

BLUE RIDGE REAL ESTATE COMPANY

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

2017

THIRD QUARTER REPORT

As of July 31, 2017 (Unaudited) and October 31, 2016 (Audited)
and for the Three and Nine Months Ended July 31, 2017 and 2016 (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.comIR 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, 2017
Total shares outstanding:	2,443,824 as of July 31, 2017

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.astfinancial.com
 Email: help@astfinancial.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, 2016, the Company repurchased 221 shares of its common stock. Upon transfer, all shares were cancelled and returned to the status of authorized but unissued. No shares were repurchased during the nine months ended July 31, 2017.

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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Balance Sheets as of July 31, 2017 (Unaudited) and October 31, 2016	7
Statements of Operations for the Three and Nine months ended July 31, 2017 and 2016 (Unaudited)	8
Statements of Comprehensive Loss for the Nine months ended July 31, 2017 and 2016 (Unaudited)	9
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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 and Minnesota; 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, 2017, the properties of Blue Ridge and its subsidiaries consisted of 9,693 total acres of land owned by Blue Ridge, Northeast Land Company, Flower Fields Motel, LLC, Blue Ridge WNJ, LLC and Blue Ridge WMN, LLC. 9,690 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 and 1,433 acres were held for development. 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, Boulder Lake Club, a commercial property comprised of 3 acres of vacant land, two retail stores leased to affiliates of Walgreen Company, one single family home 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. Lake Mountain, LLC, a wholly owned subsidiary of Blue Ridge Real Estate Company, leases and operates the facility. 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. Lake Mountain, LLC, a wholly owned subsidiary of Blue Ridge Real Estate Company, leases and operates the facility.

Blue Ridge owns one single family home 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.

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
KRSX Merge, LLC 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>
KRSX Merger, LLC 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

Legal Counsel

Joanne R. Soslow, Esquire
Morgan, Lewis & Bockius
1701 Market Street
(215) 963-5000

Investor Relations Consultant

Not Applicable

Accountant or Auditor

Mario Ercolani, CPA
Kronick Kalada Berdy & Co.
190 Lathrop Street
Kingston, PA 18704
(570) 283-2727

Other Advisor:

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, 2017

/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, 2017

/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	07/31/17	10/31/16
Land and land development costs (1,433 acres per land ledger)	\$6,863,526	\$6,863,526
Land improvements, buildings and equipment, net	10,122,242	10,518,644
Land held for investment, principally unimproved (8,260 and 8,261 acres per land ledger, respectively)	4,152,947	4,194,839
Long-lived assets held for sale (0 and 155 acres per land ledger, respectively)	0	18,233
Cash and cash equivalents	2,857,434	1,657,990
Marketable securities available for sale	5,106,465	6,442,152
Cash held in escrow	500	500
Prepaid expenses and other assets	342,376	450,835
Deferred tax asset	1,151,279	646,239
Accounts and notes receivable	69,855	132,462
Total assets	\$30,666,624	\$30,925,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Debt	\$6,783,272	\$6,935,743
Accounts payable	265,210	147,607
Accrued liabilities	1,145,474	797,303
Deferred income	311,926	119,857
Accrued pension expense	3,809,766	3,582,772
Total liabilities	12,315,648	11,583,282
SHAREHOLDERS' EQUITY:		
Capital stock, without par value, stated value \$0.30 per share, Blue Ridge authorized 6,000,000 shares, issued and outstanding 2,443,824	733,147	733,147
Capital in excess of stated value	18,254,742	18,254,742
Earnings retained in the business	1,667,568	2,690,869
Accumulated other comprehensive loss	(2,304,481)	(2,336,620)
Total shareholders' equity	18,350,976	19,342,138
Total liabilities and shareholders' equity	\$30,666,624	\$30,925,420

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, 2017 and 2016 (UNAUDITED)**

	Three Months Ended		Nine Months Ended	
	07/31/17	07/31/16	07/31/17	07/31/16
Revenues:				
Resort operations revenue	\$1,463,643	\$1,382,344	\$2,374,416	\$2,282,312
Real estate management revenue	177,400	186,624	559,602	528,515
Land resource management revenue	37,901	1,039,246	832,408	1,099,270
Rental income revenue	223,531	209,072	645,468	633,710
Total revenues	1,902,475	2,817,286	4,411,894	4,543,807
Costs and expenses:				
Resort operations costs	1,240,624	1,136,930	2,506,975	2,492,887
Real estate management costs	165,067	143,023	484,247	504,653
Land resource management costs	134,250	141,609	864,937	407,142
Rental income costs	82,534	98,753	293,918	284,251
General and administration expense	516,598	455,804	1,584,763	1,352,959
Total costs and expenses	2,139,073	1,976,119	5,734,840	5,041,892
Operating (loss) income before other income and (expense)	(236,598)	841,167	(1,322,946)	(498,085)
Other income and (expense):				
Interest and other income	55	1,975	1,211	5,597
Interest expense	(117,372)	(121,229)	(353,153)	(366,610)
Interest and dividends on marketable securities, net	48,352	18,926	130,809	38,903
Loss on disposition of marketable securities (composed entirely of reclassification from accumulated other comprehensive income for previously unrealized net gains or (losses) on securities)	6,911	(15)	(6,222)	(68)
Total other income and (expense)	(62,054)	(100,343)	(227,355)	(322,178)
(Loss) income before income taxes:	(298,652)	740,824	(1,550,301)	(820,263)
(Benefit) provision for income taxes:	(101,000)	251,000	(527,000)	(279,000)
Net (loss) income	(\$197,652)	\$489,824	(\$1,023,301)	(\$541,263)
Basic (loss) earnings per weighted average share	(\$0.08)	\$0.20	(\$0.42)	(\$0.22)

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, 2017 AND 2016
(UNAUDITED)**

	2017	2016
Net loss	(\$1,023,301)	(\$541,263)
Other comprehensive income, net of tax		
Unrealized gains on securities		
Unrealized holding gains arising during the period	47,877	82,783
Reclassification adjustment for net losses included in net income	6,222	0
Deferred tax provision	(21,960)	0
Net unrealized gain on securities, net of the deferred tax expense	32,139	82,783
Defined benefit pension		
Deferred actuarial loss, net of deferred tax expense	0	0
Other comprehensive income	32,139	82,783
Total comprehensive loss	(\$991,162)	(\$458,480)

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, 2017****(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, 2016	2,443,824	\$733,147	\$18,254,742	\$2,690,869	(\$2,336,620)	\$19,342,138
Net loss				(1,023,301)		(1,023,301)
Other comprehensive income					32,139	32,139
Balance, July 31, 2017	<u>2,443,824</u>	<u>\$733,147</u>	<u>\$18,254,742</u>	<u>\$1,667,568</u>	<u>(\$2,304,481)</u>	<u>\$18,350,976</u>

(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, 2017 AND 2016
(UNAUDITED)**

	07/31/17	07/31/16
Cash Flows Provided By (Used In) Operating Activities:		
Net loss	(\$1,023,301)	(\$541,263)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	514,103	536,388
Amortization of investment premiums	17,291	37,497
Loss on marketable securities	6,222	68
Impairment	37,000	0
Net book value of properties sold	128,641	0
Deferred income taxes	(527,000)	(279,000)
Changes in operating assets and liabilities:		
Cash held in escrow	0	97,566
Accounts and notes receivable	62,607	489,566
Prepaid expenses and other assets	108,459	55,133
Long-lived assets held for sale	18,233	0
Accounts payable and accrued liabilities	692,768	(349,581)
Deferred income	192,069	248,016
Net cash provided by operating activities	<u>227,092</u>	<u>294,390</u>
Cash Flows Provided By (Used In) Investing Activities:		
Purchases of marketable securities	(1,209,125)	(2,706,625)
Proceeds from maturities of marketable securities	2,575,398	4,900,000
Additions to properties	(241,450)	(544,641)
Net cash provided by investing activities	<u>1,124,823</u>	<u>1,648,734</u>
Cash Flows Provided By (Used In) Financing Activities:		
Proceeds from debt	126,776	50,000
Payments of debt	(279,247)	(240,623)
Purchase of common stock	0	(1,090)
Net cash used in financing activities	<u>(152,471)</u>	<u>(191,713)</u>
Net increase in cash and cash equivalents	1,199,444	1,751,411
Cash and cash equivalents, beginning of period	1,657,990	989,169
Cash and cash equivalents, ending of period	<u>\$2,857,434</u>	<u>\$2,740,580</u>

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., 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, 2016, 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, 2017 and 2016, 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 2016 Annual Report filed with OTC Markets on January 30, 2017. 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, 2016 (“Fiscal 2016”). 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, 2017, the Company had \$0 on deposit in excess of the FDIC insured limit of \$250,000. The Company also had \$2,020,792 invested in money market funds at July 31, 2017 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 (5 positions of corporate bonds), investments in preferred stocks (43 positions of financial services, insurance and real estate investment trusts) and two certificates of deposit at July 31, 2017. 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 15 months.

New Accounting Pronouncements:

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 January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities", which requires equity investments to be measured at fair value with changes in fair value recognized in net income, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset and eliminates the requirement to disclose the fair value of the financial instruments measured at amortized cost. ASU No. 2016-01 is effective for us beginning November 1, 2019, and, at that time, we will adopt the new standard. We are currently evaluating the impact that the adoption of ASU 2016-01 may 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. Segment Reporting

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

4. Income Taxes

The provision (benefit) for income taxes for the nine months ended July 31, 2017 and 2016 is estimated using the estimated annual effective tax rate for the fiscal years ending October 31, 2016 and 2015. The effective income tax rate specific to federal taxes for the first nine months of Fiscal 2017 and Fiscal 2016 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, 2017 and as of October 31, 2016, no interest and penalties have been accrued in the balance sheet and no expense is reflected in the statement of operations. At July 31, 2017, federal and state tax returns for years ending October 31, 2013 and later are subject to future examination by the respective tax authorities.

5. Land and Land Development Costs

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

	07/31/2017	10/31/2016
Land unimproved designated for development	\$1,981,817	\$1,981,817
Residential development	1,208,201	1,208,201
Infrastructure development	3,673,508	3,673,508
Total Land and Land Development Costs	\$6,863,526	\$6,863,526

6. Land Held for Investment

Land held for investment consists of the following:

	07/31/2017	10/31/2016
Land – Unimproved	\$1,757,936	\$1,799,828
Land – Commercial rental properties	2,395,011	2,395,011
Total land held for investment	\$4,152,947	\$4,194,839

7. Marketable Securities

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

	July 31, 2017			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Available for sale:				
Corporate bonds	\$2,398,175	\$0	\$0	\$2,398,175
Preferred stocks	2,331,656	123,690	(676)	2,454,670
Certificates of deposit	253,620	0	0	253,620
Total marketable securities	\$4,983,451	\$123,690	(\$676)	\$5,106,465

The amortized costs of the available for sale bonds and certificates of deposit at July 31, 2017 maturing within one year was \$2,398,175 and \$0, respectively, and maturing one year through five years was \$0 and \$253,620, respectively. The preferred stocks include investments in 43 public companies in various industries with the largest investment, at market value, in a single company of \$132,750. For the nine months ended July 31, 2017 and 2016, there were realized gains of \$7,264 and \$0, respectively and realized losses of \$13,481 and \$0, respectively on the sales of preferred stocks.

	October 31, 2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Corporate bonds	\$4,065,605	\$0	\$0	\$4,065,605
Federal agency bonds	250,330	0	0	250,330
Preferred stocks	1,804,467	76,450	(7,534)	1,873,383
Certificates of deposit	252,834	0	0	252,834
Total marketable securities	<u>\$6,373,236</u>	<u>\$76,450</u>	<u>(\$7,534)</u>	<u>\$6,442,152</u>

The amortized costs of the available for sale bonds and certificates of deposit at October 31, 2016 maturing within one year was \$3,209,678 and \$175,834, respectively, and maturing one year through five years was \$1,106,547 and \$77,000, respectively. The preferred stocks include investments in 32 public companies in various industries with the largest investment, at market value, in a single company of \$130,500. For the twelve months ended October 31, 2016, there were no realized gains or losses on sales of preferred stocks.

8. Pension Benefits

Components of Net Periodic Pension Cost:

	Three Months Ended		Nine Months Ended	
	07/31/17	07/31/16	07/31/17	07/31/16
Service Cost	\$26,468	\$19,250	\$75,968	\$57,750
Interest Cost	88,157	98,250	264,157	294,750
Expected return on plan assets	(82,978)	(99,250)	(250,978)	(297,750)
Net amortization and deferral:				
Amortization of accumulated loss	115,298	90,500	345,798	271,500
Net amortization and deferral	115,298	90,500	345,798	271,500
Total net periodic pension cost	<u>\$146,945</u>	<u>\$108,750</u>	<u>\$434,945</u>	<u>\$326,250</u>

The Company expects to contribute \$251,050 to their pension plan in the fiscal year ending October 31, 2017 ("Fiscal 2017"). As of July 31, 2017, the Company made contributions totaling \$207,950 and anticipate contributing the \$43,100 to fund their pension plan in the remaining three months of Fiscal 2017.

9. Accumulated Other Comprehensive Loss

The following table presents the changes in the accumulated other comprehensive loss for the nine months ended July 31, 2017 and the twelve months ended October 31, 2016:

	07/31/17		
	Unrealized Gains on Securities	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Beginning balance	\$40,941	(\$2,377,561)	(\$2,336,620)
Current period other comprehensive income	32,139	0	32,139
Ending balance	<u>\$73,080</u>	<u>(\$2,377,561)</u>	<u>(\$2,304,481)</u>
	10/31/16		
	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 income (loss)	40,941	(207,800)	(166,859)
Ending balance	<u>\$40,941</u>	<u>(\$2,377,561)</u>	<u>(\$2,336,620)</u>

The other comprehensive loss is reported net of tax.

10. 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, 2017 and October 31, 2016 are as follows:

	07/31/17		10/31/16	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS:				
Cash and cash equivalents and cash held in escrow	\$2,857,934	\$2,857,934	\$1,658,490	\$1,658,490
Marketable securities available for sale	5,106,465	5,106,465	6,442,152	6,442,152
Accounts and notes receivable	69,855	69,855	132,462	132,462
LIABILITIES:				
Accounts payable	265,210	265,210	147,607	147,607
Accrued liabilities	1,145,474	1,145,474	797,303	797,303
Debt	\$6,783,272	\$6,948,376	\$6,935,743	\$7,108,582

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 corporate debt securities, 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 is 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, 2017 and October 31, 2016.

	Investment Assets at Fair Value as of July 31, 2017			
	Level 1	Level 2	Level 3	Total
Preferred stocks:				
Real estate investment trust	\$1,352,818			\$1,352,818
Finance	829,844			829,844
Insurance	272,008			272,008
Bonds				
Corporate		\$1,903,014		1,903,014
Commercial paper		495,161		495,161
Certificates of deposit	253,620			253,620
Total marketable securities	\$2,708,290	\$2,398,175		\$5,106,465

	Investment Assets at Fair Value as of October 31, 2016			
	Level 1	Level 2	Level 3	Total
Preferred Stocks:				
Real estate investment trust	\$987,913			\$987,913
Finance	698,185			698,185
Insurance	187,285			187,285
Bonds				
Corporate		\$3,569,980		3,569,980
Government agency		250,330		250,330
Commercial paper		495,625		495,625
Certificate of Deposit	252,834			252,834
Total marketable securities	\$2,126,217	\$4,315,935		\$6,442,152

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, 2017, the carrying amount net of prior period impairments for land and land development costs is \$6,863,526. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$10,122,242. The carrying amount net of prior period impairments for land held for investment is \$4,152,947. There was a total of \$37,000 impairment expense in the nine months ending July 31, 2017.

As of October 31, 2016, the carrying amount net of prior period impairments for land and land development costs is \$6,863,526. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$10,518,644. The carrying amount net of prior period impairments for land held for investment is \$4,194,839. The carrying amount for long-lived assets held for sale is \$18,233, no impairment was ever expensed on this asset held for sale. There was no impairment expense in Fiscal 2016.

The table below summarizes the level of fair value hierarchy in which the fair value measurements resulting in impairment losses during the nine months ending July 31, 2017 are categorized:

<u>Non-Recurring Fair Value Measurements at the End of the Reporting Period Using (\$ in thousands)</u>					
	7/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Losses
Land held for investment (a)	\$33		\$33		\$9
Land improvements, buildings and equipment, net (b)	\$96		\$96		\$28
Total nonrecurring fair value measurements	\$129		\$129		\$37

(a) In accordance with Subtopic 360-10, land held for investment with a carrying value of \$42,000 was written down to the fair value of approximately \$33,000, resulting in impairment expense of \$9,000, which was included in the loss for the period. Due to recent comparable sales Management determined the carrying costs of the Maple Terrace land held for investment was in excess of fair market value and may not be recoverable.

(b) In accordance with Subtopic 360-10, land improvements, buildings and equipment, net with a carrying value of \$124,000 were written down to their fair value of approximately \$96,000, resulting in impairment expense of \$28,000, which was included in the loss for the period. Due to recent comparable sales Management determined the carrying costs of the Maple Terrace land improvements, buildings and equipment, net was in excess of fair market value and may not be recoverable.

In the 2nd quarter ended April 30, 2017, this asset was sold for an amount in excess of the impaired carrying value.

11. 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, 2017 and 2016, 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, 2017 and July 31, 2016 are as follows:

	Three Months Ended		Nine Months Ended	
	07/31/17	07/31/16	07/31/17	07/31/16
Weighted average shares of common stock outstanding used to compute basic earnings (loss) per share	2,443,824	2,443,924	2,443,824	2,443,998
Basic (loss) earnings per weighted average share is computed as follows:				
Net (loss) earnings	(\$197,652)	\$489,824	(\$1,023,301)	(\$541,263)
Weighted average share of common stock outstanding	2,443,824	2,443,924	2,443,824	2,443,998
Basic (loss) earnings per weighted average share	(\$0.08)	\$0.20	(\$0.42)	(\$0.22)

12. 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, 2017 and 2016:

	2017	2016
Cash paid during the period for:		
Interest	\$353,248	\$366,526
Income taxes	\$0	\$130,000
Non-cash:		
Marketable securities available for sale and shareholders’ equity increased resulting from changes in the net unrealized gains and losses	(\$32,139)	\$82,783
Reclassification of assets from land held for investment to long-lived assets held for sale	\$0	\$31,634

13. 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

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 and Minnesota; 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	
	07/31/17	07/31/16	07/31/17	07/31/16
Revenues from continuing operations:				
Resort operations	\$1,463,643	\$1,382,344	\$2,374,416	\$2,282,312
Real estate management/rental operations	400,931	395,696	1,205,070	1,162,225
Land resource management	37,901	1,039,246	832,408	1,099,270
Total revenues from operations	\$1,902,475	\$2,817,286	\$4,411,894	\$4,543,807
Operating income (loss) from continuing operations, excluding general and administrative expenses:				
Resort operations	\$223,019	\$245,414	(\$132,559)	(\$210,575)
Real estate management/rental operations	153,330	153,920	426,905	373,321
Land resource management	(96,349)	897,637	(\$32,529)	692,128
Total operating income, excluding general and administrative expenses	\$280,000	\$1,296,971	\$261,817	\$854,874
General and administrative expenses:				
Resort operations	\$397,437	\$223,647	\$852,897	\$679,579
Real estate management/rental operations	108,868	64,019	432,864	346,063
Land resource management	10,293	168,138	299,002	327,317
Total general and administrative expenses	\$516,598	\$455,804	\$1,584,763	\$1,352,959
Interest and other income, net:				
Resort operations	\$55	\$976	\$900	\$2,859
Real estate management/rental operations	0	274	246	1,400
Land resource management	0	725	65	1,338
Total interest and other income, net	\$55	\$1,975	\$1,211	\$5,597
Interest expense:				
Resort operations	\$369	\$1,005	\$2,840	\$2,626
Real estate management/rental operations	117,003	120,224	350,313	363,984
Land resource management	0	0	0	0
Total Interest expense	\$117,372	\$121,229	\$353,153	\$366,610
(Loss) income from operations before income taxes	(\$298,652)	\$740,824	(\$1,550,301)	(\$820,263)

Identifiable assets, net of accumulated depreciation at July 31, 2017 and October 31, 2016 and depreciation expense and capital expenditures for nine months ended July 31, 2017 and the fiscal year ended October 31, 2016 by business segment are as follows:

July 31, 2017	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort operations	\$1,690,260	\$163,043	\$234,676
Real estate management/rental operations	18,930,425	336,585	905
Land resource management	9,957,143	0	0
Other corporate	88,796	14,475	5,869
Total Assets	\$30,666,624	\$514,103	\$241,450

October 31, 2016	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort Operations	\$1,549,381	\$228,334	\$603,485
Real estate management/rental operations	19,410,771	473,022	0
Land resource management	9,831,405	0	0
Other corporate	115,630	16,069	20,349
Discontinued operations	18,233	0	0
Total Assets	\$30,925,420	\$717,425	\$623,834

During the nine months ended July 31, 2017, we closed on the sale of land to the Natural Lands Trust conveying approximately 155 acres for the purchase price of \$412,000 and one single family home held for investment for the purchase price of \$165,000. There were no significant sales during the nine months ended July 31, 2016. All asset impairments in Fiscal 2017 relate to the Real Estate Management/Rental Operations segment.

14. 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 has met with the BLVCA Board to negotiate a settlement agreement. The settlement agreement is subject to approval by BLVCA Board and unit owners. While the actual liability of this claim is uncertain at this time and could rise to a level of materiality, management has recorded an estimated liability for what the Company believes it will owe, based on information available at the time of issuance of the financial statements.

15. Subsequent Events

The Company has evaluated and disclosed subsequent events from July 31, 2017 through the issuance date of the financial statements.

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, 2017, we owned 9,690 acres of land in Northeastern Pennsylvania along with 3 acres of land in various other states for a total of 9,693 acres. Of these land holdings, we designated 8,260 acres as held for investment and 1,433 acres as held for development. 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.

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.

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. In April 2017, the Company entered into a new timber contract. The Company's last timber contract was in March 2012. The Company purposefully slowed timbering activities in order to provide ample time for the regeneration of trees. We consult with our forester who monitors the growth and advises us when it is prudent to resume timbering.

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 26, 2017, KRSX Merge, LLC as successor in interest to 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 July 3, 2017, shareholders were notified of the re-election of Directors by mail.

Results of Operations for the Three and Nine Months Ended July 31, 2017 and 2016

Operations for the three and nine months ended July 31, 2017 resulted in a net loss of (\$197,652) and (\$1,023,301), or (\$0.08) and (\$0.42) per share, for the three and nine months ended July 31, 2017, respectively, compared to a net income of \$489,824 and net loss of (\$541,263), or \$0.20 and (\$0.22) per share, for the three and nine months ended July 31, 2016.

Revenues

Revenue of \$1,902,475 and \$4,411,894 for the three and nine months ended July 31, 2017 represents a decrease of (\$914,811) and (\$131,913) compared to the three and nine months ended July 31, 2016. Resort Operations revenue increased \$81,299 and \$92,104, or 6% and 4%, for the three and nine months ended July 31, 2017 as compared to the three and nine months ended July 31, 2016. Real Estate Management Operations/Rental Operations revenue increased \$5,235 and \$42,845, or 1% and 4%, respectively, for the three and nine months ended July 31, 2017, compared to the three and nine months ended July 31, 2016. Land Resource Management revenue decreased (\$1,001,345) and (\$266,862), or (96%) and (24%) respectively for the three and nine months ended July 31, 2017, compared to the three and nine months ended July 31, 2016.

Resort 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, 2017 was \$2,374,416 as compared to \$2,282,312 for the nine months ended July 31, 2016, an increase of \$92,104, or 4%. This was primarily attributable to increased revenue at the Boulder View Tavern of \$109,368, or 8% and the Stretch, \$9,519 or 10% which was offset by a decrease of (\$8,683), or (5%) at the Boulder Lake Club and (\$18,099), or (3%) at the Jack Frost National Golf Course. Both decreases were primarily weather related.

Real Estate Management/Rental Operations

Real Estate Management Operations/Rental Operations revenue was \$1,205,070 for the nine months ended July 31 2017, compared to \$1,162,225 for the nine months ended July 31, 2016, which resulted in an increase of \$42,845, or 4%. Real Estate Management revenue for the nine months ended July 31, 2017 increased to \$559,602 as compared to \$528,515 for the nine months ended July 31, 2016, an increase of \$31,087, or 6%. This was primarily due to increased trust service fees related to the operation of our resort communities. Rental revenue increased \$11,758, or 2%.

Land Resource Management

For the nine months ended July 31, 2017, Land Resource Management revenues decreased to \$832,408 compared to \$1,099,270 for the nine months ended July 31, 2016, a decrease of \$266,862, or 24%. This was primarily the result of two land sales, one to The Natural Lands Trust conveying approximately 155 acres for the sale price of \$412,000 and the second was an investment property in Saylorburg Pa. that was sold for \$165,000 in the nine months ended July 31, 2017, compared to a right of way sale in July 2016 for \$985,574. For the nine months ended July 31, 2017, we had one timber contract for \$129,013 versus no timbering revenue for the nine months ended July 31, 2016. Land hunting leases increased by \$12,699, or 11%.

Operating Costs

Resort Operations

Operating costs associated with Resort Operations for the nine months ended July 31, 2017 increased to \$2,506,975 compared to \$2,492,887 for the nine months ended July 31, 2016, an increase of \$14,088, or 1%. This was primarily related to an increase in supplies and services related to Boulder View Tavern.

Real Estate Management/Rental Operations

Operating costs associated with Real Estate Management Operations/Rental Operations for the nine months ended July 31, 2017 decreased to \$778,165 as compared to \$788,904 for the nine months ended July 31, 2016, a decrease of (\$10,739), or (1%). This decrease was primarily related to a reduction in depreciation expense (\$19,989) related to the trust services. This decrease was offset by an increase in insurance expense \$6,738 and real estate taxes \$4,279.

Land Resource Management

Operating costs associated with Land Resource Management for the nine months ended July 31, 2017 increased to \$864,937 compared to \$407,142 for the nine months ended July 31, 2016, an increase of \$457,795, or greater than 100%. This increase was primarily the result of the additional accrual for Boulder Lake Village remediation work and increased cost of land sold as a result of two land sales occurring in the nine months ended July 31, 2017 as compared to 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, 2017 increased to \$1,584,763 as compared to \$1,352,959 for the nine months ended July 31, 2016, an increase of \$231,804, or 17%. This increase is primarily related to increases in salaries, wages and benefits \$162,609 and pension expense \$108,694 netted against a decrease in consultants (\$39,725) for the nine months ended July 31, 2017 as compared to the nine months ended July 31, 2016.

Other Income and Expense

Interest and other income decreased to \$1,211 for the nine months ended July 31, 2017, compared to \$5,597 for the nine months ended July 31, 2016, a decrease of (\$4,386), or (78%).

Interest expense for the nine months ended July 31, 2017 decreased to \$353,153 compared to \$366,610 for the nine months ended July 31, 2016, a decrease of (\$13,457), or (4%).

Interest and dividends on marketable securities, net was \$130,809 for the nine months ended July 31, 2017, compared to \$38,903 for the nine months ended July 31, 2016, an increase of \$91,906, or greater than 100%. In the nine months ended July 31, 2017, this amount included \$148,099 of interest income which was reduced by \$17,290 of amortized bond premium compared to \$76,400 of interest income which was reduced by \$37,497 of amortized bond premium in the nine months ended July 31, 2016.

Tax Rate

The effective tax rate specific to federal taxes for the three and nine months ended July 31, 2017 and 2016 was 34%.

Liquidity and Capital Resources

As reflected in the Statements of Cash Flows, net cash provided by operating activities was \$227,092 for the nine months ended July 31, 2017 versus net cash provided by operating activities of \$294,390 for the nine months ended July 31, 2016. The net decrease is primarily due to the greater profitability on the sale of a right of way in the nine months ended July 31, 2016 versus the net income on one timber sale and two property sales in the nine months ended July 31, 2017.

The \$129,000 timber sale and two property sales totaling \$577,000 are the material non-recurring cash items for the three and nine months ended July 31, 2017. The \$986,000 sale of a right of way is the material non-recurring cash item for the three and nine months ended July 31, 2016.

The Company's 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, 2017, the Company's cash and marketable securities totaled \$7,963,899 compared to cash and marketable securities of \$8,100,142 at October 31, 2016.

On April 17, 2017, Blue Ridge Real Estate Company entered into a capital lease agreement which is an addendum to a Master Lease Agreement with PNC Equipment Finance, LLC for the procurement of mowing equipment for the Jack Frost National Golf Course in the amount of \$135,325. The lease is due and payable in 30 installments from May 1, 2017 through October 1, 2021. The interest is a variable rate of prime plus 1.39% (5.64% at July 31, 2017).

In March 2015, Blue Ridge Real Estate opened a brokerage account with Cetera Advisor Networks, LLC through Mauch Chunk Trust Company and purchased two brokered certificates of deposit. 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. In March of 2017, the remaining brokered certificate of deposit matured and \$176,620 was reinvested in a second Mauch Chunk Trust certificate of deposit with a maturity date of February 5, 2019. As of March 31, 2017, the brokerage account with Cetera Advisor Networks, LLC was closed. Both bank certificates are included in Marketable Securities Available for Sale, which approximates fair value.

On June 12, 2017, Lake Mountain, LLC terminated a revolving commercial line of credit with Mauch Chunk Trust in the amount of \$250,000. The line was established on April 13, 2015 and due to minimal activity in the two-year period, the Company decided to close it.

On November 21, 2016, the Company renewed 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 certificate of deposit with Mauch Chunk Trust. The letter was established January 8, 2016 to comply with legislation that requires Blue Ridge as a private owner of 2 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 were due monthly with a maturity date of April 1, 2019. The interest rate was fixed at 3.75%. The loan was secured by the Company's certificate of deposit. On January 30, 2017, the Company paid the outstanding balance of \$38,034 in full.

The following table sets forth the Company's significant contractual cash obligations for the items indicated as of July 31, 2017, and their expected year of payment or expiration.

Contractual Obligations:	Total	Less than			More than 5 years
		1 year	1-3 years	4-5 years	
Long-Term Debt-Investment Properties	\$6,665,970	\$290,346	\$1,001,114	\$791,892	\$4,582,618
Capital Leases	117,302	30,852	77,015	9,435	0
Debt Sub-total	\$6,783,272	\$321,198	\$1,078,129	\$801,327	\$4,582,618
Fixed Rate Interest	\$3,773,071	\$450,933	\$1,222,576	\$690,569	\$1,408,993
Variable Rate Interest	13,995	5,463	8,469	63	0
Interest Sub-total	\$3,787,066	\$456,396	\$1,231,045	\$690,632	\$1,408,993
Pension Contribution Obligations (1)	\$43,100	\$43,100			
Total Contractual Cash Obligations	\$10,613,438	\$820,694	\$2,309,174	\$1,491,959	\$5,991,611

(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, operation of a restaurant and recreational lake club facility, property management services, golf activities, timbering, home construction and leasing activities. Generally, 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, pension, 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. There are no long-lived assets classified as held for sale at July 31, 2017. The amount in long lived assets held for sale at October 31, 2016 included 155 acres under agreement of sale with the Natural Lands trust that closed on November 7, 2016.

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.

The loss carryforwards result from prior year losses incurred for federal income tax purposes.

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 8 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 \$153,300 in Fiscal 2016. The Company contributed \$207,950 and anticipates contributing another \$43,100 to the pension plan in Fiscal 2017. 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.