BLUE RIDGE REAL ESTATE COMPANY

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

2017

ANNUAL REPORT

As of and for the Fiscal Year Ended October 31, 2017 and 2016

The accompanying financial statements have been prepared by the Company's management.
Independent auditors have conducted an audit of these financial statements.

BLUE RIDGE REAL ESTATE COMPANY AND SUBSIDIARIES
ANNUAL 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 offices

Company 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 October 31, 2017
Total shares outstanding:	2,443,600 as of October 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 years ended October 31, 2017 and 2016, the Company repurchased 224 and 221 shares of its common stock, respectively. 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 Annual Report at the pages noted below:

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 31^{st}.

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.

Our business faces significant risks. Some of the following risks relate principally to our business and the industry and statutory and regulatory environment in which we operate. Other risks relate principally to financial investments and the securities markets and ownership of our stock. The risks described below may not be the only risks we face. Additional risks that we do not yet know of or that we currently think are immaterial may also impair our business operations. If any of the events or circumstances described in the following risk factors actually occurs, our business, financial condition or results of operations could suffer, and the trading price of our common stock could decline.

Risks Related to Our Business and Our Industry

We are exposed to risks associated with real estate development.

We have extensive real estate holdings near our mountain resorts and elsewhere in the United States. The value of our real property and the revenue from related development activities may be adversely affected by a number of factors, including:

- unexpected construction costs or delays;
- government regulations and changes in real estate, zoning, land use, environmental or tax laws;
- attractiveness of the properties to prospective purchasers and tenants;
- local real estate conditions (such as an oversupply of space or a reduction in demand for real estate in an area);
- competition from other available property or space;
- potential liabilities under environmental and other laws;
- our ability to obtain adequate insurance;
- interest rate levels and the availability of financing; and
- national and local economic climate.

A downturn in the demand for residential real estate or the increase in the supply of real estate available for sale and declining prices could adversely impact our business.

The real estate development industry is cyclical in nature and is particularly vulnerable to unpredictable shifts in regional and national economic conditions. The United States housing market suffered a dramatic downturn in July 2007. The collapse of the housing market contributed to the recession in the national economy, which exerted further downward pressure on housing demand and resulted in an oversupply of existing homes for sale nationwide. As a result of this downturn, our real estate sales and revenues were adversely affected. Resort vacation unit rental and ownership is a discretionary activity entailing relatively high costs, and a further decline in the regional or national economies where we operate could adversely impact our real estate development operations. Accordingly, if market conditions were to worsen, the demand for our real estate products could further decline, negatively impacting our business, results of operations, cash flows and financial condition.

If the market values of our home sites and other developed real estate assets were to drop below the book value of those properties, we would be required to write-down the excess book value of those properties, which would have an adverse effect on our balance sheet and our earnings.

We have owned the majority of our land for many years, having acquired most of our land in the 1960's. Consequently, we have a very low cost basis in the majority of our land holdings. We have subdivided and developed parcels with infrastructure improvements and also constructed a golf course and temporary clubhouse, which required significant capital expenditures. Many of these costs are capitalized as part of the book value of the land development. Adverse market conditions, in certain circumstances, may require the book value of the real estate assets to be decreased, often referred to as a "write-down" or "impairment." A write-down of an asset would decrease the value of the asset on our balance sheet and would reduce our earnings for the period in which the write-down is recorded.

During Fiscal 2017, we recorded total asset impairment costs of $37,000 which related to the write-down of the Maple Terrace property. If market conditions were to continue to deteriorate, and the market values of our home sites and other developed real estate were to fall below the book value of these assets, we could be required to take additional write-downs of the book value of those assets.

If we are not able to obtain suitable financing, our business and results of operations may decline.

Our business and earnings depend substantially on our ability to obtain financing for the development of our residential communities, whether from bank borrowings, public offerings or private placements of debt or equity. Approximately $6,705,000 of our long-term debt is due and payable at various times to August 2031.

If we are not able to obtain suitable financing at reasonable terms or replace existing debt and credit facilities when they become due or expire, our costs for borrowings will likely increase and our revenues may decrease, or we could be precluded from continuing our operations at current levels.

Competition and market conditions relating to our real estate management operations could adversely affect our operating results.

We face competition from similar retail centers that are near our retail properties with respect to the renewal of leases and re-letting of space as leases expire. Any new competitive properties that are developed close to our existing properties also may impact our ability to lease space to creditworthy tenants. Increased competition for tenants may require us to make capital improvements to properties that we would not have otherwise planned to make or may also have a downward impact on rental prices. Any unbudgeted capital improvements could adversely affect our results of operations. Also, to the extent we are unable to renew leases or re-let space as leases expire, it would result in decreased cash flow from tenants and could adversely affect our results of operations.

Our retail properties are subject to adverse market conditions, such as population trends and changing demographics, income, sales and property tax laws, availability and costs of financing, construction costs and weather conditions that may increase energy costs, any of which could adversely affect our results of operations. If the sales of stores operating at our properties were to decline significantly due to economic conditions, the risk that our tenants will be unable to fulfill the terms of their leases or will enter into bankruptcy may increase. Economic and market conditions have a substantial impact on the performance of our anchor and other tenants and may impact the ability of our tenants to make lease payments and to renew their leases. If, as a result of such tenant difficulties, our properties do not generate sufficient income to meet our operating expenses, including debt service, our results of operations would be adversely affected.

Our business is subject to heavy environmental and land use regulation.

We are subject to a wide variety of federal, state and local laws and regulations relating to land use and development and to environmental compliance and permitting obligations, including those related to the use, storage, discharge, emission and disposal of hazardous materials. Any failure to comply with these laws could result in capital or operating expenditures or the imposition of severe penalties or restrictions on our operations that could adversely affect our present and future resort operations and real estate development. In addition, these laws and regulations could change in a manner that materially and adversely affects our ability to conduct our business or to implement desired expansions and improvements to our facilities.

We are subject to litigation in the ordinary course of business.

We are, from time to time, subject to various legal proceedings and claims, either asserted or unasserted. Any such claims, whether with or without merit, could be time-consuming and expensive to defend and could divert management's attention and resources. While management believes we have adequate insurance coverage and accrued loss contingencies for all known matters, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us.

Implementation of existing and future legislation, rulings, standards and interpretations from the FASB or other regulatory bodies could affect the presentation of our financial statements and related disclosures.

Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change the interpretation or perception of our financial position and results of operations.

If we are unable to retain our key executive personnel and hire additional personnel as required, our business and prospects for growth could suffer.

We believe that our operations and future development are dependent upon the continued services of our key executive personnel. Moreover, we believe our future success will depend in large part upon our ability to attract, retain and motivate highly skilled management employees. If one or more members of our management team or other key personnel become unable or unwilling to continue in their present positions and if additional key personnel cannot be hired as needed, our business and prospects for growth could be materially adversely affected.

The cyclical nature of the forest products industry could adversely affect our timbering operations.

Our results of operations are affected by the cyclical nature of the forest products industry. Historical prices for logs and wood products have been volatile, and we, like other participants in the forest products industry, have limited direct influence over the time and extent of price changes for logs and wood products. The demand for logs and wood products is affected primarily by the level of new residential construction activity and, to a lesser extent, repair and remodeling activity and other industrial uses. The demand for logs is also affected by the demand for wood chips in the pulp and paper markets. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- interest rates;
- population growth and changing demographics; and
- seasonal weather cycles (e.g., dry summers, wet winters).

Decreases in the level of residential construction activity generally reduce demand for logs and wood products. This results in lower revenues, profits and cash flows in our Land Resources Management segment. In addition, industry-wide increases in the supply of logs and wood products during favorable price environments can also lead to downward pressure on prices. Timber owners generally increase production volumes for logs and wood products during favorable price environments. Such increased production, however, when coupled with even modest declines in demand for these products in general, could lead to oversupply and lower prices.

Risks Related to Our Investments

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

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. We maintain the cash and cash equivalents with reputable major financial institutions. These balances could be impacted if one or more of the financial institutions with which we deposit fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents, however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

Our investments in marketable securities are subject to risks which may cause losses and affect the liquidity of these investments.

We invest funds in excess of those needed for working capital in preferred stocks, corporate bonds, federal agency bonds, money markets and other financial instruments with weighted average maturities of 18 months or less. Significant declines in the value of these investments due to the operating performance of the companies we invest in or general economic or market conditions may result in the recognition of realized or impairment losses which could be material.

Risks Related to Our Common Stock

We do not expect to pay dividends on our common stock.

Although we have declared and paid dividends on our common stock in the past, we do not anticipate declaring or paying any dividends in the foreseeable future. We plan to retain any future earnings to finance the continued expansion and development of our business. As a result, our dividend policy could depress the market price for our common stock.

We are effectively controlled by KRSX Merge, LLC, and other shareholders have little ability to influence our business.

As of January 29, 2018, KRSX Merge, LLC., or KRSX, a wholly-owned subsidiary of Kimco Realty Corporation, owned at least 1,425,153 shares, or approximately 58% of our outstanding voting stock. KRSX is able to exercise significant control over all matters requiring shareholder approval, including the election of directors and approval of significant corporate actions, such as mergers and other business combination transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control over us unless it is supported by KRSX. Accordingly, your ability to influence us through voting your shares is very limited.

Mr. Raymond Edwards and Mr. David Domb, two of the Company’s Directors, are employees of Kimco Realty Corporation.

Our common stock is thinly traded. Our stock price may fluctuate more than the stock market as a whole.

As a result of the thin trading market for our stock, its market price may fluctuate significantly more than the stock market as a whole or the stock prices of similar companies. Of the 2,443,600 shares of our common stock outstanding as of January 29, 2018, approximately 42% of such shares are beneficially owned by persons other than KRSX, our controlling shareholder. Without a larger float, our common stock will be less liquid than the stock of companies with broader public ownership, and, as a result, the trading prices for our common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger.

Holders of our securities are subject to the risks of an investment in a private rather than a public company.

The Company has deregistered and its reporting obligations were suspended under the Security and Exchange Act of 1934, as amended, on February 13, 2014 after filing Form 15 with the Securities and Exchange Commission. The Company’s stock is currently quoted and traded on the OTC Markets Pink Sheets.

Holders of the Company’s shares:

- may suffer losses if the Company does not establish profitability and sustain earnings and cash flow in the future;
- will be subject to risk of a decline in the Company’s results of operations and potential adverse effects on the Company from an inability to obtain adequate working capital;
- will likely experience a reduction in the already limited liquidity of the Company’s shares, thus making a sale in the market more difficult because the Company ceased to be a reporting company;
- will not experience a significant increase in their respective ownership percentages of the Company’s shares; and

- will likely, especially if an unaffiliated shareholder, have less access to information about Blue Ridge because the Company ceased to be a reporting company.

There may not be a sufficient number of shares outstanding and publicly traded to ensure a continued trading market in the shares in any over-the-counter market. The continued quotation of our common shares as well as the availability of any over-the-counter trading in our common shares will depend, in part, on the nature and extent of continued publicly available information about Blue Ridge. Although we continue to provide audited annual financial statements and unaudited quarterly financial statements to our shareholders and publish reports and news releases with the OTC Markets, there is no requirement that we do so. Further, under Rule 15c2-11, brokers and dealers are prohibited from publishing any quotation for a security, directly or indirectly, or submitting any such quotation for publication, in any quotation medium unless such broker or dealer has in its records the documents and information required by the rule ("Paragraph A Current Information"), and, based upon a review of such information together with any other documents and information required by the rule ("Paragraph B Information"), has a reasonable basis under the circumstances for believing that the Paragraph A Information is accurate in all material respects, and that the sources of the Paragraph A information are reliable. Market Makers may post quotations in securities of companies with limited financial information only if they can demonstrate to the Financial Industry Regulatory Authority ("FINRA") that the requirements of Rule 15c2-11 are being satisfied.

7) Describe the Issuer's Facilities

At October 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, 7,976 acres were held for investment, 1,433 acres were held for development and 284 acres were held for sale. 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.

Name of Beneficial Owner	**Number of Shares Beneficially Owned (1)**
KRSX Merge, 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 annual 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: January 29, 2018

/s/ Bruce Beaty
Bruce Beaty
Chief Executive Officer and President

I, Cynthia A. Van Horn certify that:

1. I have reviewed this annual 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: January 29, 2018

/s/ Cynthia A. Van Horn
Cynthia A. Van Horn
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Independent Auditors' Report

Board of Directors and Shareholders
Blue Ridge Real Estate Company

We have audited the accompanying consolidated financial statements of Blue Ridge Real Estate Company and Subsidiaries, which comprise the consolidated balance sheets as of October 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Real Estate Company and Subsidiaries as of October 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/Kronick Kalada Berdy & Co. P.C.
Kingston, Pennsylvania

January 29, 2018

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

BALANCE SHEETS
October 31, 2017 and 2016

ASSETS	10/31/17	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	**9,990,161**	10,518,644
Land held for investment (7,976 and 8,261 acres per land ledger, respectively)	**4,087,290**	4,194,839
Long-lived assets held for sale (284 and 155 acres per land ledger, respectively)	**65,657**	18,233
Cash and cash equivalents	**3,130,601**	1,657,990
Marketable securities available for sale	**4,440,954**	6,442,152
Cash held in escrow	**505**	500
Prepaid expenses and other assets	**437,640**	450,835
Deferred tax asset	**957,484**	646,239
Accounts receivable	**43,936**	132,462
Total assets	**$30,017,754**	$30,925,420
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Debt	**$6,704,588**	$6,935,743
Accounts payable	**206,690**	147,607
Accrued liabilities	**1,187,456**	797,303
Deferred income	**129,024**	119,857
Accrued pension expense	**3,256,648**	3,582,772
Total liabilities	**11,484,406**	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 2,443,600 and 2,443,824, respectively	**733,080**	733,147
Capital in excess of stated value	**18,253,174**	18,254,742
Earnings retained in the business	**1,464,008**	2,690,869
Accumulated other comprehensive loss	**(1,916,914)**	(2,336,620)
Total shareholders' equity	**18,533,348**	19,342,138
Total liabilities and shareholders’ equity	**$30,017,754**	$30,925,420

The accompanying notes are an integral part of the financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

STATEMENTS OF OPERATIONS
for the years ended October 31, 2017 and 2016

	10/31/17	10/31/16
Revenues:		
Resort operations revenue	**$3,667,566**	$3,539,323
Real estate management revenue	**730,150**	719,616
Land resource management revenue	**867,593**	2,214,541
Rental income revenue	**850,990**	870,267
Total revenues	**6,116,299**	7,343,747
Costs and expenses:		
Resort operations costs	**3,565,272**	3,525,663
Real estate management costs	**631,741**	655,420
Land resource management costs	**1,017,216**	982,846
Rental income costs	**378,804**	357,769
General and administration expense	**2,053,103**	1,795,540
Gain on sale of assets	**0**	(2,750)
Total costs and expenses	**7,646,136**	7,314,488
Operating (loss) income before other income and (expense)	**(1,529,837)**	29,259
Other income and (expense):		
Interest and other income	**1,212**	10,576
Interest expense	**(467,721)**	(486,452)
Interest and dividends on marketable securities, net	**177,483**	68,557
Loss on disposition of marketable securities (composed entirely of reclassification from accumulated other comprehensive income for previously unrealized net gains or (losses) on securities)	**(5,998)**	(68)
Total other expense	**(295,024)**	(407,387)
Loss before income taxes	**(1,824,861)**	(378,128)
Benefit for income taxes:		
Current income taxes	**0**	0
Deferred income taxes	**(598,000)**	(166,000)
Total benefit for income taxes	**(598,000)**	(166,000)
Net loss	**($1,226,861)**	($212,128)
Basic loss per weighted average share	**($0.50)**	($0.09)

The accompanying notes are an integral part of the financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE LOSS
for the years ended October 31, 2017 and 2016

	2017	2016
Net loss	**($1,226,861)**	($212,128)
Other comprehensive income (loss), net of tax		
Unrealized gains on securities		
Unrealized holding gains arising during the period	**43,499**	68,916
Reclassification adjustment for net losses included in net loss	**5,998**	0
Deferred tax expense	**(20,093)**	(27,975)
Defined benefit pension		
Net gain (loss) arising during the period	**195,868**	(711,800)
Amortization of net loss included in net periodic pension cost (a)	**461,096**	362,007
Deferred tax (expense) benefit	**(266,662)**	141,993
Other comprehensive income (loss)	**419,706**	(166,859)
Total comprehensive loss	**($807,155)**	($378,987)

Deferred tax benefit on net loss arising during the period was ($79,503) and $288,932 for the years ended October 31, 2017 and 2016, respectively.

Deferred tax expense on amortization of net loss included in net periodic pension cost was ($187,159) and ($146,939) for the years ended October 31, 2017 and 2016, respectively.

Deferred tax expense on unrealized holding gains arising during the period was $20,093 and $27,975 for the years ended October 31, 2017 and 2016, respectively.

(a) These amounts are comprised of reclassifications from accumulated other comprehensive income that are included in general and administration expense. The deferred tax amounted to $187,159 and $146,939 at October 31, 2017 and 2016, respectively.

The accompanying notes are an integral part of the financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended October 31, 2017 and 2016

	Capital Stock (1)		Capital in Excess of	Earnings Retained in	Accumulated Other Comprehensive	
	Shares	Amount	Stated Par	the Business	Loss	Total
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	(221)	(67)	(1,923)			(1,990)
Net loss				(212,128)		(212,128)
Other comprehensive loss					(166,859)	(166,859)
Balance, October 31, 2016	2,443,824	$733,147	$18,254,742	$2,690,869	($2,336,620)	$19,342,138
Cancellation of shares purchased in buyback program	(224)	(67)	(1,568)			(1,635)
Net loss				(1,226,861)		(1,226,861)
Other comprehensive income					419,706	419,706
Balance, October 31, 2017	2,443,600	$733,080	$18,253,174	$1,464,008	($1,916,914)	$18,533,348

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

The accompanying notes are an integral part of the financial statements.

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

STATEMENTS OF CASH FLOWS
For the years ended October 31, 2017 and 2016

	10/31/17	10/31/16
Cash Flows (Used In) Provided By Operating Activities:		
Net loss	**($1,226,861)**	($212,128)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	**691,901**	717,425
Amortization of investment premiums	**19,993**	42,994
Loss on marketable securities	**5,998**	68
Impairment	**37,000**	0
Net book value of properties sold	**128,641**	0
Deferred income taxes	**(598,000)**	(166,000)
Gain on sale of assets	**0**	(2,750)
Changes in operating assets and liabilities:		
Cash held in escrow	**(5)**	97,566
Accounts and notes receivable	**88,526**	505,715
Prepaid expenses and other assets	**13,195**	(25,100)
Land and land development costs	**0**	(20)
Long-lived assets held for sale	**18,233**	13,401
Accounts payable and accrued liabilities	**780,076**	59,563
Deferred income	**9,167**	714
Net cash (used in) provided by operating activities	**(32,136)**	1,031,448
Cash Flows Provided By (Used In) Investing Activities:		
Purchases of marketable securities	**(1,358,306)**	(5,122,612)
Proceeds from disposition of assets	**0**	2,750
Proceeds from maturities and sales of marketable securities	**3,383,010**	5,650,000
Additions to properties	**(287,167)**	(623,834)
Net cash provided by (used in) investing activities	**1,737,537**	(93,696)
Cash Flows (Used In) Provided By Financing Activities:		
Proceeds from debt	**126,776**	50,000
Payment of debt	**(357,931)**	(316,941)
Purchase of common stock	**(1,635)**	(1,990)
Net cash used in financing activities	**(232,790)**	(268,931)
Net increase in cash and cash equivalents	**1,472,611**	668,821
Cash and cash equivalents, beginning of period	**1,657,990**	989,169
Cash and cash equivalents, ending of period	**$3,130,601**	$1,657,990

The accompanying notes are an integral part of the financial statements.

NOTES TO AUDITED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation:

The accompanying audited 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"). All significant intercompany accounts and transactions are eliminated.

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.

Land and Resort Homes:

The Company recognizes 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 financed the sale, more than 20% down payment is required. 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:

Timbering revenues from stumpage contracts are recognized at the time a stumpage contract is signed, at which time the risk of ownership has been passed to the buyer at a fixed, determinable cost. Reasonable assurance of collectability has been determined by the date of signing, and the few obligations of the Company have already been met.

Land and Land Development Costs:

The Company capitalizes 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. 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 closing documents. At closing a binding contract is in effect, the buyer has arranged for permanent financing and the Company is assured of payment in full. Also at this time, the risks and rewards associated with ownership have been transferred to the buyer. Selling expenses are recorded when incurred.

Land Improvements, Buildings, Equipment and Depreciation:

Land improvements, buildings and equipment are stated at cost. Depreciation, including amortization of equipment under capital lease is provided principally using the straight-line method over the estimated useful lives as set forth below:

Land improvements	10-30 years
Buildings and improvements	3-40 years
Equipment and furnishings	3-20 years

Upon sale or retirement of depreciable property, the cost and related accumulated depreciation are removed from the related accounts, and resulting gains or losses are reflected in income.

Interest, real estate taxes, and insurance costs, including those costs associated with holding unimproved land, are 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.

Land Held for Investment:

Land held for investment is stated at cost and is principally unimproved. Portions of this land are leased on an annual basis primarily to hunting and sportsman clubs. Real estate taxes and insurance are expensed as incurred.

Long-Lived Assets Held for Sale:

The Company classifies assets as a long-lived asset held for sale upon a signed agreement of sale. The carrying value of the assets held for sale are stated at the lower of carrying value or fair market value less costs to sell. The impairment loss for long-lived assets held for sale is the difference between their carrying value and their fair value less cost to sell. Included in long-lived assets held for sale at October 31, 2017 were 284 acres of land, with a cost of $65,657, that is the subject of a letter of intent to purchase, agreed to and accepted by the Company on October 23, 2017.

Impairment:

The Company reviews its long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, which is primarily due to the state of the industry and the economy. In that event, the Company calculates the expected future net cash flows to be generated by the asset. If those net future cash flows are less than the carrying value of the asset, an impairment loss is recognized in operating (loss) profit. The impairment loss is the difference between the carrying value and the fair value of the asset. The impairment loss is recognized in the period incurred.

Deferred Income:

Deferred income includes dues, rents and deposits on land or home sales. Rents that are not yet earned relate to the Company's commercial properties that have been paid in advance, and dues are related to memberships in the Company's hunting and fishing clubs and golf club memberships paid in advance. The Company recognizes revenue related to the hunting and fishing clubs and golf course memberships over the period that the dues cover. The Company recognizes revenue related to the fishing club over a five-month period, May through September, and the golf course over a seven-month period, April through October. Deposits are required on land and home sales.

Comprehensive Income (Loss):

The Company's comprehensive income (loss) differs from net income (loss) due to changes in the funded status of the Company's defined benefit pension plan (see Note 8) and unrealized gains/(losses) on marketable securities (See Note 7). The Company has elected to disclose comprehensive income and loss in its Statements of Comprehensive Loss.

Income Taxes:

The Company accounts for income taxes utilizing the asset and liability method of recognizing the tax consequence of transactions that have been recognized for financial reporting or income tax purposes. Among other things, this method requires current recognition of the effect of changes in statutory tax rates on previously provided deferred taxes. For federal income tax purposes, Blue Ridge and its subsidiaries file as consolidated entities. State income taxes are reported on a separate company basis. Valuation allowances are established, when necessary to reduce tax assets to the amount expected to be realized.

The Company's policies for Accounting for Uncertainty in Income Taxes in an enterprise's financial statements, requires a review of all tax positions and applies a "more-likely-than-not" recognition threshold to determine whether any part of an individual tax position should be recognized in the financial statements. A tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon the ultimate settlement with the taxing authority that has full knowledge of all relevant information.

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, marketable securities and accounts 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, 2017 ("Fiscal 2017"). Material subsequent events are evaluated and disclosed through the issuance date of this Annual 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 October 31, 2017, the Company had $0 working cash on deposit in excess of the FDIC insured limit of $250,000, however, the Company also had $2,431,654 invested in money market funds at October 31, 2017 which are not insured by the FDIC.

Cash Held in Escrow:

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

Accounts Receivable:

Accounts receivable are reported at net realizable value. Accounts or a portion thereof are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. An allowance for doubtful accounts, if deemed necessary, is estimated based upon a review of individual accounts.

Earnings Per Share:

Basic earnings per share are calculated based on the weighted-average number of shares outstanding. Diluted earnings per share include the dilutive effect of stock options, if applicable.

Business Segments:

The Company currently operates in three business segments, which consist of Resort Operations, Real Estate Management/Rental Operations and Land Resource Management. Financial information about our segments can be found in Note 15.

Marketable Securities:

Marketable securities consist of debt securities (3 positions of corporate bonds), investments in preferred stocks (47 positions of financial services, insurance and real estate investment trusts) and two certificates of deposit at October 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, ASU 2016-08 Revenue from Contracts with Customers (Topic 606): Principal Versus Agent Consideration (Reporting Revenue Gross versus Net); ASU 2016-10 Revenue from Contracts with Customers (Topic 606): identifying Performance Obligations and Licensing; ASU 2016-12 Revenue from Contracts with Customers (Topic 606): Narrow Scope Improvements and Practical Expedients and ASUE 2016-20 Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers are 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 these pronouncements 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 financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-7 Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. ASU 2017-07 is effective for us beginning November 1, 2019. We are currently evaluating the impact that the adoption of ASU 2017-07 may have on our financial statements and disclosures.

2. CONDENSED FINANCIAL INFORMATION:

Condensed financial information of Blue Ridge and its subsidiaries at October 31, 2017 and 2016 and for each of the years then ended is as follows:

	Blue Ridge and Subsidiaries	
	10/31/17	10/31/16
FINANCIAL POSITION:		
Total assets	**$30,017,754**	$30,925,420
Total liabilities	**11,484,406**	11,583,282
Shareholders' equity	**18,533,348**	19,342,138
OPERATIONS:		
Revenues	**6,116,299**	7,343,747
Loss from operations before taxes	**(1,824,861)**	(378,128)
Benefit for income taxes	**(598,000)**	(166,000)
Net loss	**($1,226,861)**	($212,128)

3. LAND AND LAND DEVELOPMENT COSTS:

Land and improvements in progress held for development as of October 31, 2017 and 2016 consist of the following:

	10/31/2017	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

4. LAND HELD FOR INVESTMENT:

	10/31/2017	10/31/2016
Land – Unimproved	**$1,692,278**	$1,799,828
Land – Commercial rental properties	**2,395,012**	2,395,011
Total land held for investment	**$4,087,290**	$4,194,839

5. DEBT AND LETTER OF CREDIT:

Debt as of October 31, 2017 and 2016 consists of the following:

	10/31/2017	10/31/2016
Mortgage notes payable to bank, interest fixed at 6.90% payable in monthly installments of $61,769 including interest through Fiscal 2031, secured by certain buildings.	**$6,595,245**	$6,870,989
Capital lease obligation payable to bank, interest fixed at 5.08%, payable in 30 non-consecutive installments in the months of May through October of $4,749, through June 2022, secured by certain equipment.	**109,343**	0
Capital lease obligation payable to bank, interest fixed at 4.99%, payable in 24 installments of $3,934 due May 2014 to October 2017, secured by certain equipment. The capital lease was paid in full in October 2017.	**0**	22,694
Promissory note payable to bank, interest fixed at 3.75%, payable in monthly installments of $1,472 including interest through Fiscal 2019, secured by CD accounts. The note was paid in full in January 2017.	**0**	42,060
Total debt	**$6,704,588**	$6,935,743

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 non-consecutive monthly installments in the months of May through October of $4,749, through June 2022, and bears interest at a fixed rate of 5.08%.

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 15, 2017, 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.

The weighted average short-term borrowings and interest rate for the year ended October 31, 2017 were $0 and 0%, respectively and on October 31, 2016 were $7,500 and 4.50%, respectively. As of October 31, 2017, the Company has no variable rate debt.

The aggregate amount of debt maturing in each of the next five years and thereafter ending subsequent to October 31, 2017, is as follows: 2018 - $318,427; 2019 -$340,674; 2020 - $364,481; 2021 - $389,990, 2022 - $398,600; thereafter $4,892,416.

6. INCOME TAXES:

The provision (credit), rounded to the nearest thousand, for income taxes from continuing operations is as follows:

	10/31/17	10/31/16
Currently payable (refundable):		
Federal	**0**	(2,000)
State	**0**	2,000
	0	0
Deferred:		
Federal	**(604,000)**	(162,000)
State	**6,000**	(4,000)
	(598,000)	(166,000)
Total	**($598,000)**	($166,000)

A reconciliation between the amount computed using the statutory federal income tax rate of 34% and the actual provision (credit), rounded to the nearest thousand, for income taxes is as follows:

	10/31/17	10/31/16
Computed at statutory rate	**($621,000)**	($132,000)
State income taxes, net of federal income tax	**8,000**	(4,000)
Nondeductible expenses	**2,000**	3,000
Change in valuation allowance	**13,000**	0
Other	**0**	(33,000)
(Credit) provision for income taxes from continuing operations	**($598,000)**	($166,000)

The components of the deferred tax assets and liabilities as of October 31, 2017 and 2016 are as follows:

	10/31/17	10/31/16
Deferred tax assets:		
Accrued expenses	**283,000**	155,000
Deferred income	**(40,000)**	(40,000)
Defined benefit pension	**1,358,000**	1,625,000
Asset impairment	**6,708,000**	6,693,000
AMT credit carryforward	**557,000**	557,000
Net operating losses	**3,927,000**	2,920,000
Valuation allowance	**(6,544,000)**	(6,158,000)
Contribution carryforward	**1,000**	0
Capital loss carryforward	**2,000**	1,000
Deferred tax asset	**6,252,000**	5,753,000
Deferred tax liability:		
Depreciation	**(5,247,000)**	(5,079,000)
Unrealized capital gains	**(48,000)**	(28,000)
Deferred tax liability	**(5,295,000)**	(5,107,000)
Deferred income tax asset, net	**$957,000**	$646,000

At October 31, 2017, the Companies have approximately $557,000 of Alternative Minimum Tax (AMT) credit carryforward available to reduce future income taxes. The AMT credit has no expiration date.

At October 31, 2017, the Companies had available approximately $2,972,000 of federal net operating loss carryforwards which will expire from 2032 to 2037. The Companies also have state net operating loss carryforwards of approximately $29,195,000 that will expire from 2021 to 2037. The Companies have recorded a valuation allowance against the deferred tax assets, which are not expected to be utilized.

The Companies recognize interest and/or penalties related to income tax matters in income tax expense, if any.

At October 31, 2017, the Companies had unsettled federal tax returns for Fiscal 2014, 2015 and 2016 and unsettled state tax returns for Fiscal 2014, 2015 and 2016 for the states of Louisiana, Minnesota, New Jersey and Pennsylvania.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act into legislation. We anticipate a tax expense of approximately $210,000 to be recorded in the first quarter of Fiscal 2018 primarily due to a re-measurement of the deferred tax assets and liabilities.

7. MARKETABLE SECURITIES:

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

	October 31, 2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
Corporate bonds	**$1,595,472**	**$0**	**$0**	**$1,595,472**
Preferred Stocks	**2,473,449**	**124,058**	**(5,645)**	**2,591,862**
Certificates of deposit	**253,620**	**0**	**0**	**253,620**
Total marketable securities	**$4,322,541**	**$124,058**	**($5,645)**	**$4,440,954**

The amortized costs of the available for sale bonds and certificates of deposit at October 31, 2017 maturing within one year was $1,595,472 and $0, respectively, and maturing one year through five years was $0 and $253,620, respectively. The preferred stocks include investments in 47 public companies in various industries with the largest investment, at market value, in a single company of $132,098. For the twelve months ended October 31, 2017, there were realized gains of $7,488 and realized losses of $13,486 on 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	$6,373,236	$76,450	($7,534)	$6,442,152

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 $1,106,257 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

Effective July 15, 2010, the Company's sponsored defined benefit pension plan was amended such that future benefit accruals ceased effective as of August 31, 2010. Benefits under the plan were based on average compensation and years of service. The Company's funding policy is to contribute annually at least the minimum amounts required under the Employee Retirement Income Security Act of 1974.

On August 1, 2017, the Company amended the Blue Ridge Real Estate Pension Plan to allow eligible participants the option to elect an immediate single lump-sum payment or distribution to an eligible rollover. Sixteen participants chose a lump sum payment or an eligible rollover.

Weighted Average Assumptions	**10/31/17**	10/31/16
Discount Rates used to determine net periodic pension cost as of October 31, 2017 and 2016	**3.47%**	4.02%
Expected long-term rates of return on assets	**5.00%**	5.75%
Rates of increase in compensation levels	**N/A**	N/A

Change in Benefit Obligation	**10/31/17**	10/31/16
Benefit obligation at beginning of year	**$10,371,271**	$9,950,471
Service cost (net of expenses)	**102,435**	76,975
Interest cost	**352,315**	393,021
Curtailment	**0**	0
Actuarial (gain) loss	**(288,555)**	382,055
Benefits paid	**(463,400)**	(431,251)
Benefit obligation at end of year	**$10,074,066**	$10,371,271

Change in Plan Assets	**10/31/17**	10/31/16
Fair value of plan assets at beginning of year	**$6,788,499**	$7,000,680
Actual return on plan assets	**352,489**	161,400
Employer contributions	**251,050**	153,300
Benefits paid	**(463,400)**	(431,251)
Administrative expenses	**(111,220)**	(95,630)
Fair value of plan assets at end of year	**$6,817,418**	$6,788,499

Reconciliation of Funded Status of the Plan	**10/31/17**	10/31/16
Funded status at end of year	**($3,256,648)**	($3,582,772)
Unrecognized transition obligation	**0**	0
Unrecognized net prior service cost	**0**	0
Unrecognized net actuarial loss	**3,345,010**	4,001,974
Net amount recognized at end of year	**$88,362**	$419,202

Amounts Recognized in the Balance Sheet	**10/31/17**	10/31/16
Accrued pension expense	**($3,256,648)**	($3,582,772)
Accumulated other comprehensive loss (pre-tax)	**3,345,010**	4,001,974
Net amount recognized	**$88,362**	$419,202

Additional Year-End Information for Pension Plan with Accumulated Benefit Obligation in Excess of Plan Assets	**10/31/17**	10/31/16
Projected benefit obligation	**$10,074,066**	$10,371,271
Accumulated benefit obligation	**$10,074,066**	$10,371,271
Fair value of plan assets	**$6,817,418**	$6,788,499

Amounts Recognized in Accumulated Other Comprehensive Loss	10/31/17	10/31/16
Net actuarial loss	**$3,345,010**	$4,001,974
Prior service cost	**0**	0
Unrecognized net initial obligation	**0**	0
Total (before tax effects)	**$3,345,010**	$4,001,974

Components of Net Periodic Benefit Cost	10/31/17	10/31/16
Service cost	**$102,435**	$76,975
Interest cost	**352,315**	393,021
Expected return on plan assets	**(333,956)**	(395,515)
Amortization of transition obligation	**0**	0
Amortization of prior service cost	**0**	0
Amortization of accumulated loss	**461,096**	362,007
Total net periodic benefit expense	**$581,890**	$436,488

Other changes in plan assets and benefit obligations recognized in other comprehensive loss	10/31/17	10/31/16
Net (gain) loss	**($195,868)**	$711,800
Recognized net actuarial gain	**(461,096)**	(362,007)
Prior service cost (credit)	**0**	0
Recognized prior service (cost) credit	**0**	0
Recognized net transition (obligation) asset	**0**	0
Total recognized in other comprehensive loss (before tax effects)	**($656,964)**	$349,793
Total recognized in net periodic benefit cost and other comprehensive income (loss) (before tax effects)	**($75,074)**	$786,281

Amounts expected to be recognized into net periodic cost in the coming year	10/31/17	10/31/16
Loss recognition	**$326,026**	$461,096
Prior service cost recognition	**$0**	$0
Net initial obligation/(asset) recognition	**$0**	$0

Estimated Future Benefits Payments	Fiscal Year	Benefits
	2018	$491,264
	2019	$494,254
	2020	$495,543
	2021	$526,139
	2022	$550,781
	2023-2027	$2,906,782

The Company expects to contribute $214,300 to the pension plan in Fiscal 2018.

Measurement Date October 31

Weighted Average Assumptions	**For Determination of:**	
	Benefit Obligations as of October 31, 2017	Benefit Obligations as of October 31, 2016
Discount rate	**3.53%**	3.47%
Rate of compensation increase	**N/A**	N/A
Mortality improvement scale	**MP-2017**	MP-2016

Weighted-Average Asset Allocations	**10/31/17**	10/31/16
Asset Category		
Equity	**25.53%**	24.63%
Fixed Income	**72.03%**	72.88%
Cash Equivalents	**2.44%**	2.49%
Total	**100.00%**	100.00%

The Company's goal is to conservatively invest the plan assets in high-grade securities with a minimum risk of market fluctuation.

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Plan for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 – Fair value is based on significant inputs, other than level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3 – Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

Information about the Plan's fair value levels follows as at October 31, 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
Money Market Fund	**$166,635**			**$166,635**
Common Collective Trust Fund of Wilmington Trust Fiduciary Services:				
Multi-Manager Large Cap Growth		**$630,901**		**630,901**
Multi-Manager Core Fixed Income		**3,205,935**		**3,205,935**
International Growth Fund		**206,412**		**206,412**
International Value Fund		**207,335**		**207,335**
Multi-Manager Large Cap Value		**695,830**		**695,830**
Core Plus Fixed Income Fund		**1,704,370**		**1,704,370**
Total	**$166,635**	**$6,650,783**		**$6,817,418**

Information about the Plan's fair value levels follows as at October 31, 2016:

	Level 1	Level 2	Level 3	Total
Money Market Fund	$169,336			$169,336
Common Collective Trust Fund of Wilmington Trust Fiduciary Services:				
Aggressive Growth Portfolio		$600,470		600,470
Intermediate Fixed Income Portfolio		3,231,009		3,231,009
International Growth Portfolio		196,711		196,711
International Value Portfolio		199,242		199,242
Large Company Value Portfolio		676,048		676,048
Strategic Bond Portfolio		1,715,683		1,715,683
Total	$169,336	$6,619,163		$6,788,499

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at October 31, 2017 and 2016.

Money market fund is valued at cost, which approximates fair value.

Mutual funds, if any, are valued at the quoted net asset value of the shares and common collective trust funds are valued based upon the unit values of such collective trust funds held by the Plan at year end. Unit values are based on the fair value of the underlying assets of the fund. The fair value of the level 2 funds are derived from inputs principally from or corroborated by observable market data by correlation or other means.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

		10/31/17	
	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	**29,404**	**390,302**	**419,706**
Ending balance	**$70,345**	**($1,987,259)**	**($1,916,914)**

		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	$40,941	($2,377,561)	($2,336,620)

The other comprehensive income (loss) is reported net of tax.

10. LAND IMPROVEMENTS, BUILDINGS AND EQUIPMENT, NET:

These assets consist of the following at October 31, 2017 and 2016.

	10/31/17	10/31/2016
Land improvements	**$10,787,358**	$10,786,508
Corporate buildings	**1,037,767**	1,010,099
Buildings leased to others	**10,545,856**	10,670,646
Equipment and furnishings	**3,821,299**	3,562,649
	26,192,280	26,029,902
Less accumulated depreciation and amortization	**16,202,119**	15,511,258
Total	**$9,990,161**	$10,518,644

11. ACCRUED LIABILITIES:

Accrued liabilities consist of the following at October 31, 2017 and 2016:

	10/31/17	10/31/2016
Payroll	**$296,035**	$259,681
Security and Other Deposits	**1,500**	2,750
Professional Fees	**99,616**	99,062
Other	**790,305**	435,810
Total	**$1,187,456**	$797,303

12. OPERATING LEASES:

The Company leases land and investment properties each of which are accounted for as operating leases. Rents are reported as income over the terms of the leases as they are earned. Information concerning rental properties and minimum future rentals under current leases as of October 31, 2017, is as follows:

		Properties Subject to Lease	
		Cost	**Accumulated Depreciation**
Investment properties leased to others		**$10,545,856**	**$3,215,873**
Land		**$4,449,519**	
Minimum future rentals:			
Fiscal years ending October 31:	2018	$890,247	
	2019	850,046	
	2020	846,585	
	2021	784,800	
	2022	774,000	
	Thereafter	11,228,000	
		$15,373,678	

Minimum future rentals subsequent to 2022 include $1,053,500 under a land lease expiring in 2072; $4,779,500 and $5,395,000 under net leases for two stores expiring in December 2035 and August 2036. There were no contingent rentals included in income for Fiscal 2017 and 2016. The above information includes rental escalations recognized using straight-line basis, if any.

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

	10/31/17		10/31/16	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
ASSETS:				
Cash and cash equivalents and cash held in escrow	**$3,131,106**	**$3,131,106**	$1,658,490	$1,658,490
Marketable securities available for sale	**4,440,954**	**4,440,954**	6,442,152	6,442,152
Accounts receivable	**43,936**	**43,936**	132,462	132,462
LIABILITIES:				
Accounts payable	**206,690**	**206,690**	147,607	147,607
Accrued liabilities	**1,187,456**	**1,187,456**	797,303	797,303
Debt	**$6,704,588**	**$6,863,945**	$6,935,743	$7,108,582

Fair Values were determined as follows:

Cash and cash equivalents, accounts 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 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 is determined using unadjusted quoted prices in active markets for identical assets – Level 1 hierarchy.

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.

The following tables set forth by level within the fair value hierarchy the Company's marketable securities assets at fair value as of October 31, 2017 and October 31, 2016:

	Investment Assets at Fair Value as of October 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Preferred stocks:				
Real estate investment trust	**$1,440,955**			**$1,440,955**
Finance	**878,420**			**878,420**
Insurance	**272,487**			**272,487**
Bonds				
Corporate		**$1,100,312**		**1,100,312**
Commercial paper		**495,160**		**495,160**
Certificates of Deposit	**253,620**			**253,620**
Total marketable securities	**$2,845,482**	**$1,595,472**		**$4,440,954**

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

As of October 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 $10,018,281, less impairment expense of $28,120 recorded in Fiscal 2017 for a revised carrying value of $9,990,161. The carrying amount net of prior period impairments for land held for investment is $4,096,170, less impairment expense of $8,880 recorded in Fiscal 2017 for a revised carrying value of $4,087,290. Lot 5 Maple Terrace located in Saylorsburg, PA was listed for sale in January 2017 with a sale price below the carrying value. After careful consideration by Management as to what would be acceptable as the minimum sale price for the property less closing costs, the total carrying value of $166,162 was written down by an impairment charge of $37,000, of which $28,120 was on the land improvements, buildings and equipment, net and $8,880 was on the land held for investment. The carrying amount for long-lived assets held for sale is $65,657, no impairment was ever expensed on this asset held for sale. There was a total of $37,000 impairment expense in Fiscal 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 period ending October 31, 2017 are categorized:

		Non-Recurring Fair Value Measurements at the End of the Reporting Period Using ($ in thousands)			
	10/31/2017	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.

During Fiscal 2017, this asset was sold for an amount in excess of the impaired carrying value.

14. QUARTERLY FINANCIAL INFORMATION:

The results of operations for each of the quarters in Fiscal 2017 and Fiscal 2016 years are presented below:

	1st	**2nd**	**3rd**	**4th**	**Total**
Year ended 10/31/17					
Operating revenues	**$1,263,052**	**$1,246,367**	**$1,902,475**	**$1,704,405**	**$6,116,299**
Operating loss	**(518,659)**	**(567,689)**	**(236,598)**	**(206,891)**	**(1,529,837)**
Net loss	**(393,560)**	**(432,089)**	**(197,652)**	**(203,560)**	**(1,226,861)**
Net loss per weighted average share	**($0.16)**	**($0.18)**	**($0.08)**	**($0.08)**	**($0.50)**

	1st	**2nd**	**3rd**	**4th**	**Total**
Year ended 10/31/16					
Operating revenues	$811,264	$915,257	$2,817,286	$2,799,940	$7,343,747
Operating income (loss)	(755,639)	(583,613)	841,167	527,344	29,259
Net income (loss)	(573,558)	(457,529)	489,824	329,135	(212,128)
Net income (loss) per weighted average share	($0.23)	($0.19)	$0.20	$0.13	($0.09)

The quarterly results of operations for Fiscal 2017 and 2016 reflect the impact of land dispositions and other assets that occur from time to time during the period and do not follow any pattern during the fiscal year.

15. 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:

	10/31/17	10/31/16
Revenues from continuing operations:		
Resort operations	**$3,667,566**	$3,539,323
Real estate management/rental income	**1,581,140**	1,589,883
Land resource management	**867,593**	2,214,541
Total revenues from operations	**$6,116,299**	$7,343,747
Operating profit (loss) from continuing operations, excluding general and administrative expenses:		
Resort operations	**$102,294**	$16,410
Real estate management/rental income	**570,595**	576,694
Land resource management	**(149,623)**	1,231,695
Total operating profit, excluding general and administrative expenses	**$523,266**	$1,824,799
General and administrative expenses:		
Resort operations	**$1,231,119**	$865,362
Real estate management/rental income	**530,753**	388,725
Land resource management	**291,231**	541,453
Total general and administrative expenses	**$2,053,103**	$1,795,540
Interest and other income, net:		
Resort operations	**$743**	$465
Real estate management/rental income	**303**	9,820
Land resource management	**166**	291
Total interest and other income, net	**$1,212**	$10,576
Interest expense:		
Resort operations	**$3,027**	$3,373
Real estate management/rental income	**$464,694**	483,079
Land resource management	**0**	0
Total Interest expense	**$467,721**	$486,452
Loss before income taxes	**($1,824,861)**	($378,128)

Identifiable assets, net of accumulated depreciation at October 31, 2017 and 2016 and depreciation expense and capital expenditures for the years then ended by business segment are as follows:

October 31, 2017	**Identifiable Assets**	**Depreciation and Amortization Expense**	**Capital Expenditures**
Resort operations	**$1,583,290**	**$221,894**	**$249,190**
Real estate management/rental income	**18,416,301**	**417,053**	**4,439**
Land resource management	**9,816,974**	**33,448**	**0**
Other corporate	**135,532**	**19,506**	**33,538**
Assets held for sale	**65,657**	**0**	**0**
Total Assets	**$30,017,754**	**$691,901**	**$287,167**

October 31, 2016	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort operations	$1,549,381	$225,775	$603,485
Real estate management/rental income	19,410,771	441,574	0
Land resource management	9,831,405	34,007	0
Other corporate	115,630	16,069	20,349
Assets held for sale	18,233	0	0
Total Assets	$30,925,420	$717,425	$623,834

During Fiscal 2017, we closed on the sale of land to the Natural Lands Trust conveying approximately 155 acres for the purchase price of $412,000 which was held for sale at October 31, 2016, and one single family home held for investment for the purchase price of $165,000. Both sale transactions are included in the Land Resource Management segment. There were no significant sales during Fiscal 2016. All asset impairment in Fiscal 2017 relate to the Land Resource Management segment.

16. 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.

17. RELATED PARTY TRANSACTIONS:

KRSX Merge LLC, or KRSX, is our controlling shareholder and Kimco Realty Corporation, or Kimco, the parent company of KRSX, provides consulting services to us. The services are focused on land development, acquisitions and disposals. Kimco was paid $0 in consulting fees in each of Fiscal 2017 and 2016.

Mr. Raymond Edwards, one of our Board of Directors, is Executive Vice President of Kimco Realty Corporation.

Mr. David Domb, one of our Board of Directors, is Senior Director and Associate to the Executive Chairman of Kimco Realty Corporation.

Amounts due to the above related parties total $0 at October 31, 2017 and October 31, 2016.

18. STOCK OPTIONS and CAPITAL STOCK:

During Fiscal 2017 and 2016, no stock options were issued or exercised. For Fiscal 2017 and 2016, there were no outstanding stock options.

The Company’s policy regarding the exercise of options requires that optionees utilize an independent broker to manage the transaction, whereby the broker sells the exercised shares on the open market.

19. 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 have been exercised to purchase shares of common stock in the relevant period, net of assumed repurchases using the treasury stock method. For Fiscal 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.

During the fiscal years ended October 31, 2017 and 2016, the Company repurchased 224 and 221 shares of its common stock, respectively. Upon transfer, all shares were cancelled and returned to the status of authorized but unissued.

Weighted average basic shares, taking into consideration shares issued, weighted average options, if any, used in calculating EPS, treasury shares repurchased, shares cancelled and basic loss for Fiscal 2017 and 2016 are as follows:

	10/31/17	10/31/16
Weighted average shares of common stock outstanding used to compute basic loss per share	**2,443,805**	2,443,954

Basic loss per weighted average share is computed as follows:

	10/31/17	10/31/16
Net loss	**($1,226,861)**	($212,128)
Weighted average shares of common stock outstanding	**2,443,805**	2,443,954
Basic loss per weighted average share	**($0.50)**	($0.09)

20. SUPPLEMENTAL DISCLOSURE TO STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information:

	10/31/17	10/31/16
Cash:		
Interest	**$467,815**	$486,404
Income taxes	**$0**	$130,000
Non cash:		
Reclassification of assets from land held for investments, principally unimproved to long-lived assets held for sale	**$65,657**	$31,634
Marketable securities available for sale and shareholders' equity (decreased) increased resulting from changes in the net unrealized gains and losses	**($29,404)**	$40,941

Pension liability and accumulated other comprehensive loss was (decreased) increased by ($390,302) and $390,302 in 2017 and increased (decreased) by $207,800 and ($207,800) in 2016 resulting from changes in the funded status, the prior service cost and the net actuarial loss.

21. SUBSEQUENT EVENTS:

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

On November 15, 2017, 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 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 the Company fails to comply with PA-DEP safety requirements.

On December 7, 2017, the Company entered into a Transition Settlement Agreement with Boulder Lake Village Condominium Association. 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 and the BLVCA Board negotiated a Transition Settlement Agreement wherein the Company paid $715,000 to mutually resolve the claims of BLVCA. The amount was accrued at October 31, 2017 and paid in January 2018.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act into legislation. The Company anticipates recording a tax expense of approximately $210,000 in the first quarter of Fiscal 2018, primarily due to a re-measurement of the deferred tax assets and liabilities.

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 35 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 October 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 7,976 acres as held for investment, 1,433 acres as held for development and 284 acres as held for sale. 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.

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

During the fiscal year ended October 31, 2017, the Company repurchased an aggregate of 224 shares of Blue Ridge Real Estate Company common stock. Upon repurchase, the shares of stock were cancelled and returned to the status of authorized but unissued.

FISCAL 2017 VERSUS FISCAL 2016

Net Income

For Fiscal 2017, we reported a net loss of ($1,226,861) or ($0.50) per share, as compared with a net loss of (**$**212,128), or ($0.09) per share for Fiscal 2016.

Revenues

Revenue of $6,116,299 in Fiscal 2017 represents a decrease of $1,227,448, or 17% compared to $7,343,747 in Fiscal 2016. Resort operations revenue increased to $3,667,566 in Fiscal 2017 as compared to $3,539,323 for Fiscal 2016 which represents an increase of $128,243, or 4%. Land resource management revenue decreased $1,346,948, or 61%, compared to Fiscal 2016. Real estate management/rental income decreased $8,743, or 1% compared to Fiscal 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 was $3,667,566 in Fiscal 2017 as compared to $3,539,323 in Fiscal 2016, an increase of $128,243, or 4%. This was primarily attributable to increased revenue at the Boulder View Tavern of $151,063, or 8%, Boulder Lake Club of $12,285 or 4% and the Stretch, $14,567 or 10% which was offset by a decrease of ($49,672), or (4%) at the Jack Frost National Golf Course from Fiscal 2016. This decrease was primarily weather related.

Real Estate Management/Rental Income

The Real Estate Management Operations/Rental Income revenue was $1,581,140 in Fiscal 2017 as compared to $1,589,883 in Fiscal 2016, which represented a decrease of $8,743, or 1%. Real Estate Management revenue increased to $730,150 in Fiscal 2017 as compared to $719,616 in Fiscal 2016, an increase of $10,534, or 1%. Rental Income revenue decreased $19,277, or 2% which was primarily due to the sale of the Maple Terrace rental property.

Land Resource Management

Land Resource Management revenues decreased to $867,593 in Fiscal 2017 as compared to $2,214,541 in Fiscal 2016, a decrease of $1,346,948, or 61%. 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 Saylorsburg Pa. that was sold for $165,000 in Fiscal 2017, compared to a $985,574 right of way sale and a sale of land for $1,081,755 in Fiscal 2016. In Fiscal 2017, we had one timber contract for $129,013 versus no timbering revenue Fiscal 2016. Land hunting leases increased by $14,368, or 10%.

Operating Costs

Resort Operations

Operating costs associated with Resort Operations was $3,565,272 in Fiscal 2017, compared to $3,525,663 in Fiscal 2016, an increase of $39,609, or 1%. The Boulder View Tavern and the Boulder Lake Club operating costs increased by $137,514, or 7% in Fiscal 2017, compared to Fiscal 2016. This was offset by decreased costs at the Jack Frost National Golf Course of $97,465, or 7% and decreased costs at The Stretch fishing club of $440.

Real Estate Management/Rental Operations

Operating costs associated with Real Estate Management Operations/Rental Income for Fiscal 2017 were $1,010,545 as compared to $1,013,189 for Fiscal 2016, which represents a decrease of $2,644**,** or less than 1%. This decrease was primarily related to a reduction in repairs and maintenance ($2,242) related to the trust services.

Land Resource Management

Operating costs associated with Land Resource Management for Fiscal 2017 were $1,017,216 compared to $982,846 for Fiscal 2016, an increase of $34,370, or 3%. This increase was primarily the result of increased cost of goods sold related to the Maple Terrace sale in Fiscal 2017 as compared the cost of goods sold associated with the right of way and land sales in Fiscal 2016.

General and Administration

General and administration costs for Fiscal 2017 were $2,053,103, as compared with $1,795,540 for Fiscal 2016, which represents an increase of $257,563, or 14%. This increase was primarily related to increases in pension expense ($145,402) and salary, related benefits and payroll taxes ($150,069), netted against a decrease in consulting fees ($52,846).

Other Income and Expense

Interest and other income was $1,212 in Fiscal 2017, as compared to $10,576 in Fiscal 2016, a decrease of $9,364, or 89% relating to interest income.

Interest expense for Fiscal 2017 was $467,721 as compared to $486,452 for Fiscal 2016, a decrease of $18,731, or 4%. There was no capitalized interest in Fiscal 2017 or 2016.

Interest and dividends on marketable securities, net was $177,483 in Fiscal 2017 compared to $68,557 in Fiscal 2016, an increase of $108,926, or greater than 100%. In Fiscal 2017, this amount included $197,476 of interest income which was reduced by $19,993 of amortized bond premium compared to $111,551 of interest income reduced by $42,994 of amortized bond premium in Fiscal 2016**.**

Tax Rate

The effective tax rate for income taxes (benefit) was 33% in Fiscal 2017 and 44% in Fiscal 2016.

Liquidity and Capital Resources

As reflected in the Statements of Cash Flows, net cash used in operating activities was $32,136 for Fiscal 2017 versus net cash provided by operating activities of $1,031,448 for Fiscal 2016. The net decrease is primarily due to the greater profitability on two land transactions in Fiscal 2016, one the sale of a right of way easement and the second a sale of land, versus the net income on one timber sale and two property sales in Fiscal 2017.

The $129,000 timber sale and two property sales totaling $577,000 are the material non-recurring cash items for Fiscal 2017. The $986,000 sale of a right of way and the $1,081,755 sale of land are the two material non-recurring cash items for Fiscal 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 October 31, 2017, the Company's cash and marketable securities totaled $7,571,555 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 non-consecutive monthly installments in the months of May through October, through June 13, 2022. The interest is a fixed rate of 5.08%.

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 15, 2017, 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 October 31, 2017, 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	$6,595,246	$295,384	$1,018,483	$805,630	$4,475,749
Capital Leases	109,342	23,043	76,662	9,637	.00
Debt Sub-total	6,704,588	318,427	1,095,145	815,267	4,475,749
Fixed Rate Interest	3,673,025	451,298	1,214,029	677,144	1,330,554
Interest Sub-total	3,673,025	451,298	1,214,029	677,144	1,330,554
Pension Contribution Obligations (1)	214,300	214,300			
Total Contractual Cash Obligations	$10,591,913	$984,025	$2,309,174	$1,492,411	$5,806,303

(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. The amount in long lived assets held for sale at October 31, 2017 included 284 acres of land that is the subject of a letter of intent to purchase, agreed to and accepted by the Company on October 23, 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 $251,050 in Fiscal 2017. On August 1, 2017, the Company amended the Blue Ridge Real Estate Pension Plan to allow eligible participants the option to elect an immediate single lump-sum payment or distribution to an eligible rollover. Sixteen participants chose a lump sum payment or an eligible rollover. The Company contributed $43,100 and anticipates contributing another $171,200 to the pension plan in Fiscal 2018. 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.