

BLUE RIDGE REAL ESTATE COMPANY

5 Blue Ridge Court
P O Box 707
Blakeslee, PA 18610

2016

THIRD QUARTER REPORT

As of July 31, 2016 (Unaudited) and October 31, 2015 (Audited)
and for the Three and Nine Months Ended July 31, 2016 and 2015 (Unaudited)

The accompanying unaudited interim financial statements have been prepared by the Company's management.
Independent auditors have performed a review of these financial statements.

BLUE RIDGE REAL ESTATE COMPANY AND SUBSIDIARIES
QUARTERLY REPORT

1) Name of the issuer and its predecessors (if any)

The name of the issuer is Blue Ridge Real Estate Company (“Blue Ridge”, the “Company”, “we”, “our,” or “us”).

2) Address of the issuer’s principal executive officesCompany Headquarters

Blue Ridge Real Estate Company
 5 Blue Ridge Court
 P O Box 707
 Blakeslee, PA 18610

Phone: (570) 443-8433

Fax: (570) 443-8412

Website: www.brreco.com

IR Contact

Not Applicable

3) Security Information

Trading Symbol:	BRRE
Exact title and class of securities outstanding:	Common Stock
CUSIP:	096005301
Par or Stated Value:	\$0.30 per share
Total shares authorized:	6,000,000 as of July 31, 2016
Total shares outstanding:	2,443,924 as of July 31, 2016

Transfer Agent

Mailing Address:
 American Stock Transfer & Trust Company, LLC
 Operations Center
 6201 15th Avenue
 Brooklyn, NY 11219

Shareholder Services: 888-509-4619
 Website: www.amstock.com
 Email: info@amstock.com
 Fax: (718) 236-2641

American Stock Transfer & Trust Company is a registered transfer agent under the Securities and Exchange Act of 1934, as amended, and is regulated by the Securities and Exchange Commission.

List any restrictions on the transfer of security: None.

Describe any trading suspension orders issued by the SEC in the past 12 months. None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: None.

4) Issuance History

The Company has not issued any shares of the Company’s common stock in exchange for services during the past two fiscal years or any interim period.

During the fiscal year ended October 31, 2015, the Company repurchased 731 shares of its common stock. Upon transfer, all shares were cancelled and returned to the status of authorized but unissued. During the nine months

ended July 31, 2016, 121 shares were repurchased. Upon transfer, all shares were cancelled and returned to the status of authorized but unissued.

5) Financial Statements

The following financial statements of the company are included in this Quarterly Report at the pages noted below:

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Statements of Operations for the Three and Nine months ended July 31, 2016 and 2015 (Unaudited)	8
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6) Describe the Issuer's Business, Products and Services

Blue Ridge Real Estate Company, or Blue Ridge, was incorporated in Pennsylvania on August 8, 1911. Blue Ridge owns investment properties in Eastern Pennsylvania, New Jersey and Minnesota.

Blue Ridge's year end date is October 31st.

Blue Ridge's primary SIC code is 6500.

Blue Ridge and its wholly-owned subsidiaries, operate through three business segments which consist of Resort Operations, Real Estate Management/Rental Operations and Land Resource Management. Our business segments were determined from our internal organization and management reporting, which are based primarily on differences in services we provide.

Resort Operations (SIC Code 6512)

Resort Operations consists of: amenities surrounding Big Boulder Lake – Boulder View Tavern and Boulder Lake Club; the Jack Frost National Golf Course; and The Stretch fishing club.

Real Estate Management/Rental Operations (SIC Code 6519)

Real Estate Management/Rental Operations consists of: investment properties leased to others located in Eastern Pennsylvania, New Jersey, Minnesota and Louisiana; services to the trusts that operate resort residential communities; and rental of communication towers and signboards.

Land Resource Management (SIC Code 6552)

Land Resource Management consists of: land sales; land purchases; timbering operations; a real estate development division; and leasing of land and land improvements. Timbering operations consist of selective timbering on our land holdings. Contracts are entered into for parcels that have had the timber selectively

marked. The real estate development division is responsible for the residential land development activities which include overseeing the construction of single and multi-family homes and development of infrastructure.

7) Describe the Issuer's Facilities

At July 31, 2016, the properties of Blue Ridge and its subsidiaries consisted of 9,923 total acres of land owned by Blue Ridge, Northeast Land Company, Flower Fields Motel, LLC, Blue Ridge WNJ, LLC and Blue Ridge WMN, LLC. 9,920 acres of land are located in the Pocono Mountains, along with 3 acres in various other states. Of this acreage, 8,260 acres were held for investment, 1,433 acres were held for development, 229 acres are classified as long lived assets held for sale, and 1 acre was held for discontinued operations. Income is derived from these lands through leases, selective timbering by third parties, sales and other dispositions.

These properties included the Jack Frost National Golf Course, Boulder View Tavern, Big Boulder Lake Mountain Club, a commercial property comprised of 3 acres of vacant land, one shopping center (which was sold December 15, 2014), two retail stores leased to affiliates of Walgreen Company, two single family homes held for investment, two sewage treatment facilities, a members-only fly fishing club, a corporate headquarters building and other miscellaneous facilities.

The majority of the Company's property located in the Pocono Mountains is leased to various hunting clubs.

Blue Ridge owns and leases to its wholly-owned subsidiary, Jack Frost National Golf Course, Inc., an 18-hole golf facility known as Jack Frost National Golf Club, which is located on 203 acres near White Haven, Carbon County, Pennsylvania. The golf course is managed by Billy Casper Golf, LLC, an unaffiliated third party operator.

Blue Ridge owns the Boulder View Tavern, which consists of 8,800 square feet and is located on the eastern shore of Big Boulder Lake, Kidder Township, Carbon County, Pennsylvania. The restaurant initially commenced operations in May 1986. Boulder View Tavern, Inc., an affiliate of Peak Resorts, leased the facility since 2008. Effective, March 16, 2015, the lease with Boulder View Tavern, Inc., was terminated. On March 2, 2015, Management entered into a lease agreement with Lake Mountain, LLC, a wholly owned subsidiary of Blue Ridge Real Estate Company, to lease the facility for a 5-year period. The restaurant has dining capacity for 200 patrons.

Blue Ridge owns the Boulder Lake Club located in Kidder Township, Carbon County, Pennsylvania, which includes the 175-acre Big Boulder Lake, swimming pool, tennis courts, boat docks and accompanying buildings. Boulder Lake Club was leased to Boulder View Tavern, Inc., an affiliate of Peak Resorts, effective November 1, 2013. Effective, March 16, 2015, the lease with Boulder View Tavern, Inc., was terminated. On March 2, 2015, Management entered into a lease agreement with Lake Mountain, LLC, a wholly owned subsidiary of Blue Ridge Real Estate Company, to lease the facility for a 5-year period.

Blue Ridge owns two single family homes held for investment.

Blue Ridge owns a sewage treatment facility that serves the resort housing at the Jack Frost Mountain Ski Area. The facility has the capacity of treating up to 400,000 gallons of wastewater per day.

Blue Ridge owns a sewage treatment facility that serves the resort housing at the Big Boulder Ski Area. The facility has the capacity of treating 225,000 gallons of wastewater per day.

Blue Ridge owns The Stretch, an exclusive members-only fly fishing club, located along a two-mile stretch of the Tunkhannock Creek in Blakeslee, Pennsylvania.

Blue Ridge owns its corporate headquarters building which is located at 5 Blue Ridge Court in Blakeslee, Pennsylvania.

Northeast Land Company owns 89 acres of vacant land located in the Pocono Mountains, of which 3 acres are held for investment and 86 acres of land are held for development.

Coursey Commons Shopping Center, located in East Baton Rouge Parrish, Louisiana, was owned by Coursey Commons Shopping Center, LLC, a wholly-owned subsidiary of Blue Ridge. The center consisted of 10 acres of land which were reported as acres of discontinued operations. On December 15, 2014, the Company sold the Coursey Commons Shopping Center to Wal-Mart Real Estate Business Trust.

Flower Fields Motel, LLC owns approximately 3 acres of vacant commercial property located along Route 611 in Tannersville, Pennsylvania. The property was the former location of a motel and two cottage buildings which were demolished during the summer of 2008.

Blue Ridge WNJ, LLC owns and leases to Walgreen Eastern Co., Inc., a retail store in Toms River, New Jersey. The property consists of a free standing Walgreens store, including 2 acres of land, with approximately 14,820 square feet of leasable space.

Blue Ridge WMN, LLC owns and leases to Walgreen Co., Inc., a retail store located in White Bear Lake, Minnesota. The property consists of a free standing Walgreens store, including 2 acres of land, with approximately 14,820 square feet of leasable space.

8) Officers, Directors, and Control Persons

A. Names of Officers, Directors, and Control Persons.

The following sets forth the names of each of the executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the Company's equity securities) of the Company as of the date of this information statement.

Bruce Beaty	Chairman of the Board, President and Chief Executive Officer
Paul A. Biddelman	Director
Raymond Edwards	Director
David Domb	Director
Cynthia A. Van Horn	Chief Financial Officer and Treasurer
Kimco Realty Services, Inc. 3333 New Hyde Park Road, Suite 100 New Hyde Park, NY 10042-0020	Principal Stockholder

B. Legal/Disciplinary History.

1. There have been no criminal actions against any of the above members.
2. There has been no order, judgment, or decree by a court against any of the above members.
3. There have been no findings or judgment from the SEC, CFTC or state securities regulator against any of the above members.
4. There has been no order barring, suspending, or otherwise limiting any of the above persons' involvement in any type of business or securities activities.

C. Beneficial Shareholders.

The following company holds more than 10% of Blue Ridge common shares. The information is accurate as of the issuance date of this report.

<u>Name of Beneficial Owner</u>	<u>Number of Shares Beneficially Owned (1)</u>
Kimco Realty Services, Inc. Conor C. Flynn, Director Glenn G. Cohen, Director Ross Cooper, Director 3333 New Hyde Park Road, Suite 100 New Hyde Park, NY 10042-0020	1,425,153

- (1) Shares are beneficially owned when a person, directly or indirectly, has or shares the voting power thereof (that is, the power to vote, or direct the voting, of such shares) and investment power thereof (that is, the power to dispose, or to direct the disposition, of such shares).

9) **Third Party Providers**

<u>Legal Counsel</u> Joanne R. Soslow, Esquire Morgan, Lewis & Bockius 1701 Market Street (215) 963-5000	<u>Investor Relations Consultant</u> Not Applicable
<u>Accountant or Auditor</u> Mario Ercolani, CPA Kronick Kalada Berdy & Co. 190 Lathrop Street Kingston, PA 18704 (570) 283-2727	<u>Other Advisor:</u> Not Applicable

10) Issuer Certification

I, Bruce Beaty certify that:

1. I have reviewed this quarterly disclosure statement of Blue Ridge Real Estate Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 14, 2016

/s/ Bruce Beaty

Bruce Beaty

Chief Executive Officer and President

I, Cynthia A. Van Horn certify that:

1. I have reviewed this quarterly disclosure statement of Blue Ridge Real Estate Company;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 14, 2016

/s/ Cynthia A. Van Horn

Cynthia A. Van Horn

Chief Financial Officer and Treasurer

(Principal Financial Officer)

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES**BALANCE SHEETS**

	(Unaudited)	
ASSETS	07/31/16	10/31/15
Land and land development costs (1,433 acres per land ledger)	\$6,863,506	\$6,863,506
Land improvements, buildings and equipment, net	10,495,699	10,485,823
Land held for investment, principally unimproved (8,260 and 8,490 acres per land ledger, respectively)	4,152,947	4,186,203
Long-lived assets held for sale (229 and 0 acres per land ledger, respectively)	31,634	0
Cash and cash equivalents	2,740,580	989,169
Marketable securities available for sale, which approximates market	4,795,528	6,943,686
Cash held in escrow	500	98,066
Prepaid expenses and other assets	370,602	425,735
Deferred tax asset	645,221	366,221
Accounts and notes receivable	148,611	638,177
Assets of discontinued operations (1 acre per land ledger)	166,682	166,682
Total assets	\$30,411,510	\$31,163,268
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Debt	\$7,012,061	\$7,202,684
Accounts payable	242,459	724,715
Accrued liabilities	357,045	443,820
Deferred income	367,159	119,143
Accrued pension expense	3,169,241	2,949,791
Total liabilities	11,147,965	11,440,153
SHAREHOLDERS' EQUITY:		
Capital stock, without par value, stated value \$0.30 per share, Blue Ridge authorized 6,000,000 shares, issued and outstanding 2,443,924 and 2,444,045, respectively	733,177	733,214
Capital in excess of stated value	18,255,612	18,256,665
Earnings retained in the business	2,361,734	2,902,997
Accumulated other comprehensive loss	(2,086,978)	(2,169,761)
Total shareholders' equity	19,263,545	19,723,115
Total liabilities and shareholders' equity	\$30,411,510	\$31,163,268

See accompanying notes to unaudited financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES**STATEMENTS OF OPERATIONS****for the THREE AND NINE MONTHS ENDED JULY 31, 2016 and 2015 (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	07/31/16	07/31/15	07/31/16	07/31/15
Revenues:				
Resort operations revenue	\$1,382,344	\$1,211,285	\$2,282,312	\$1,314,796
Real estate management revenue	186,624	181,490	528,515	531,588
Land resource management revenue	1,039,246	62,552	1,099,270	188,568
Rental income revenue	205,322	205,230	622,460	628,207
Total revenues	2,813,536	1,660,557	4,532,557	2,663,159
Costs and expenses:				
Resort operations costs	1,136,930	9,994,888	2,492,887	10,601,791
Real estate management costs	143,023	152,794	504,653	510,569
Land resource management costs	141,609	163,183	407,142	449,236
Rental income costs	97,380	84,823	279,417	280,483
General and administration expense	455,804	375,082	1,352,959	1,236,935
Gain on sale of assets	0	(3,600)	0	(6,039)
Total costs and expenses	1,974,746	10,767,170	5,037,058	13,072,975
Operating profit (loss) from continuing operations before other income and (expense)	838,790	(9,106,613)	(504,501)	(10,409,816)
Other income and (expense):				
Interest and other income	1,975	247	5,597	1,601
Interest expense	(121,229)	(125,373)	(366,610)	(379,209)
Interest and dividends on marketable securities, net	18,926	8,003	38,903	18,795
Loss on disposition of marketable securities	(15)	(11)	(68)	(37)
Total other income and (expense)	(100,343)	(117,134)	(322,178)	(358,850)
Profit (loss) from continuing operations before income taxes	738,447	(9,223,747)	(826,679)	(10,768,666)
Provision (benefit) for income taxes on continuing operations:	250,000	(3,296,000)	(282,000)	(3,821,000)
Income (loss) before discontinued operations	488,447	(5,927,747)	(544,679)	(6,947,666)
Income from discontinued operations before income taxes (including \$1,879,732 gain on disposal in 2015)	2,377	2,575	6,416	1,940,883
Provision for income taxes on discontinued operations:	1,000	1,000	3,000	920,000
Income from discontinued operations	1,377	1,575	3,416	1,020,883
Net income (loss)	\$489,824	(\$5,926,172)	(\$541,263)	(\$5,926,783)
Basic earnings (loss) per weighted average share:				
Earnings (loss) before discontinued operations	\$0.20	(\$2.42)	(\$0.23)	(\$2.84)
Income from discontinued operations, net of tax	0.00	0.00	0.01	0.42
Total basic earnings (loss) per weighted average share	\$0.20	(\$2.42)	(\$0.22)	(\$2.42)

See accompanying notes to unaudited financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES**STATEMENTS OF COMPREHENSIVE LOSS
for the NINE MONTHS ENDED JULY 31, 2016 AND 2015
(UNAUDITED)**

	2016	2015
Net loss	<u>(\$541,263)</u>	<u>(\$5,926,783)</u>
Other comprehensive income, net of tax		
Unrealized gains on securities		
Unrealized holding gains arising during the period	\$82,783	\$0
Defined benefit pension		
Deferred actuarial loss, net of deferred tax expense	<u>\$0</u>	<u>\$0</u>
Other comprehensive income	<u>\$82,783</u>	<u>\$0</u>
Total comprehensive loss	<u>(\$458,480)</u>	<u>(\$5,926,783)</u>

See accompanying notes to unaudited financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the NINE MONTHS ENDED JULY 31, 2016****(UNAUDITED)**

	Capital Stock (1)		Capital in Excess of Stated Par	Earnings Retained in the Business	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance, October 31, 2015	2,444,045	\$733,214	\$18,256,665	\$2,902,997	(\$2,169,761)	\$19,723,115
Cancellation of shares purchased in buyback program	(121)	(37)	(1,053)			(1,090)
Net loss				(541,263)		(541,263)
Other comprehensive income					82,783	82,783
Balance, July 31, 2016	2,443,924	\$733,177	\$18,255,612	\$2,361,734	(\$2,086,978)	\$19,263,545

(1) Capital stock, at stated value of \$0.30 per share

See accompanying notes to unaudited financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES**STATEMENTS OF CASH FLOWS****for the NINE MONTHS ENDED JULY 31, 2016 AND 2015****(UNAUDITED)**

	07/31/16	07/31/15
Cash Flows Provided By (Used In) Operating Activities:		
Net loss	(\$541,263)	(\$5,926,783)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	536,388	578,609
Amortization of investment premiums	37,497	72,972
Loss on marketable securities	68	37
Impairment	0	8,900,000
Deferred income taxes	(279,000)	(2,901,000)
Gain on sale of assets	0	(1,885,771)
Changes in operating assets and liabilities:		
Cash held in escrow	97,566	(73)
Accounts and notes receivable	489,566	70,974
Prepaid expenses and other assets	55,133	96,101
Long-lived assets held for sale	0	5,403
Accounts payable and accrued liabilities	(349,581)	(153,765)
Deferred income	248,016	226,614
Net cash provided by (used in) operating activities	294,390	(916,682)
Cash Flows Provided By (Used In) Investing Activities:		
Purchases of marketable securities	(2,706,625)	(9,532,980)
Proceeds from disposition of assets	0	10,663,072
Proceeds from maturities of marketable securities	4,900,000	3,000,000
Additions to properties	(544,641)	(452,699)
Net cash provided by investing activities	1,648,734	3,677,393
Cash Flows Provided By (Used In) Financing Activities:		
Proceeds from debt	50,000	25,000
Payments of debt	(240,623)	(3,216,750)
Purchase of common stock	(1,090)	(6,108)
Net cash used in financing activities	(191,713)	(3,197,858)
Net increase (decrease) in cash and cash equivalents	1,751,411	(437,147)
Cash and cash equivalents, beginning of period	989,169	1,444,103
Cash and cash equivalents, ending of period	\$2,740,580	\$1,006,956

See accompanying notes to unaudited financial statements.

NOTES TO UNAUDITED FINANCIAL STATEMENTS**1. Basis of Presentation:**

The accompanying unaudited financial statements include the accounts of Blue Ridge Real Estate Company and its wholly-owned subsidiaries (Northeast Land Company, Boulder Creek Resort Company, Moseywood Construction Company, Jack Frost National Golf Course, Inc., BRRE Holdings, Inc., Coursey Commons Shopping Center, LLC, Coursey Creek, LLC, Cobble Creek, LLC, Flower Fields Motel, LLC, Blue Ridge WNJ, LLC, Blue Ridge WMN, LLC and Lake Mountain, LLC) (collectively “Blue Ridge”).

The balance sheet as of October 31, 2015, which has been derived from audited financial statements, and the financial statements as of and for the three and nine month periods ended July 31, 2016 and 2015, which are unaudited, are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. They do not include all information and footnotes required by GAAP for complete financial statements. Accordingly, these financial statements should be read in conjunction with the combined financial statements and notes thereto contained in the Company’s 2015 Annual Report filed with OTC Markets on January 29, 2016. In the opinion of management, the accompanying financial statements reflect all adjustments (which are of a normal recurring nature) necessary for a fair statement of the results for the interim periods. All significant intercompany accounts and transactions are eliminated.

Due to intermittent revenues from land resource management, the results of operations for any interim period are not necessarily indicative of the results expected for the full fiscal year.

2. Significant Accounting Policies**Use of Estimates and Assumptions:**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, unexpected changes in market conditions or a continued or further downturn in the economy could adversely affect actual results. Estimates are used in accounting for, among other things, land development costs, asset fair value calculations, accounts, marketable securities and notes receivables, legal liability, insurance liability, depreciation, employee benefits, taxes, and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period in which the revisions are determined.

Management believes that its accounting policies regarding revenue recognition, land development costs, long lived assets, deferred income and income taxes among others, affect its more significant judgments and estimates used in the preparation of its financial statements. For a description of these critical accounting policies and estimates, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. There were no significant changes in the Company’s critical accounting policies or estimates since the Company’s fiscal year ended October 31, 2015 (“Fiscal 2015”). Material subsequent events are evaluated and disclosed through the issuance date of this Quarterly Report.

Statements of Cash Flows:

For purposes of reporting cash flows, the Company considers cash equivalents to be all highly liquid investments with maturities of three months or less when acquired.

Cash Concentration of Credit Risk:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments. The Company’s temporary cash investments are held by financial institutions. The Company has not experienced any losses related to these investments. At July 31, 2016, the Company had \$0 on

deposit in excess of the FDIC insured limit of \$250,000. The Company also had \$1,035,720 invested in money market funds at July 31, 2016 which is not insured by the FDIC.

Cash Held in Escrow:

Cash held in escrow consists of funds held in a real estate escrow account.

Marketable Securities:

Marketable securities consist of debt securities (6 positions of corporate bonds and notes, 1 government agency bond and 1 position of commercial paper), investments in preferred stocks (19 positions of financial services and real estate investment trusts) and two certificates of deposit. The debt securities are stated at cost which approximates fair value and are considered available for sale. Investments in preferred stocks are stated at fair value. Debt securities and investments in preferred stocks are not purchased with the intent of selling in the near term. However, from time to time, the Company may decide to sell certain securities for liquidity, tax planning and other business purposes. The cost of securities sold is determined by the specific identification method. Debt investments are adjusted for amortization of premiums and accretion of discounts and recognized as an adjustment of interest income. Unrealized gains and losses on investments in preferred stocks are recorded monthly. Interest and dividends on marketable securities are recognized as income when earned. Contractual maturities on the debt securities range from 1 to 24 months.

Discontinued operations:

A component of the Company is classified as a discontinued operation when (i) the operations and cash flows of the component of the Company can be clearly distinguished and have been or will be eliminated from our ongoing operations; (ii) the component has either been disposed of or is classified as held for sale; and (iii) we will not have any significant continuing involvement in the operations of the component of the Company after the disposal transactions. Significant judgments are involved in determining whether a component meets the criteria for discontinued operations reporting and the period in which these criteria are met.

If a component of the Company is reported as a discontinued operation, the results of operations through the date of sale, including any gain or loss recognized on the disposition, are presented on a separate line of the Statements of Operations.

Reclassification:

The Company added a new business segment in Fiscal 2016 titled Resort Operations. The segment was created to more clearly present the financial results of the Boulder View Tavern and Boulder Lake Club operations which are aligned with resort services. The Resort Operations segment also includes Jack Frost National Golf Course and "The Stretch" fishing club. This reporting presentation resulted in certain reclassifications of the 2015 financial statement amounts. Accordingly, certain amounts in the Fiscal 2015 financial statements have been reclassified to conform to the Fiscal 2016 presentation.

New Accounting Pronouncements:

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 "*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*" (ASU 2014-08) which requires entities to change the criteria for reporting discontinued operations and enhance convergence of the FASB's and International Accounting Standard Board's (IASB) reporting requirements for discontinued operations so as not to be overly complex or difficult to apply to stakeholders. Only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on the entity's operations and financial results will be reported as discontinued operations in the financial statements. ASU 2014-08 is effective for fiscal years beginning on or after December 15, 2014 and interim periods thereafter. ASU 2014-08 will be effective for the Company's financial statements for fiscal years beginning November 1, 2015. Based on the Company's evaluation of ASU 2014-08, the adoption of this statement on November 1, 2015 did not have a material impact on the Company's financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which provides guidance for revenue recognition. ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets and supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 also supersedes some cost guidance included in Subtopic 605-35, "Revenue Recognition-Construction-Type and Production-Type Contracts." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under the current guidance. These judgments and estimates include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 "Revenue from Contracts with Customers" ("ASU 2015-14"), which delays the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended by ASU 2015-14, is effective for us beginning November 1, 2018, and, at that time, we may adopt the new standard under the full retrospective approach or the modified retrospective approach. We are currently evaluating the method of adoption and the impact the adoption of ASU 2014-09 will have on our financial statements and disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" ("ASU 2016-02"), which requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for us beginning November 1, 2019, and, at that time, we will adopt the new standard using a modified retrospective approach. We are currently evaluating the impact that the adoption of ASU 2016-02 may have on our consolidated financial statements and disclosures.

3. Discontinued Operations

On September 17, 2012, the Company signed an Agreement of Sale regarding Lot 5 Maple Terrace located in Saylorsburg, Pennsylvania. A deposit was received and the transaction was expected to close October 1, 2013. Management became aware that settlement on the property would not occur by October 1, 2013 and on August 16, 2013 extended the settlement date by addendum to the Agreement of Sale until September 30, 2014 and executed a new lease for the period October 1, 2013 through September 30, 2014. On August 6, 2014, an addendum to the Lease dated August 16, 2013 was entered into with the current lessees of the property for the period of October 1, 2014 through September 30, 2015 and a Second Addendum to the Agreement of Sale was executed extending the settlement date one year to September 30, 2015. On September 30, 2015, a Second Addendum to the Lease dated August 16, 2013 was entered into with the current lessees of the property for the period of October 1, 2015 through September 30, 2016 and a Third Addendum to the Agreement of Sale was executed extending the settlement date one year to September 30, 2016.

Management continues to negotiate closing on this transaction. As a result, operating activity for the property is continuing to be reported as discontinued operations for the three and nine months ending July 31, 2016 and 2015. The net operating results were previously reported in the rental operations in the Statements of Operations. At July 31, 2016 and October 31, 2015, respectively, there were assets related to the Maple Terrace property totaling \$166,682 included in assets of discontinued operations and there were no liabilities.

On November 3, 2014, the Company signed an agreement of sale regarding the Coursey Commons Shopping Center located in Baton Rouge, Louisiana for \$10,900,000. A deposit was received and the property was sold on December 15, 2014. As a result, operating activity for the property is being reported as discontinued operations for the three and nine months ending July 31, 2015. The net operating results were previously reported in the rental operations of the Statements of Operations.

The assets as of July 31, 2016 and October 31, 2015 and the results of operations of the property classified as discontinued operations for the three and nine months ended July 31, 2016 and 2015, are summarized as follows:

BALANCE SHEET	07/31/16	10/31/15
ASSETS		
Land improvements, buildings and equipment, net	\$124,790	\$124,790
Land held for investment, principally unimproved	41,892	41,892
Total assets of discontinued operations	<u>\$166,682</u>	<u>\$166,682</u>

Operating results of the discontinued operations in three and nine months ending July 31, 2016 and 2015 are as follows:

STATEMENTS OF OPERATIONS	07/31/16	07/31/15	07/31/16	07/31/15
Revenues:				
Maple Terrace	\$3,750	\$3,750	\$11,250	\$11,250
Coursey Commons Shopping Center	0	232	0	107,667
Total Revenue	<u>3,750</u>	<u>3,982</u>	<u>\$11,250</u>	<u>118,917</u>
Expenses (excluding interest):				
Maple Terrace	1,373	1,407	4,834	4,559
Coursey Commons Shopping Center	0	0	0	32,710
Total Expenses	<u>1,373</u>	<u>1,407</u>	<u>4,834</u>	<u>37,269</u>
Interest expense (calculated on debt related to the property):				
Coursey Commons Shopping Center	0	0	0	20,497
Total Interest	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,497</u>
Gain on Disposal:				
Coursey Commons Shopping Center	0	0	0	1,879,732
Total Gain on Disposal	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,879,732</u>
Income (loss) from discontinued operations before income taxes	<u>\$2,377</u>	<u>\$2,575</u>	<u>\$6,416</u>	<u>\$1,940,883</u>

4. Segment Reporting

The Company currently operates in three business segments, which consist of Resort Operations, Real Estate Management/Rental Operations and Land Resource Management.

5. Income Taxes

The provision (benefit) for income taxes for the nine months ended July 31, 2016 and 2015 is estimated using the estimated annual effective tax rate for the fiscal years ending October 31, 2016 and 2015. The provision for income taxes in the nine months ended July 31, 2015 includes an additional \$260,000 to account for the utilization of the deferred tax asset created in Fiscal 2014, primarily related to the property sale which occurred on December 15, 2014. The effective income tax rate specific to federal taxes for the first nine months of Fiscal 2016 and Fiscal 2015 was estimated at 34%.

The Company's practice is to recognize interest and/or penalties related to income tax matters as income tax expense in its financial statements. As of and for the three and nine months ended July 31, 2016 and as of October 31, 2015, no interest and penalties have been accrued in the balance sheet and no expense is reflected in

the statement of operations. At July 31, 2016, federal and state tax returns for years ending October 31, 2012 and later are subject to future examination by the respective tax authorities.

6. Land and Land Development Costs

Land and improvements in progress held for development consist of the following:

	07/31/2016	10/31/2015
Land unimproved designated for development	\$1,981,817	\$1,981,817
Residential development	1,208,201	1,208,201
Infrastructure development	3,673,488	3,673,488
Total Land and Land Development Costs	\$6,863,506	\$6,863,506

7. Land Held for Investment

	07/31/2016	10/31/2015
Land held for investment		
Land – Unimproved	\$1,757,935	\$1,791,191
Land – Commercial rental properties	2,395,012	2,395,012
Total land held for investment	\$4,152,947	\$4,186,203

8. Marketable Securities

The cost and fair value of marketable securities are as follows:

	July 31, 2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Corporate bonds	\$3,053,704	\$0	\$0	\$3,053,704
Federal agency bonds	250,460	0	0	250,460
Preferred stocks	1,156,543	82,970	(187)	1,239,326
Certificates of deposit	252,038	0	0	252,038
Total marketable securities	\$4,712,745	\$82,970	(\$187)	\$4,795,528

The amortized costs of the available for sale bonds and certificates of deposit at July 31, 2016 maturing within one year was \$2,803,353 and \$175,038, respectively, and maturing one year through five years was \$500,811 and \$77,000, respectively. The preferred stocks include investments in 20 public companies in various industries with the largest investment, at market value, in a single company of \$133,400. For the three and nine months ended July 31, 2016 and 2015, there were no realized gains or losses on sales of preferred stocks.

	October 31, 2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Corporate bonds	\$6,442,733	\$0	\$0	\$6,442,733
Federal agency bonds	250,069	0	0	250,069
Certificates of deposit	250,884	0	0	250,884
Total marketable securities	\$6,943,686	\$0	\$0	\$6,943,686

The amortized costs of the available for sale bonds and certificates of deposit at October 31, 2015 maturing within one year was \$5,676,255 and \$75,000, respectively, and maturing one year through five years was \$1,016,547 and \$175,884, respectively.

9. Pension Benefits

Components of Net Periodic Pension Cost:

	Three Months Ended		Nine Months Ended	
	07/31/16	07/31/15	07/31/16	07/31/15
Service Cost	\$19,250	\$18,183	\$57,750	\$54,548
Interest Cost	98,250	89,839	294,750	269,515
Expected return on plan assets	(99,250)	(101,447)	(297,750)	(304,341)
Net amortization and deferral:				
Amortization of accumulated loss	90,500	72,874	271,500	218,622
Net amortization and deferral	90,500	72,874	271,500	218,622
Total net periodic pension cost	\$108,750	\$79,449	\$326,250	\$238,344

The Company expects to contribute \$153,300 to their pension plan in the fiscal year ending October 31, 2016 (“Fiscal 2016”). As of July 31, 2016, the Company made contributions totaling \$106,800 and anticipate contributing the \$46,500 to fund their pension plan in the remaining three months of Fiscal 2016.

10. Accumulated Other Comprehensive Loss

The following table presents the changes in the accumulated other comprehensive loss for the nine months ended July 31, 2016 and the twelve months ended October 31, 2015:

	07/31/16		
	Unrealized Gains on Securities	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Beginning balance	\$0	(\$2,169,761)	(\$2,169,761)
Current period other comprehensive loss	82,783	0	82,783
Ending balance	\$82,783	(\$2,169,761)	(\$2,086,978)

	10/31/15		
	Unrealized Gains on Securities	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Beginning balance	\$0	(\$1,826,413)	(\$1,826,413)
Current period other comprehensive loss	0	(343,348)	(343,348)
Ending balance	\$0	(\$2,169,761)	(\$2,169,761)

The other comprehensive loss is reported net of tax.

11. Fair Value of Financial Instruments and Impairment

The Company uses ASC 820, “Fair Value Measurements” (“ASC 820”), to measure the fair value of certain assets and liabilities. ASC 820 provides a framework for measuring fair value in accordance with GAAP, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and requires certain disclosures about fair value measurements.

The fair value hierarchy is summarized below:

- Level 1: Fair value determined based on quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3: Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

The estimated recurring fair values of the Company's financial instruments at July 31, 2016 and October 31, 2015 are as follows:

	07/31/16		10/31/15	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS:				
Cash and cash equivalents and cash held in escrow	\$2,741,080	\$2,741,080	\$1,087,235	\$1,087,235
Marketable securities available for sale at cost, which approximates market	4,795,528	4,795,528	6,943,686	6,943,686
Accounts and notes receivable	148,611	148,611	638,177	638,177
LIABILITIES:				
Accounts payable	242,459	242,459	724,715	724,715
Accrued liabilities	357,045	357,045	443,820	443,820
Debt	\$7,012,061	\$7,193,203	\$7,202,684	\$7,393,720

Fair Values were determined as follows:

Cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities: The carrying amounts approximate fair value because of the short-term maturity of these instruments.

Marketable securities consist of debt securities (corporate and government agency bonds and commercial paper), preferred stocks and 2 certificates of deposit. Fair value of the marketable securities for corporate bonds is determined using significant observable inputs, either quoted prices in active markets for similar assets or quoted prices in markets that are not active – Level 2 hierarchy. Fair value of preferred stocks and certificates of deposit are determined using unadjusted quoted prices in active markets for identical assets – Level 1 hierarchy.

The following tables set forth by level within the fair value hierarchy the Company's marketable securities asset at fair value as of July 31, 2016 and October 31, 2015.

	Investment Assets at Fair Value as of July 31, 2016			
	Level 1	Level 2	Level 3	Total
Preferred stocks:				
Finance	\$743,331			\$743,331
Real estate investment trust	495,995			495,995
Bonds				
Corporate		\$2,558,079		2,558,079
Government agency		250,460		250,460
Commercial paper		495,625		495,625
Certificates of Deposit	252,038			252,038
Total marketable securities	\$1,491,364	\$3,304,164		\$4,795,528

	Investment Assets at Fair Value as of October 31, 2015			
	Level 1	Level 2	Level 3	Total
Bonds				
Corporate		\$6,442,733		\$6,442,733
Government agency		250,069		250,069
Certificate of Deposit	\$250,884			250,884
Total marketable securities	\$250,884	\$6,692,802		\$6,943,686

Debt: The fair value of debt is estimated using discounted cash flows based on current borrowing rates available to the Company for similar types of borrowing arrangements - Level 2 hierarchy.

As of July 31, 2016, the carrying amount net of prior period impairments for land and land development costs is \$6,863,506. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$10,495,699. The carrying amount net of prior period impairments for land held for investment is \$4,152,947. The carrying amount for long-lived assets held for sale is \$31,634, no impairment was ever expensed on the assets held for sale. The assets of discontinued operations as of July 31, 2016 had a carrying value net of prior period adjustments for impairment of \$166,682. There was no impairment expense in the nine months ended July 31, 2016 and 2015.

As of October 31, 2015, the carrying amount net of prior period impairments for land and land development costs is \$14,517,506, less impairment expense of \$7,654,000, recorded in Fiscal 2015 for a revised carrying value of \$6,863,506. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$11,731,823, less impairment expense of \$1,246,000, recorded in Fiscal 2015 for a revised carrying value of \$10,485,823. The Jack Frost National Golf Course had a carrying value of \$10,170,144 which was written down by an impairment charge of \$8,900,000, of which \$7,654,000 was on the land value and \$1,246,000 was on the land improvements, buildings and equipment. After careful review of an appraisal finalized in Fiscal 2015, Management determined that the carrying costs of the golf course were in excess of the fair market value and may not be recoverable. Management had previously reviewed the golf property for impairment considering the course in conjunction with the surrounding planned residential development. Management changed this methodology and had an appraisal performed on the golf course only, based on concerns of the economic feasibility of the current product mix and number of units in the planned residential development. The carrying amount net of prior period impairments for land held for investment is \$4,186,203. The assets of discontinued operations as of October 31, 2015 had a carrying value net of prior period adjustments for impairment of \$166,682. There was a total of \$8,900,000 impairment expense in Fiscal 2015.

12. Per Share Data

Earnings per share ("EPS") is based on the weighted average number of common shares outstanding during the period. The calculation of diluted EPS assumes weighted average options, if any, have been exercised to purchase shares of common stock in the relevant period, net of assumed repurchases using the treasury stock method. For the three and nine months ended July 31, 2016 and 2015, there were no unexercised stock options. As a result, the calculation of diluted EPS has been excluded from the table below since diluted EPS for these periods is equal to EPS.

Weighted average basic shares, taking into consideration shares issued, weighted average options, if any, used in calculating EPS and treasury shares repurchased, and basic earnings (loss) per weighted average share for the three and nine months ended July 31, 2016 and July 31, 2015 are as follows:

	Three Months Ended		Nine Months Ended	
	07/31/16	07/31/15	07/31/16	07/31/15
Weighted average shares of common stock outstanding used to compute basic earnings per share	2,443,924	2,444,392	2,443,998	2,444,543
Basic loss per weighted average share is computed as follows:				
Net loss before discontinued operations	\$488,447	(\$5,927,747)	(\$544,679)	(\$6,947,666)
Weighted average share of common stock outstanding	2,443,924	2,444,392	2,443,998	2,444,543
Basic loss per weighted average share	\$0.20	(\$2.42)	(\$0.23)	(\$2.84)

	Three Months Ended		Nine Months Ended	
	07/31/16	07/31/15	07/31/16	07/31/15
Net income (loss) from discontinued operations	\$1,377	\$1,575	\$3,416	\$1,020,883
Weighted average share of common stock outstanding	2,443,924	2,444,392	2,443,998	2,444,543
Basic earnings per weighted average share	\$0.00	\$0.00	\$0.01	\$0.42
Net loss	\$489,824	(\$5,926,172)	(\$541,263)	(\$5,926,783)
Weighted average share of common stock outstanding	2,443,924	2,444,392	2,443,998	2,444,543
Basic loss per weighted average share	\$0.20	(\$2.42)	(\$0.22)	(\$2.42)

13. Supplemental Disclosure to Statements of Cash Flow

The following are supplemental disclosures to the statements of cash flows for the nine months ended July 31, 2016 and 2015:

	2016	2015
Cash paid during the period for:		
Interest	\$366,526	\$399,976
Income taxes	\$130,000	\$7,400
Non cash:		
Marketable securities available for sale and shareholders' equity increased resulting from changes in the net unrealized gains	\$82,783	\$0
Reclassification of assets from land held for investment to long-lived assets held for sale	\$31,634	\$0

14. Business Segment Information

The following information is presented in accordance with the accounting pronouncement regarding disclosures about segments of an enterprise and related information. The Company's business segments were determined from the Company's internal organization and management reporting, which are based primarily on differences in services.

Resort Operations

Resorts operations is a new business segment starting in Fiscal 2016 to better align the presentation our operations. Resort Operations consists of: amenities surrounding Big Boulder Lake – Boulder View Tavern and Boulder Lake Club; the Jack Frost National Golf Course; and The Stretch fishing club.

Real Estate Management/Rental Operations

Real Estate Management/Rental Operations consists of: investment properties leased to others located in Eastern Pennsylvania, New Jersey, Minnesota and Louisiana; services to the trusts that operate resort residential communities; and rental of communication towers and signboards.

Land Resource Management

Land Resource Management consists of: land sales; land purchases; timbering operations; a real estate development division; and leasing of land and land improvements. Timbering operations consist of selective timbering on our land holdings. The real estate development division is responsible for the residential land development activities which include overseeing the construction of single and multi-family homes and development of infrastructure.

Information by business segment is as follows:

	Three months ended		Nine months ended	
	07/31/16	07/31/15	07/31/16	07/31/15
Revenues from continuing operations:				
Resort operations	\$1,382,344	\$1,211,285	\$2,282,312	\$1,314,796
Real estate management/rental operations	391,946	386,720	1,150,975	1,159,795
Land resource management	1,039,246	62,552	1,099,270	188,568
Total revenues from operations	\$2,813,536	\$1,660,557	\$4,532,557	\$2,663,159
Operating loss from continuing operations, excluding general and administrative expenses:				
Resort operations	\$245,414	(\$8,783,603)	(\$210,575)	(\$9,286,995)
Real estate management/rental operations	151,543	149,103	366,905	368,743
Land resource management	897,637	(\$97,031)	692,128	(254,629)
Total operating loss, excluding general and administrative expenses	\$1,294,594	(\$8,731,531)	\$848,458	(\$9,172,881)
General and administrative expenses:				
Resort operations	\$223,945	\$273,602	\$681,265	\$610,672
Real estate management/rental operations	63,497	87,351	343,564	538,680
Land resource management	168,362	14,129	328,131	87,583
Total general and administrative expenses	\$455,804	\$375,082	\$1,352,959	\$1,236,935
Interest and other income, net:				
Resort operations	\$976	\$180	\$2,859	\$790
Real estate management/rental operations	274	58	1,400	697
Land resource management	725	9	1,338	113
Total interest and other income, net	\$1,975	\$247	\$5,597	\$1,601
Interest expense:				
Resort operations	\$1,005	\$822	\$2,626	\$2,380
Real estate management/rental operations	120,224	124,551	363,984	376,829
Land resource management	0	0	0	0
Total Interest expense	\$121,229	\$125,373	\$366,610	\$379,209
Income (loss) from continuing operations before income taxes	\$738,447	(\$9,223,747)	(\$826,679)	(\$10,768,666)

Identifiable assets, net of accumulated depreciation at July 31, 2016 and October 31, 2015 and depreciation expense and capital expenditures for nine months ended July 31, 2016 and the fiscal year ended October 31, 2015 by business segment are as follows:

July 31, 2016	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort operations	\$1,042,003	\$167,642	\$191,244
Real estate management/rental operations	18,961,545	356,594	0
Land resource management	9,639,596	0	(1,622)
Other corporate	601,684	12,152	355,019
Discontinued operations	166,682	0	0
Total Assets	\$30,411,510	\$536,388	\$544,641

October 31, 2015	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort Operations	\$267,990	\$173,714	\$50,780
Real estate management/rental operations	20,610,104	558,313	412,228
Land resource management	9,996,536	0	0
Other corporate	121,956	30,373	33,253
Discontinued operations	166,682	0	0
Total Assets	\$31,163,268	\$762,400	\$496,261

During the nine months ended July 31, 2015, we sold the Coursey Commons Shopping Center for \$10,900,000. There were no significant sales during the nine months ended July 31, 2016. All asset impairments in Fiscal 2015 relate to the Land Resource Management segment.

15. Contingencies and Uncertainties

The Company is party to various legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business are possible of assertion against the Company.

Effective July 1, 2014, in accordance with the Boulder Lake Village Declaration and the provisions of the Pennsylvania Uniform Condominium Act, 68 Pa.C.S. § 3101 et seq., the Company's representatives resigned from both the Executive Board of Boulder Lake Village Condominium Association ("BLVCA") and from their positions as BLVCA officers. As a result, the BLVCA Board transitioned to an all-Unit Owner Executive Board. As part of the transition process, the BLVCA Board and the Company's management commissioned an engineering study to assess the condition of BLVCA Building J. In June 2015, BLVCA presented the Company with a Transition Engineering Evaluation of BLVCA Building J (the "Evaluation") which indicated certain deficiencies exist. Management believes it is too early to reasonably estimate a liability for this claim, however, there is a possibility it could rise to a level of materiality. The Company disagrees with the assertions raised by the Evaluation.

16. Subsequent Events

The Company has evaluated and disclosed subsequent events from July 31, 2016 through the issuance date of the financial statements.

On August 3, 2016, the Company entered into a revised Agreement of Sale with the Natural Lands Trust which extended the dates for (1) closing until September 30, 2016; (2) the delivery of a title commitment until August 30, 2016; and (3) Buyer's inspection period until September 15, 2016. It also eliminated paragraphs pertaining to the Buyer's right to terminate the Agreement for lack of board approval or the inability to obtain funding commitments.

Subsequently, on September 7, 2016, the Company entered into an Amendment to the Agreement of Sale with the Natural Lands Trust which extended the dates for (1) closing until November 4, 2016; and (2) the Buyers Inspection period until September 30, 2016. All of the other terms and conditions of the Agreement remain unchanged.

On August 11, 2016, the Company closed on the sale of approximately 74 acres of land to PennEast Pipeline Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Financial Statements of Blue Ridge (the "Company") and related notes thereto.

Overview

Over the past 30 years, we have developed resort residential communities adjacent to the Jack Frost Mountain and Big Boulder Ski Areas located in Lake Harmony, Kidder Township, Pennsylvania. These communities are located in the Pocono Mountains of Pennsylvania, a popular recreation destination for local and regional visitors, especially from the New York City and Philadelphia metropolitan areas. The scenic hills and valleys of the Pocono Mountains offer many opportunities to enjoy outdoor activities such as golfing, fishing, hunting, skiing, snowboarding and other sports.

At July 31, 2016, we owned 9,920 acres of land in Northeastern Pennsylvania along with 3 acres of land in various other states for a total of 9,923 acres. Of these land holdings, we designated 8,260 acres as held for investment, 1,433 acres as held for development, 229 acres classified as long lived assets held for sale and 1 acre for discontinued operations. It is expected that all of our planned developments will either be subdivided and sold as parcels of land, or be developed into single and multi-family housing.

The real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation and oversupply of properties. Any sustained period of weakening business or economic conditions will impact the demand for the type of properties we intend to develop. Management continues to monitor the progress of residential home sales within the Northeast.

The Company is moving forward with plans for the residential development of 57 lots on the south shore of Big Boulder Lake. The management team is in the early stage of planning new amenities in and around the Lake. Preliminary plans include a clubhouse with a fitness center, bike paths, additional tennis courts and swimming pools. Future development plans and the construction of new recreational facilities hinge on successful permitting, favorable construction costs and financial viability.

In light of the economic environment, we will continue to evaluate our strategic plan and our master development plan. We have reviewed the Company's land inventory, oil, gas and mineral rights and development portfolio with a view to maximize shareholder value. As in the past, we will continue to consider opportunistic asset sales of non-core investment properties as a means of funding future operations.

For Fiscal 2016, we intend to continue selective sales of land, some of which may be treated as Section 1031 tax deferred exchanges under the Internal Revenue Code.

We also have generated revenue through the selective timbering of our land. We rely on the advice of our forester, who is engaged on a consulting basis and who receives a commission on each stumpage contract, for the timing and selection of certain parcels for timbering. Our forester gives significant attention to protecting the environment and maximizing the value of these parcels for future timber harvests. We have not entered into any new timber harvest contracts for the timbering of our lands since March 2012 in order to provide ample time for the regeneration of trees. Our forester will monitor the growth and timbering will resume when we, in consultation with our forester, deem prudent.

The Jack Frost National Golf Course is managed by Billy Casper Golf, LLC, a nationally-recognized golf course management company. With a continued emphasis on course maintenance, along with the natural maturation of the fairways, Jack Frost National has become one of the premier golf facilities in Northeastern Pennsylvania. Year to year financial performance continues to improve.

As a result of the Company's focus on real estate activities, we present our balance sheet in an unclassified presentation using the alternate format in order to reflect our assets and liabilities in order of their importance.

Recent Developments

On June 15, 2016, Kimco Realty Services, Inc. (“Kimco”), holder of 58.3% of the Company’s outstanding shares of common stock, executed a Partial Written Consent of Shareholders In lieu of Meeting to approve the re-election of Bruce Beaty, Paul A. Biddelman, Raymond Edwards and David Domb as the Company’s Directors. On June 29, 2016, shareholders were notified of the re-election of Directors by mail.

On July 1, 2016, the Company entered into a fourth amendment to the Agreement of Sale with the Natural Lands Trust to extend the funding contingency until July 15, 2016, extend the inspection period until August 1, 2016, and extend the closing date until September 15, 2016. Subsequently, on August 3, 2016, the Company entered into a revised Agreement of Sale with the Natural Lands Trust which extended the dates for (1) the delivery of a title commitment until August 30, 2016; (2) Buyer’s inspection until September 15, 2016; and (3) closing until September 30, 2016. It also eliminated paragraphs pertaining to the Buyer’s right to terminate the Agreement for lack of board approval or the inability to obtain funding commitments. Subsequently, on September 7, 2016, the Company entered into an Amendment to the Agreement of Sale with the Natural Lands Trust which extended the dates for (1) closing until November 4, 2016; and (2) the Buyers Inspection period until September 30, 2016. All of the other terms and conditions of the Agreement remain unchanged.

On July 14, 2016, the Company entered into an Agreement of Sale with PennEast Pipeline Company, LLC for the sale of approximately 74 acres located in Kidder Township for the purchase price of \$999,000 and an Access Road Easement Agreement for the purchase price of \$82,755. Closing was held on August 11, 2016.

On July 28, 2016, the Company granted a Right of Way (ROW) to PennEast Pipeline Company over lands owned by the company in Kidder Township for the purpose of constructing a natural gas pipeline. Approximately 27.44 acres of land over five (5) company owned tracts are subject to the ROW. The total purchase price of the ROW is \$702,853.80. In addition, PennEast paid per acre damages for the pipeline easement in the sum of \$256,720.

On July 28, 2016, the Company entered into a Temporary Workspace Agreement with PennEast Pipeline Company, LLC on lands owned by the Company in Kidder Township to use as a ware yard during the construction of the natural gas pipeline. The total consideration paid for the additional temporary work space was \$26,000.

Results of Operations for the Three and Nine Months Ended July 31, 2016 and 2015

Operations for the three and nine months ended July 31, 2016 resulted in a net income of \$489,824 and net loss of (\$541,263) or \$0.20 and (\$0.23) per share, for the three and nine months ended July 31, 2016, respectively, compared to a net loss of (\$5,926,172) and (\$5,926,783) or (\$2.42) per share, for the three and nine months ended July 31, 2015.

Revenues

Revenue of \$2,813,536 and \$4,532,557 for the three and nine months ended July 31, 2016 represents an increase of \$1,152,979 and \$1,869,398 compared to the three and nine months ended July 31, 2015. Resort Operations revenue increased \$171,059 and \$967,516, or 14% and 74%, for the three and nine months ended July 31, 2016 as compared to the three and nine months ended July 31, 2015. Real Estate Management Operations/Rental Operations revenue increased \$5,226 and decreased (\$8,820), or 1% and (1%), respectively, for the three and nine months ended July 31, 2016, compared to the three and nine months ended July 31, 2015. Land Resource Management revenue increased \$976,694 and \$910,702, or greater than 100% respectively for the three and nine months ended July 31, 2016, compared to the three and nine months ended July 31, 2015.

Resort Operations

Resort Operations is a new business segment starting in Fiscal 2016 to better align the presentation our operations. Resort Operations consist of the Boulder View Tavern, Boulder Lake Club, Jack Frost National Golf Course, and The Stretch fishing club. Resort operations revenue for nine months ended July 31, 2016 was \$2,282,312 as compared to \$1,314,796 for the nine months ended July 31, 2015, an increase of \$967,516, or 74%.

This was primarily the result of the acquisition of the Boulder View Tavern and Boulder Lake Club operations which increased from \$637,879 to \$1,505,216, an increase of \$867,337 for the nine months ended July 31, 2016, as compared to the nine months ended July 31, 2015. The Jack Frost National Golf Course's revenue for the nine months ended July 31, 2016 increased \$87,856 or 14%, from the nine months ended July 31, 2015. This was primarily attributable to favorable weather conditions in the second and third quarters of 2016.

Real Estate Management/Rental Operations

Real Estate Management Operations/Rental Operations revenue was \$1,150,975 for the nine months ended July 31 2016, compared to \$1,159,795 for the nine months ended July 31, 2015, which resulted in a decrease of (\$8,820), or (1%). Real Estate Management revenue for the nine months ended July 31, 2016 decreased to \$528,515 as compared to \$531,588 for the nine months ended July 31, 2015, a decrease of (\$3,073), or (1%). This was primarily due to decreased trust service fees related to the operation of our resort communities. Rental revenue decreased (\$5,747), or (1%).

Land Resource Management

For the nine months ended July 31, 2016, Land Resource Management revenues increased to \$1,099,270 compared to \$188,568 for the nine months ended July 31, 2015, an increase of \$910,702, or greater than 100%. This was primarily the result of a right of way sale in July 2016 for \$985,574. For the nine months ended July 31, 2016 and 2015 there was no timbering revenue. Land hunting leases increased by \$2,129, or 2%.

Operating Costs

Resort Operations

Operating costs associated with Resort Operations for the nine months ended July 31, 2016 decreased to \$2,492,887 compared to \$10,601,791 for the nine months ended July 31, 2015, a decrease of (\$8,108,904), or greater than 76%. This was primarily the result of an impairment loss taken on the Jack Frost National Golf Course in the third quarter of fiscal 2015. The Boulder View Tavern and the Boulder Lake Club operating costs increased from \$528,537 to \$1,030,619, an increase of \$502,082 for the nine months ended July 31, 2016, compared to the nine months ended 2015. The cost of goods sold increased \$279,151, or greater than 100%, to \$447,189 from \$168,038 for the nine months ended July 31, 2016 compared to the nine months ended July 31, 2015. Boulder View Tavern and Boulder Lake Club became an operating center for the Company in April 2015. Previously this operation was leased to a third party operator.

Real Estate Management/Rental Operations

Operating costs associated with Real Estate Management Operations/Rental Operations for the nine months ended July 31, 2016 decreased to \$784,070 compared to \$791,052 for the nine months ended July 31, 2015, a decrease of (\$6,982), or (1%). This decrease was primarily related to the lease cancellation fee in the first quarter of Fiscal 2015 relating to the termination of the Boulder View Tavern operating lease (\$25,000).

Land Resource Management

Operating costs associated with Land Resource Management for the nine months ended July 31, 2016 decreased to \$407,142 compared to \$449,236 for the nine months ended July 31, 2015, a decrease of (\$42,094), or (9%). This decrease was primarily the result of decreased sales commissions. There was one right of way sale in the nine months ended July 31, 2016.

General and Administration

General and administration costs for the nine months ended July 31, 2016 increased to \$1,352,959 as compared to \$1,236,935 for the nine months ended July 31, 2015, an increase of \$116,024, or 9%. This increase is primarily related to increases in pension, salary and related benefits (\$148,863) due to increased staffing needs, netted against decreases in supplies and services and legal (\$43,250).

Other Income and Expense

Interest and other income increased to \$5,597 for the nine months ended July 31, 2016, compared to \$1,601 for the nine months ended July 31, 2015, an increase of \$3,996, or greater than 100%.

Interest expense for the nine months ended July 31, 2016 decreased to \$366,610 compared to \$379,209 for the nine months ended July 31, 2015, a decrease of (\$12,599), or (3%).

Interest and dividends on marketable securities, net was \$38,903 for the nine months ended July 31, 2016 compared to \$18,795 for the nine months ended July 31, 2015, an increase of \$20,108, or greater than 100%. In the nine months ended July 31, 2016, this amount included \$76,400 of interest income which was reduced by \$37,497 of amortized bond premium compared to \$91,767 of interest income reduced by \$72,972 of amortized bond premium in the nine months ended July 31, 2015.

Discontinued Operations

At July 31, 2016, one leased investment property located in Saylorsburg, Pennsylvania was leased and under agreement of sale. The Coursey Commons Shopping Center in Baton Rouge, Louisiana was sold on December 15, 2014. The assets of the Saylorsburg property at July 31, 2016 and October 31, 2015 are being reported as assets of discontinued operations and the results of operations for the Saylorsburg property for the three and nine months ended July 31, 2016 and 2015 and the Coursey Commons Shopping Center for the three and nine months ended July 31, 2015 are being reported as discontinued operations. Future cash flows and operating results for the investment properties are no longer being reported in the Real Estate Management / Rental segment.

The net income after taxes from discontinued operations for the Baton Rouge Louisiana investment property for the nine months ended July 31, 2016 was \$0 as compared to \$1,017,192 for the nine months ended July 31, 2015 (which includes the gain on disposition). The net income after taxes from discontinued operation for the Saylorsburg, Pennsylvania investment property for the nine months ended July 31, 2016 was \$3,416 as compared to \$3,691 in for the nine months ended July 31, 2015.

Tax Rate

The effective tax rate specific to federal taxes for the three and nine months ended July 31, 2016 and 2015 was 34%. The provision for income taxes for the nine months ended July 31, 2015 includes an additional \$260,000 to account for the utilization of the deferred state tax asset created in Fiscal 2014, primarily related to the sale of Coursey Commons which occurred on December 15, 2014.

Liquidity and Capital Resources

As reflected in the Statements of Cash Flows, net cash provided by operating activities was \$294,390 for the nine months ended July 31, 2016 versus net cash used in operating activities of \$916,682 for the nine months ended July 31, 2015. The net increase is primarily due to the sale of a right of way in the nine months ended July 31, 2016.

The \$986,000 sale of a right of way is the material non-recurring cash item for the nine months ended July 31, 2016. The \$10,900,000 sale of Coursey Commons Shopping Center is the material non-recurring cash item for the nine months ended July 31, 2015.

In December 2014, the Company invested the proceeds of \$7,489,408 from the sale of Coursey Commons Shopping Center in marketable securities. In February 2016, the Company diversified a portion of the portfolio, not to exceed \$2,500,000 to preferred stocks of financial services and real estate investment trusts (REITS). The investment portfolio includes, corporate obligations with a minimum single A rating and no maturity greater than 2 years and preferred securities with a goal to provide current income with capital preservation over a 3 to 5-year time horizon. At July 31, 2016, the Company's cash and marketable securities totaled \$7,536,108 compared to cash and marketable securities of \$7,932,855 at October 31, 2015.

On October 1, 2014, the Company entered into a \$3,000,000 short term promissory note with Kimco Capital Corporation. The "interest only" note was secured with a mortgage on Coursey Commons Shopping Center. The note had an interest rate of 5.59% per annum payable monthly and a maturity date of December 31,

2014. On December 15, 2014, the Coursey Commons Shopping Center was sold and the loan with Kimco Capital Corporation was paid in full.

The mortgage on the Coursey Commons Shopping Center in the amount of \$6,489,224 matured on October 1, 2014. The Company satisfied the debt with \$3,500,000 of funds from liquidated short term investments and \$3,000,000 of funds borrowed from Kimco Capital Corporation.

In March 2015, Blue Ridge Real Estate opened a brokerage account with Cetera Advisor Networks, LLC thru Mauch Chunk Trust Company. The Company purchased two brokered certificates of deposit totaling \$250,000. In March 2016 a \$75,000 brokered certificate matured and \$77,000 was reinvested in a Mauch Chunk Trust certificate of deposit with a maturity of July 6, 2021. The remaining brokered certificate of deposit will mature in March of 2017. Both certificates are included in Marketable Securities Available for Sale, which approximates fair value.

On April 13, 2015, Lake Mountain, LLC entered into a commercial line of credit with Mauch Chunk Trust Company in the amount of \$250,000. Interest is to be paid monthly on the unpaid principal balance and the line has a maturity of April 14, 2017. Interest is at a rate of Prime plus 1.00% (4.50% at July 31, 2016). The line is collateralized with a recorded lien on the brokerage account with Mauch Chunk Trust Company. Funds drawn on the line of credit will be used for working capital needs. As of July 31, 2016, there is \$0 balance outstanding on the line.

On January 8, 2016, the Company established an irrevocable stand-by Letter of Credit up to an aggregate of \$140,000 in favor of Pennsylvania Department of Environmental Protection (PA-DEP), Bureau of Waterways Engineering with Mauch Chunk Trust Company. The Letter has a term of one year, renewable annually and is collateralized by the Company's brokerage account with Cetera Advisor Networks, LLC. The letter was established to comply with legislation that requires Blue Ridge as a private owner of two dams to post a financial guarantee adequate to breach the dams if we fail to comply with PA-DEP safety requirements.

On April 1, 2016, the Company entered into a loan agreement with Mauch Chunk Trust in the amount of \$50,000. The proceeds were used to purchase docks at the Boulder Lake Club. Payments of \$1,472 are due monthly with a maturity date of April 1, 2019. The interest rate is fixed at 3.75%. The loan is secured by the Company's certificate of deposit. As of July 31, 2016, borrowing available on the line of credit with Mauch Chunk Trust is limited to \$60,000 due to the Letter of Credit and loan agreement. Interest is at a rate of Prime plus 1% (4.50% as of July 31, 2016).

The following table sets forth the Company's significant contractual cash obligations for the items indicated as of July 31, 2016 and their expected year of payment or expiration.

Contractual Obligations:	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Long-Term Debt-Investment Properties	\$6,981,735	\$287,284	\$963,032	\$739,239	\$4,992,180
Capital Leases	30,326	22,505	7,820	0	0
Debt Sub-total	\$7,012,061	\$309,789	\$970,852	\$739,239	\$4,992,180
Fixed Rate Interest	\$4,246,735	\$472,708	\$1,290,145	\$743,221	\$1,740,661
Variable Rate Interest	0	0	0	0	0
Interest Sub-total	\$4,246,735	\$472,708	\$1,290,145	\$743,221	\$1,740,661
Pension Contribution Obligations (1)	\$46,500	\$46,500			
Total Contractual Cash Obligations	\$11,305,296	\$828,997	\$2,260,997	\$1,482,460	\$6,732,841

(1) Estimated funding obligations beyond the current fiscal year are not presented because the requirements fluctuate based on the performance of the plan assets, discount rate assumptions and demographics.

We currently anticipate that the funds needed for future operations and to implement our land development strategy will be satisfied through operating cash, marketable securities, borrowed funds, public offerings or private placements of debt or equity and reinvested profits from sales.

Critical Accounting Policies and Significant Judgments and Estimates

We have identified the most critical accounting policies upon which our financial reporting depends. The critical policies and estimates were determined by considering accounting policies that involve the most complex or subjective decisions or assessments. The most critical accounting policies identified relate to deferred tax liabilities, the valuation of land development costs and long-lived assets, and revenue recognition.

Revenues are derived from a wide variety of sources, including sales of real estate, management of investment properties, home construction, property management services, timbering, golf activities, and leasing activities. Revenues are recognized as services are performed, except as noted below.

We recognize income on the disposition of real estate using the full accrual method. The full accrual method is appropriate at closing when the sales contract has been signed, the buyer has arranged permanent financing and the risks and rewards associated with ownership have been transferred to the buyer. In the few instances that the Company finances the sale, a minimum 20% down payment is required from the buyers. The remaining financed purchase price is not subject to subordination. Down payments of less than 20% are accounted for as deposits.

The costs of developing land for resale as resort homes and the costs of constructing certain related amenities are allocated to the specific parcels to which the costs relate. Such costs, as well as the costs of construction of the resort homes, are charged to operations as sales occur. Land held for resale and resort homes under construction are stated at lower of cost or market.

Timbering revenues from stumpage contracts are recognized at the time a stumpage contract is signed. At the time a stumpage contract is signed, the risk of ownership is passed to the buyer at a fixed, determinable cost. There is no transfer of title in connection with these contracts. Reasonable assurance of collectability is determined by the date of signing and, at that time, the obligations of the Company is satisfied. Therefore, full accrual recognition at the time of contract execution is appropriate.

Deferred income consists of rents, dues and deposits on land or home sales. These rents, which are not yet earned, are rents from the Company's commercial properties that have been paid in advance. Dues are dues paid in advance related to memberships in the Company's hunting and fishing clubs and golf course memberships paid. Revenues related to the hunting and fishing clubs and golf course memberships are recognized over the seasonal period that the dues cover. We recognize revenue related to the fishing club over a five-month period from May through September, and the golf course over a seven-month period, from April through October. Deposits are required on land and home sales.

Management's estimate of deferred tax assets and liabilities is primarily based on the difference between the tax basis and financial reporting basis of depreciable assets, like-kind exchanges of assets, net operating losses and accruals. Valuation allowances are established when necessary to reduce tax assets to the amount expected to be realized.

Real estate development projects are stated at cost unless an impairment exists, in which case the project is written down to fair value in accordance with GAAP. We capitalize as land and land development costs, the original acquisition cost, direct construction and development costs, property taxes, interest incurred on costs related to land under development and other related costs (engineering, surveying, landscaping, etc.) until the property reaches its intended use. Because the development projects are considered as long-lived assets under GAAP, we are required to regularly review the carrying value of each of the projects and write down the value of those projects when we believe the values are not recoverable. The cost of sales for individual parcels of real estate or condominium units within a project is determined using the relative sales value method. Revenue is recognized upon signing of the applicable closing documents, at which time a binding contract is in effect, the buyer has arranged for permanent financing and the Company is assured of payment in full. In addition, at the time of closing, the risks and rewards associated with ownership have been transferred to the buyer. Selling expenses are recorded when incurred.

Long-lived assets, namely properties, are recorded at cost. Depreciation and amortization is provided principally using the straight-line method over the estimated useful life of the asset. Upon sale or retirement of the

asset, the cost and related accumulated depreciation are removed from the related accounts, and resulting gains or losses are reflected in income. We test for recoverability our long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In that event, we utilize either or both a discounted cash flow method or comparable sale pricing method to determine a fair market value. If our use of one or both of these methods indicates that the carrying value of the asset is not recoverable, an impairment loss is recognized in operating income. An impairment loss is the difference between the carrying value and the fair value of the asset less cost to sell. An impairment loss is recognized during the period in which the impairment is determined to be probable and reasonably estimable.

Assets are classified as long lived assets held for sale when they are expected to be sold within the next year. The amount in long lived assets held for sale at July 31, 2016 included 229 acres under agreement of sale with the Natural Lands trust that is expected to close in the fourth quarter of Fiscal 2016. There are no long lived assets classified as held for sale at October 31, 2015.

Significant judgment is applied in assessing the realizability of deferred tax assets. In accordance with GAAP, a valuation allowance is established against a deferred tax asset if, based on the available evidence, it is more-likely-than-not that such asset will not be realized. The realization of a deferred tax asset ultimately depends on the existence of sufficient taxable income in either the carryback or carryforward periods under tax law. We assess the need for valuation allowances for deferred tax assets based on GAAP's "more-likely-than-not" realization threshold criteria. In our assessment, appropriate consideration is given to all positive and negative evidence related to the realization of the deferred tax assets. Forming a conclusion that a valuation allowance is not needed is difficult when there is significant negative evidence such as cumulative losses in recent years. This assessment considers, among other matters, the nature, consistency and magnitude of current and cumulative income and losses, forecasts of future profitability, the duration of statutory carryback or carryforward periods, our experience with operating loss and tax credit carryforwards being used before expiration, and tax planning alternatives.

Our assessment of the need for a valuation allowance on our deferred tax assets includes assessing the likely future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. Changes in existing tax laws or rates could affect our actual tax results and our future business results may affect the amount of our deferred tax liabilities or the valuation of our deferred tax assets over time. Our accounting for deferred tax assets represents our best estimate of future events.

Due to uncertainties in the estimation process, particularly with respect to changes in facts and circumstances in future reporting periods (carryforward period assumptions), actual results could differ from the estimates used in our analysis. Our assumptions require significant judgment because the residential home building industry and land sales are cyclical and highly sensitive to changes in economic conditions. If our results of operations are less than projected and there is insufficient objectively verifiable positive evidence to support the "more-likely-than-not" realization of our deferred tax assets, a valuation allowance would be required to reduce or eliminate our deferred tax assets.

Our deferred tax assets consist principally of the recognition of losses primarily driven by recognition of net operating losses and inventory impairments. In accordance with GAAP, we assessed whether a valuation allowance should be established based on our determination of whether it was "more-likely-than-not" that some portion of all of the deferred tax assets would not be realized, we recorded valuation allowances against our state net operating loss carryforwards for the amount not expected to be used.

At July 31, 2016, we have utilized a portion of prior year federal tax loss carryforwards on our Fiscal 2015 federal income tax return. The loss carryforwards result from prior year losses incurred for federal income tax purposes. We have offset our approximately \$1,880,000 book gain on the sale of Coursey Commons Shopping Center which occurred on December 15, 2014 with operating losses from year ending October 31, 2015 and a portion of the prior year federal tax loss carryforwards.

We file tax returns in the various states in which we do business. Each state has its own statutes regarding the use of tax loss carryforwards. Some of the states in which we do business do not allow for the carry forward of losses while others allow for carry forwards for 5 years to 20 years.

Interest, real estate taxes, and insurance costs, including those costs associated with holding unimproved land, are normally charged to expense as incurred. Interest cost incurred during construction of facilities is capitalized as part of the cost of such facilities. Maintenance and repairs are charged to expense, and major renewals and betterments are added to property accounts.

We sponsor a defined benefit pension plan as detailed in Note 9 to the accompanying unaudited financial statements. The accounting for pension costs is determined by specialized accounting and actuarial methods using numerous estimates, including discount rates, expected long-term investment returns on plan assets, employee turnover, mortality and retirement ages, and future salary increases. Changes in these key assumptions can have a significant effect on the pension plan's impact on the Company's financial statements. We engage the services of an independent actuary and investment consultant to assist us in determining these assumptions and in calculating pension income. The pension plan is currently underfunded and, accordingly, the Company has made contributions to the fund of \$318,617 in Fiscal 2015. The Company contributed \$106,800 and expects to contribute another \$46,500 to the pension plan in Fiscal 2016. Future benefit accruals under the pension plan ceased as of August 31, 2010. The Company also has a 401(k) pension plan that is available to all full time employees. Effective January 1, 2016, the Company matches 100% of employee salary deferral contributions up to 5% of their pay for each payroll period.

The Company recognizes as compensation expense an amount equal to the grant date fair value of the stock options issued over the required service period, if any. Compensation cost was measured using the modified prospective approach.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Legal Proceedings

We are presently a party to certain lawsuits arising in the ordinary course of our business. We believe that none of our current legal proceedings will be material to our business, financial condition or results of operations.