sheet.

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations," which requires an acquirer to recognize the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions specified in the statement. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of an entity's fiscal year that begins after December 15, 2008. The Company is in the process of evaluating the impact of this standard. The adoption of SFAS No. 141R will not have an effect on its financial condition, results of operations or cash flows. The Company will reassess the impact of SFAS 141(R) if and when a future acquisition occurs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations is designed to be read in conjunction with the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations in the last annual report on Form 10-K.

OPERATIONS OVERVIEW

The Company is primarily engaged in real estate land sales and development, reinvestment of land sales proceeds into income properties, development of income properties on Company lands, and golf course operations. The Company owns approximately 11,200 acres in Florida, which form a substantial portion of the western boundary of the City of Daytona Beach. The Company lands are well-located in the growing central Florida Interstate 4 corridor, providing an excellent opportunity for reasonably stable land sales in the near-term future and following years.

With its substantial land holdings in Daytona Beach, the Company has parcels available for the entire spectrum of real estate uses. Along with land sales, the Company selectively develops parcels primarily for commercial uses. Although pricing levels and changes by the Company and its immediate competitors can affect sales, the Company generally enjoys a competitive edge due to low costs associated with long-time land ownership and a significant ownership position in the immediate market.

Sales and development activity, performed by the Company and third party developers, on and around Company owned lands have been strong in the last several years. These activities included the sale of 120 acres of land to Florida Hospital for the construction of a new facility which is anticipated to open mid-year 2009, the expansion of the Daytona Beach Auto Mall, the opening of a second office building in the Cornerstone Office Park, the continued development within the 250-acre Gateway Commerce Park and the 60-acre Interstate Commerce Park both adjacent

to Interstate 95, and the sale of approximately 100 acres of land west of Interstate 95 on which a private high school is under development and anticipated to open in August 2008. Construction is underway on the future site of the City of Daytona Beach police headquarters. The building, which is located adjacent to Gateway Commerce Park, is also anticipated to be completed and occupied this year. In the first half of 2008, development also commenced on a 288-unit apartment complex, a medical office building, and a townhouse residential community on the east side of I-95. On the west side of the interstate, development commenced on a fire station and an elementary school.

In 2000, the Company initiated a strategy of investing in income properties utilizing the proceeds of agricultural land sales qualifying for income tax deferral through like-kind exchange treatment for tax purposes. At June 30, 2008, the Company had invested approximately \$120 million in twenty-six income properties through this process. This investment base includes the April 2008 purchase of a Harris Teeter supermarket in Charlotte, North Carolina for approximately \$9.7 million.

Lease revenue of approximately \$9.2 million is projected to be generated annually on this investment base. This income, along with income from additional net-lease income property investments, will continue to decrease earnings volatility in future years and add to overall financial performance. This strategy has enabled the Company to enter into the business of building, leasing, and holding in its portfolio select income properties that are strategically located on Company lands.

The Company currently has two self-developed projects in process. The first project is a two-building 30,000 square-foot flex office space complex located within Gateway Commerce Park. Construction of these buildings was substantially completed in the second quarter of 2008. Leases are currently in negotiation on this project. Also under development by the Company is a 12 acre, 4 lot commercial complex, located at the corner of LPGA and Williamson Boulevards. Site work, building plans and permitting are complete. The parcel will include a 23,000 square-foot "Class A" office building. Construction of the building began in July 2008 with the execution of a lease with Merrill Lynch for a significant portion of the building.

Golf operations consist of the operation of two golf courses, a clubhouse facility, and food and beverage activities within the LPGA International mixed-use residential community on the west side of Interstate 95, south and east of LPGA Boulevard. The Champions course was designed by Rees Jones and the Legends course was designed by Arthur Hills.

The Company's agricultural operations consist of growing, managing, and sale of timber and hay products on approximately 11,000 acres of Company lands on the west side of Daytona Beach, Florida. The Company is currently in the process of converting a significant portion of its timberlands to hay.

The residential real estate market continues to be depressed from its peak in mid-to-late 2005, with the commercial market also measurably slowing. Despite the weakness in the real estate market, in addition to the overall weak national and local economies, the Company expects its earnings to be positive in the current year due to the Company's low debt, significant revenue generated from the portfolio of net leased income properties and the backlog of contracts to be closed. During the slowdown, the Company is concentrating on self-development projects discussed above; as well as the design, permitting, construction of roads, and planning for the eventual upturn.

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Net income totaled \$2,171,192, equivalent to \$.38 per share, for the second quarter of 2008. These profits represent a substantial increase over the profits of \$1,115,940, equivalent to \$.20 per share, generated in the second quarter of 2007. The increase in earnings can be attributed to higher profits from real estate sales, increased earnings from income properties, and lower general and administrative expenses due to an addition to income for decreased stock option accruals.

For the six months ended June 30, 2008, the Company realized net income amounting to \$2,327,316, equivalent to \$.41 per share. This income compared favorably to income of \$532,128, equivalent to \$.09 per share produced in 2007's same period. The improved results were achieved on higher earnings from income properties and increased interest income, along with lower general and administrative expenses as the result of an addition to income for the decreased stock option accruals.

The Company also uses Earnings before Depreciation, Amortization and Deferred Taxes (EBDDT) as a performance measure. The Company's strategy of investing in income properties through the deferred tax like-kind exchange process produces significant amounts of depreciation and deferred taxes.

The following is the calculation of EBDDT:

	Three Months Ended	
	June 30,	June 30,
	2008	2007
Net Income	\$ 2,171,192	\$ 1,115,940
Add Back:		
Depreciation and Amortization	664,831	621,457
Deferred Taxes	1,248,616	(116,692)
Earnings before Depreciation, Amortization and Deferred Taxes	\$ 4,084,639	\$ 1,620,705
	Six Months Ended	
	June 30,	June 30,
	2008	2007
Net Income	\$ 2,327,316	\$ 532,128
Add Back:		
Depreciation and Amortization	1,289,761	1,231,250
Deferred Taxes	815,599	190,537
Earnings before Depreciation, Amortization and Deferred Taxes	\$ 4,432,676	\$ 1,953,915

EBDDT is calculated by adding depreciation, amortization, and the change in deferred income tax to net income as they represent non-cash charges. EBDDT is not a measure of operating results or cash flows from operating activities as defined by U.S. generally accepted accounting principles. Further, EBDDT 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 EBDDT provides relevant information about operations and is useful, along with net income, for an understanding of the Company's operating results.

EBDDT totaling \$4,084,639 and \$4,432,676 for the second quarter and first six months of 2008, respectively, was significantly higher than 2007's second quarter and first six months EBDDT amounting to \$1,620,705 and \$1,953,915

respectively. Higher profits and increased deferral of real estate gains for income tax purposes was the primary cause of the favorable results. The net decrease of deferred taxes in the second quarter of 2007 was due to the reversal of deferred taxes on gains from a year-end 2006 transaction for which the like-kind exchange process was not completed, as the Company was unable to identify investment property which met established criteria.

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## RESULTS OF OPERATIONS

### REAL ESTATE SALES

During the second quarter of 2008, land sales of 21 acres of land produced revenues and profits of \$2,186,210 and \$1,717,135, respectively. Revenues totaling \$1,189,294 were generated on the sale of 10 acres of property, which produced profits totaling \$750,134, during the second quarter of 2007.

Profits of \$1,374,201 were recorded during the first six months of 2008 on revenues totaling \$2,261,054 from the sale of 21 acres of land. During the same period of 2007, the sale of 93 acres of land, including a charitable contribution of 25 acres valued at \$1,500,000, produced revenues and profits from land sales totaling \$5,865,860 and \$1,659,684, respectively. Also included in sales during the first six months of 2007 was the sale of approximately \$1,900,000 of impact fee credits. Cost and expenses were substantially higher in 2007's six-month period with the higher cost basis associated with both the charitable contribution and impact fee credits.

### INCOME PROPERTIES

The addition of the Harris Teeter supermarket, located in Charlotte, North Carolina, to the Company's inventory of income properties in April 2008 generated increased revenues and profits for both the second quarter and first six months of 2008 when compared to the same periods of 2007. During the second quarter of 2008, revenue and profit gains of 7% were realized with 4% increases recognized for the six-month period. Revenues and profits totaled \$2,320,993 and \$1,856,300, respectively, for the second quarter of 2008, with six-month profits of \$3,600,530 produced on revenues totaling \$4,494,466. During 2007's second quarter and six-month periods, revenues amounting to \$2,169,899 and \$4,330,674, respectively, produced profits of \$1,742,023 and \$3,477,592 for these periods, respectively.

### GOLF OPERATIONS

Revenues from golf operations fell 9%, to \$1,288,152, in the second quarter of 2008 when compared to the second quarter of 2007. This revenue decline resulted in a loss of \$480,654, a 23% increase over the prior year. Revenues from golfing activities decreased 4% during the period on a 12% decline in the number of rounds played, offset by a 9% increase in the average rate per round. Food and beverage revenues fell 19% during the period. Golf operations cost and expenses were down 2% in the second quarter on the lower volume. Losses of \$390,951 were generated during the second quarter of 2007 on revenues of \$1,410,975.

Losses from golf operations totaled \$718,071 during the first six months of 2008. These losses, which represent a 5% increase over 2007's same period loss of \$681,957, were realized on revenues of \$2,667,703. During the first six months of 2007, revenues of \$2,977,182 were produced. The 10% decrease in revenue for 2008 represented a decline in both golf and food and beverage activities. Golf revenues were down 6% on an 11% fall in the number of rounds played, offset by a 6% increase in the average rate per round played. Revenues from food and beverage activities were 21% lower during this period. For the six-month period, golf operations costs and expenses were down 7% when compared to the prior year. This decline in costs and expenses was achieved on the lower volume in addition to cost controls put in place.

### GENERAL, CORPORATE, AND OTHER

Profits on the sale of other real estate interests totaled \$196,257 and \$204,257 for the second quarter and first six months of 2008, respectively. These profits were realized on the release of subsurface rights on 235 acres, of which the release of 234 acres occurred in the second quarter. During the first half of 2007, profits on the release of subsurface interests totaled \$584,744, of which \$550,000 was earned in the second quarter. Releases were granted on 215 acres and 158 acres for the six months and second quarter of 2007, respectively.

Interest and other income declined 5% during the second quarter of 2008 compared to 2007's same period. The decrease to \$142,122 was due to lower interest earned on lower balances for investment securities and funds held for investment through the like-kind exchange process, offset by higher interest on mortgage notes receivable. Interest and other income earned in 2007's second quarter totaled \$150,084.

For the six-month period interest and other income rose 48% to \$444,750. Interest and other income totaled \$300,793 during 2007's first six-month period. The higher earnings were achieved on higher interest from mortgage notes receivable in addition to increased interest on funds held for reinvestment through the like-kind exchange process.

During the second quarter of 2008, general and administrative expenses resulted in addition to income of \$76,058. This addition was the result of a \$1,360,675 credit for stock option expenses due to the lower price of Company stock. Excluding the credit from the Stock Option Accrual, general and administrative expenses increased on higher legal, pension and stockholders expenses. General and administrative expenses amounted to \$996,286 in 2007's second quarter.

For the first six months of 2008, general and administrative expenses decreased 74%, to \$1,144,942, when compared to the prior year's same period. This significant variance was primarily the result of a \$3,267,847 net change in stock option expenses resulting from a decrease in the price of Company stock in the first half of 2008, and an increase in stock price during the first six months of 2007. Also contributing to the variance were lower post-retirement benefit costs. General and administrative expenses totaled \$4,480,991 in the first half of 2007.

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## LIQUIDITY AND CAPITAL RESOURCES

Cash, restricted cash, and investment securities, which totaled \$6,981,233 at June 30, 2008, decreased \$14,463,237 since December 31, 2007. The primary uses of these funds in addition to the purchase of the Harris Teeter income property, which cost approximately \$9,700,000, were for the payment of income taxes, development and construction activities, and the continued conversion of Company timber lands to hay. Income taxes of \$3,265,000 were paid in the first six months of 2008. Development and construction activity approximated \$3,000,000 during this six-month period and included construction of roads on the Company's core lands adjacent to LPGA Blvd. and the construction of the 30,000 square-foot flex office space complex in Gateway Commerce Center. Approximately \$1,686,000 was expended on clearing and planting of lands for the hay operation. Additionally, funds totaling \$1,145,331 were used to pay dividends of \$.20 per share.

Capital expenditures for the remainder of 2008 are projected to approximate \$5 million. These funds are intended to be used on road construction, conversion of timber lands to hay, and the development and construction of the income properties on Company owned land. The first property, which was substantially completed in the second quarter, is the two building 30,000 square-foot flex office space complex located in Gateway Commerce Park. The second property, which commenced construction in July, will be a 23,000 square-foot office building located on LPGA Boulevard. This office building will be approximately 40% pre-leased to Merrill Lynch with the remainder held as speculative space at this time. These two self-developed projects are expected to be 50% financed upon completion.

Capital to fund the planned expenditures in 2008 is expected to be provided from cash and investment securities (as they mature), operating activities, and financing sources that are currently in place. The Company also has the ability to borrow on a non-recourse basis against its existing income properties, which are all free of debt as of the date of this filing. As additional funds become available through qualified sales, the Company expects to invest in additional real estate opportunities.

The Company's Board of Directors and management continually review the allocation of any excess capital with the goal of providing the highest return for all shareholders over the long term. The reviews consider various alternatives, including increasing or decreasing regular dividends, declaring special dividends, commencing a stock repurchase program, and retaining funds for reinvestment, including road development and hay conversion of timber lands. The Board of Directors has reaffirmed its support for the continuation of the 1031 tax deferred exchange strategy for investment of agricultural land sales proceeds and self-development of income properties and development of infrastructure on Company owned lands.

## CRITICAL ACCOUNTING POLICIES

The profit on sales of real estate is accounted for in accordance with the provisions of SFAS No. 66, "Accounting for Sales of Real Estate." The Company recognizes revenue from the sale of real estate at the time the sale is consummated unless the property is sold on a deferred payment plan and the initial payment does not meet criteria established under SFAS No. 66, or the Company retains continuing involvement with the property.

During 2005 and 2006, the Company closed transactions for which it had post-closing obligations to provide off-site utilities and/or road improvements. Full cash payment was received at closing, and warranty deeds were transferred and recorded. The sales contracts did not provide any offsets, rescission, or buy-back if the improvements were not completed. During the first six months of 2007, post-closing obligations were completed, and revenues and profits of \$667,252 and \$563,467 were recognized, respectively, on these transactions. No post-closing obligations existed at June 30, 2008 and 2007, and in accordance with SFAS No. 66 no revenues or profits were deferred.

In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company has reviewed the recoverability of long-lived assets, including real estate and development and property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset

may or may not be recoverable. Real estate and development is evaluated for impairment by estimating sales prices less costs to sell. Impairment on income properties and other property, plant, and equipment is measured using an undiscounted cash flow approach. There has been no material impairment of long-lived assets reflected in the consolidated financial statements.

At the time the Company's debt was refinanced in 2002, the Company entered into an interest rate swap agreement. This swap arrangement changes the variable-rate cash flow exposure on the debt obligations to fixed cash flows so that the Company can manage fluctuations in cash flows resulting from interest rate risk. This swap arrangement essentially creates the equivalent of fixed-rate debt. The above-referenced transaction is accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities," and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment of SFAS No. 133." The accounting requires the derivative to be recognized on the balance sheet at its fair value and the changes in fair value to be accounted for as other comprehensive income or loss. The Company measures the ineffectiveness of the interest rate swap derivative by comparing the present value of the cumulative change in the expected future cash flows on the variable leg of the swap with the present value of the cumulative change in the expected future interest cash flows on the floating rate liability. This measure resulted in no ineffectiveness for the periods ended June 30, 2008 and June 30, 2007. A liability in the amount of \$516,618 at June 30, 2008, has been established on the Company's balance sheet. The change in fair value, net of applicable taxes, in the cumulative amount of \$317,333 at June 30, 2008, has been recorded as accumulated other comprehensive loss, a component of shareholders' equity.

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CRITICAL ACCOUNTING POLICIES (continued)

The Company maintains a stock option plan pursuant to which 500,000 shares of the Company's common stock may be issued. The current Plan was approved at the April 25, 2001 shareholders' meeting. Under the Plan, the option exercise price equals the stock market price on the date of grant. The options vest over five years and all expire after ten years. The Plan provides for the grant of (1) incentive stock options, which satisfy the requirements of Internal Revenue Code (IRC) Section 422, and (2) non-qualified options, which are not entitled to favorable tax treatment under IRC Section 422. No optionee may exercise incentive stock options in any calendar year for shares of common stock having a total market value of more than \$100,000 on the date of grant (subject to certain carryover provisions).

In connection with the grant of non-qualified options, a stock appreciation right for each share covered by the option may also be granted. The stock appreciation right will entitle the optionee to receive a supplemental payment, which may be paid in whole or in part in cash or in shares of common stock, equal to a portion of the spread between the exercise price and the fair market value of the underlying shares at the time of exercise. All options granted to date have been non-qualified options, with a stock appreciation right granted for each option share granted.

Both the Company's stock options and stock appreciation rights are liability classified awards under SFAS No. 123R "Share Based Payment," and are required to be remeasured to fair value at each balance sheet date until the award is settled.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The principal market risk (i.e. the risk of loss arising from adverse changes in market rates and prices) to which the Company is exposed is interest rates. The objective of the Company's asset management activities is to provide an adequate level of liquidity to fund operations and capital expansion while minimizing market risk. The Company utilizes overnight sweep accounts and short-term investments to minimize the interest rate risk. The Company does not actively invest or trade in equity securities. The Company does not believe that its interest rate risk related to cash equivalents and short-term investments is material due to the nature of the investments.

The Company manages its debt considering investment opportunities and risk, tax consequences, and overall financial strategies. The Company is primarily exposed to interest rate risk on its \$8,000,000 (\$6,671,682 outstanding at June 30, 2008) long-term mortgage. The borrowing bears a variable rate of interest based on market rates. Management's objective is to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs. To achieve this objective, the Company entered into an interest rate swap agreement during the second quarter of 2002. A hypothetical change in the interest rate of 100 basis points (i.e. 1%) would not materially affect the Company's financial position, results of operations, or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation, as required by Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act). Based on that evaluation, the CEO and CFO have concluded that the design and operation of the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. There were no changes in the Company's internal control over financial

reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the six months covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company or any of its subsidiaries is a party.

### ITEM 1A. RISK FACTORS

Certain statements contained in this report (other than statements of historical fact) are forward-looking statements. The words “believe,” “estimate,” “expect,” “intend,” “anticipate,” “will,” “could,” “may,” “should,” “plan,” “potential,” “project,” and similar expressions and variations thereof identify certain of such forward-looking statements, which speak only as of the dates on which they were made. Forward-looking statements are made based upon management’s expectations and beliefs concerning future developments and their potential effect upon the Company. There can be no assurance that future developments will be in accordance with management’s expectations or that the effect of future developments on the Company will be those anticipated by management.

We wish to caution readers that the assumptions which form the basis for forward-looking statements with respect to or that may impact earnings for the year ended December 31, 2008, and thereafter, include many factors that are beyond the Company’s ability to control or estimate precisely. These risks and uncertainties include, but are not limited to, the strength of the real estate market in the City of Daytona Beach and Volusia County, Florida; the ability to successfully execute acquisition or development strategies; any loss of key management personnel; changes in local, regional and national economic conditions affecting the real estate development business and income properties; the impact of environmental and land use regulations; the impact of competitive real estate activity; variability in quarterly results due to the unpredictable timing of land sales; the loss of any major income property tenants; and the availability of capital. These risks and uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements.

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I “Item 1A. Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2007. There have been no material changes to those risk factors. The risks described in the Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial also may materially adversely affect the Company.

While we periodically reassesses material trends and uncertainties affecting our results of operations and financial condition, we do not intend to review or revise any particular forward-looking statement referenced herein in light of future events.

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### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information required by this Item has been previously reported in Item 8.01 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 25, 2008. Such information is incorporated herein by reference.

### ITEM 6. EXHIBITS

(a) Exhibits:

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Exhibit 3.1 - Articles of Incorporation of CTLC, Inc. dated February 26, 1993 and Amended Articles of Incorporation dated March 30, 1993 filed with the registrant's

Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 and incorporated herein by reference.

Exhibit 3.2 - By-laws of Consolidated-Tomoka Land Co., as amended and restated on October 24, 2007, filed as Exhibit 3.2 to the registrant's Current Report

on Form 8-K filed October 26, 2007, and incorporated herein by reference.

Exhibit 31.1 - Certification furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 - Certification furnished pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

Exhibit 32.1 - Certification pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 - Certification pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf of the undersigned thereunto duly authorized.

CONSOLIDATED-TOMOKA LAND CO.

(Reg

Date August 11, 2008 By: /s/ William H. McMunn

William H. McMunn  
President and Chief Executive Officer

By: /s/ Bruce W. Teeters

Teeters  
Senior Vice President-Finance and Treasurer

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