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February 18, 2019

Dear Shareholder:

We have completed the fourth quarter ending December 31, 2018.

Net income for the quarter and YTD vs. the prior year is shown below:

	<u>Q-4,2018</u>	<u>Q-4, 2017</u>	<u>YTD 2018</u>	<u>YTD 2017</u>
Net earnings/(loss)	\$355,000	(\$327,000)	\$10,050,000	(\$612,000)

- Net earnings for the fourth quarter were \$355,000. The Company received an additional \$502,000 from the investment in Transportation Insight due to final adjustments from the 8/31/18 sale of that company to a new majority private equity firm.
- Net earnings for the year were \$10,050,000 driven by the sale mentioned above. Because of the importance of that to the Company, I want to again summarize that event as we look back at the year 2018.
 - During September 2014, we invested \$4.5 million in TI as a part of a recapitalization of TI that included a majority investment by private equity investor Ridgemont Equity Partners (REP).
 - Over the next four years, TI grew steadily via organic growth and strategic acquisitions.
 - During early 2018, REP decided that the timing was right for them to exit the business and realize the value that had been generated over the past four years.
 - A process was begun that resulted in the sale of TI and the exit of REP on August 31, 2018. A new TI entity was immediately created with a new majority private equity partner – Gryphon Investors Inc. based in San Francisco, CA.
 - Carolina Mills received \$15.9 million. With these proceeds, the Company:
 - Reinvested \$8.5 million in the new TI. Along with Gryphon and the management team at TI, we believe that third-party logistics has been and will continue to be fertile ground for TI to consolidate what is a very fragmented transportation services market. Although there are no guarantees, we feel that our continued participation in TI could significantly improve shareholder value over the next four to five years.
 - Invested the remaining \$7.4 million in a portfolio of liquid investments such as equities and other marketable securities.

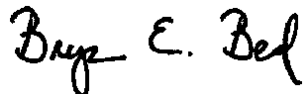
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Sales in the Textile Division of Carolina Mills increased 12% year over year. Some of the increase in sales was driven by the rising price of raw materials and, as a result, earnings in 2018 were flat compared to 2017.

The go forward strategy for Carolina Mills is to continue to enhance shareholder value by:

- Replicating the success of the Transportation Insight investment with the new majority private equity partner over the next 3-5 years
- Continuing the steady earnings stream of the Textile Division
- Continuing to reduce expenses that remain from the legacy Carolina Mills operations and structure

Thank you for your support and investment in Carolina Mills.

A handwritten signature in black ink that reads "Bryan E. Beal". The signature is written in a cursive style with a large, stylized 'B' and 'E'.

Bryan E. Beal
President and CEO