BLUE RIDGE REAL ESTATE COMPANY

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

2018

ANNUAL REPORT

As of and for the Fiscal Year Ended October 31, 2018 and 2017

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, 2018
Total shares outstanding:	2,443,488 as of October 31, 2018

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, 2018 and 2017, the Company repurchased 112 and 224 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 31st.

Blue Ridge's primary SIC code is 6500.

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

Resort Operations (SIC Code 6512)

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

Real Estate Management/Rental Operations (SIC Code 6519)

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

Land Resource Management (SIC Code 6552)

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

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, cash flow and results of operations, could be materially adversely affected, 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.

The majority of our real estate holdings is in the Pocono Mountains of Pennsylvania. 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 delays or cost overruns, which may increase project development costs;
- claims for construction defects after the property has been developed, including claims by purchasers and property owners' associations;
- 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.

We are subject to demand fluctuations in the housing industry. Any reduction in demand would adversely affect our business, results of operations and financial conditions.

The real estate development industry is cyclical in nature and is particularly vulnerable to unpredictable shifts in economic conditions over which we have no control. In addition, the real estate market is subject to downturns, and our business is especially sensitive to economic conditions in the Pocono Mountains, where the demand is for resort vacation homes. Resort vacation unit rental and ownership is a discretionary activity entailing relatively high costs, and if market conditions do not continue to improve as anticipated, or were to worsen, the demand for our resort and real estate products could 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, temporary clubhouse and pavilion, 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 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 may depend 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 $6,386,000 of our long-term debt is due and payable at various times through 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.

Our future growth is dependent on entering into transactions with real estate developers. We may not be able to successfully (1) attract effective real estate developers; (2) complete agreements with real estate developers; and/or (3) manage relationships with real estate developers going forward, any of which could adversely affect our business.

We may seek to enter into transactions with real estate developers to develop and capitalize on the potential of our commercial and industrial opportunities. These real estate developers may bring development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive assets. We cannot assure, however, that we will have sufficient resources, experience and/or skills to locate desirable real estate developers. We also may not be able to attract real estate developers who want to conduct business on properties in our core area.

Once a potential buyer has been identified, actually reaching an agreement and closing a transaction may be difficult to complete and may take a considerable amount of time considering that negotiations require balancing of the parties' various objectives, assets, skills and interests and receiving all regulatory approvals.

Entering into an agreement with a real estate developer may also involve special risks such as:

- the developer could experience financial difficulties, become bankrupt or fail to fund capital contributions, which may delay construction or development of a property;
- actions by the real estate developer which may subject the adjacent properties owned by the Company to adverse consequences.

We may also be subject to adverse business consequences if the market reputation of a real estate developer deteriorates. If we cannot successfully execute transactions, our business, results of operations, cash flows and financial condition could 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.

Weather and other natural conditions and regulatory requirements may limit our ability to market and sell our timber assets, which could adversely affect our operations.

Weather conditions, timber growth cycles, access limitations (for example, restrictions on access to timberlands due to prolonged wet conditions) and regulatory requirements associated with the protection of wildlife and water resources may restrict our ability to market and sell our timber assets. In addition, our timber assets are subject to damage by fire, insect infestation, disease, prolonged drought, flooding and other natural disasters. Changes in global climate conditions could intensify one or more of these factors. Although damage from such natural causes usually is localized and affects only a limited percentage of the timber assets, there can be no assurance that any damage affecting our timberlands will in fact be so limited. We do not maintain insurance coverage with respect to damage to our timberlands. Our results of operations and cash flows may therefore be materially adversely affected if we are unable to sell our timber assets at adequate levels or if demand decreases due to an increase in our prices as a result of any of these factors.

<u>Risks Related to Our Investments</u>

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, mutual funds, money markets and other financial instruments. 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.

<u>Risks Related to Our Common Stock</u>

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, 2019, 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 2,443,488 shares of our common stock outstanding as of January 29, 2019, 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'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 limited liquidity of the Company's shares, thus making a sale in the market more difficult;
- will likely, especially if an unaffiliated shareholder, have limited access to information about Blue Ridge.

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, 2018, 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. Effective August 1, 2018 the restaurant is managed by Boulder View Management, LLC, a subsidiary of Billy Casper Golf LLC, an unaffiliated third party operation. 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

<u>Legal Counsel</u>
Joanne R. Soslow, Esquire
Morgan, Lewis & Bockius
1701 Market Street
(215) 963-5000

<u>Investor Relations Consultant</u>
Not Applicable

<u>Accountant or Auditor</u>
Kevin Foley, CPA
Kronick Kalada Berdy & Co.
190 Lathrop Street
Kingston, PA 18704
(570) 283-2727

<u>Other Advisor:</u>
Not Applicable

10) Issuer Certification

I, Bruce Beaty certify that:

1. I have reviewed this 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 consolidated financial condition, consolidated statements of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: January 29, 2019

/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 consolidated financial condition, consolidated statement of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: January 29, 2019

/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 (a PA corporation) and Subsidiaries, which comprise the consolidated balance sheets as of October 31, 2018 and 2017, 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, 2018 and 2017, 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, 2019

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES

BALANCE SHEETS
October 31, 2018 and 2017

ASSETS	10/31/18	10/31/17
Land and land development costs (1,433 acres per land ledger)	**$6,863,566**	$6,863,526
Land improvements, buildings and equipment, net	**9,491,969**	9,990,161
Land held for investment (7,976 acres per land ledger)	**4,087,290**	4,087,290
Long-lived assets held for sale (284 acres per land ledger)	**65,657**	65,657
Cash and cash equivalents	**2,569,341**	3,130,601
Marketable securities available for sale	**2,559,601**	4,440,954
Cash held in escrow	**510**	505
Prepaid expenses and other assets	**493,036**	437,640
Deferred tax asset	**821,717**	957,484
Accounts receivable	**46,241**	43,936
Total assets	**$26,998,928**	$30,017,754
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Debt	**$6,386,091**	$6,704,588
Accounts payable	**192,673**	206,690
Accrued liabilities	**445,400**	1,187,456
Deferred income	**114,968**	129,024
Accrued pension expense	**2,570,402**	3,256,648
Total liabilities	**9,709,534**	11,484,406
SHAREHOLDERS' EQUITY:		
Capital stock, without par value, stated value $0.30 per share, Blue Ridge authorized 6,000,000 shares, issued and outstanding 2,443,488 and 2,443,600, respectively	**733,046**	733,080
Capital in excess of stated value	**18,252,368**	18,253,174
Earnings retained in the business	**64,954**	1,464,008
Accumulated other comprehensive loss	**(1,760,974)**	(1,916,914)
Total shareholders' equity	**17,289,394**	18,533,348
Total liabilities and shareholders' equity	**$26,998,928**	$30,017,754

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, 2018 and 2017

	10/31/18	10/31/17
Revenues:		
Resort operations revenue	**$3,716,719**	$3,667,566
Real estate management revenue	**681,783**	730,150
Land resource management revenue	**364,428**	867,593
Rental income revenue	**846,464**	850,990
Total revenues	**5,609,394**	6,116,299
Costs and expenses:		
Resort operations costs	**3,741,170**	3,565,272
Real estate management costs	**596,841**	631,741
Land resource management costs	**665,501**	1,017,216
Rental income costs	**343,268**	378,804
General and administration expense	**1,864,665**	2,053,103
Total costs and expenses	**7,211,445**	7,646,136
Operating loss before other income and (expense)	**(1,602,051)**	(1,529,837)
Other income and (expense):		
Interest and other income	**183**	1,212
Interest expense	**(450,379)**	(467,721)
Interest and dividends on marketable securities, net	**193,023**	177,483
Gain (loss) on disposition of marketable securities (composed entirely of reclassification from accumulated other comprehensive income(loss) for previously unrealized net gains or (losses) on securities)	**2,616**	(5,998)
Total other expense	**(254,557)**	(295,024)
Loss from operations before income taxes	**(1,856,608)**	(1,824,861)
Benefit for income taxes:		
Current income taxes	**1,000**	0
Deferred income taxes, net of $210,000 deferred tax expense from enacted Tax Act rate reduction.	**(81,000)**	(598,000)
Total benefit for income taxes	**(80,000)**	(598,000)
Net loss	**($1,776,608)**	($1,226,861)
Basic loss per weighted average share	**($0.73)**	($0.50)

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, 2018 and 2017

	2018	2017
Net loss	**($1,776,608)**	($1,226,861)
Other comprehensive income, net of tax		
Unrealized (loss) gain on securities		
Unrealized holding (losses) gains arising during the period	**(165,079)**	43,499
Reclassification adjustment for net (gain) loss included in net income	**(2,616)**	5,998
Deferred tax benefit (expense)	**62,306**	(20,093)
Defined benefit pension		
Net gain arising during the period	**591,929**	195,868
Amortization of net loss included in net periodic pension cost (a)	**326,026**	461,096
Deferred tax expense	**(279,072)**	(266,662)
Other comprehensive income	**533,494**	419,706
Total comprehensive loss	**($1,243,114)**	($807,155)

Deferred tax expense on net loss arising during the period was ($178,038) and ($79,503) for the years ended October 31, 2018 and 2017, respectively.

Deferred tax expense on amortization of net loss included in net periodic pension cost was ($101,034) and ($187,159) for the years ended October 31, 2018 and 2017, respectively.

Deferred tax (benefit) expense on unrealized holding (losses) gains arising during the period was ($62,306) and $20,093 for the years ended October 31, 2018 and 2017, 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 $101,034 and $187,159 at October 31, 2018 and 2017, 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, 2018 and 2017

	Capital Stock (1) Shares	Capital Stock (1) Amount	Capital in Excess of Stated Par	Earnings Retained in the Business	Accumulated Other Comprehensive Loss	Total
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 buy back 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
Cancellation of shares purchased in buy back program	(112)	(34)	(806)			(840)
Net loss				(1,776,608)		(1,776,608)
Other comprehensive income					533,494	533,494
Deferred tax re-measurement on pension Adoption of ASU 2018-02				377,554	(377,554)	0
Balance, October 31, 2018	2,443,488	$733,046	$18,252,368	$64,954	($1,760,974)	$17,289,394

(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, 2018 and 2017

	10/31/18	10/31/17
Cash Flows (Used In) Provided By Operating Activities:		
Net loss	**($1,776,608)**	($1,226,861)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**659,010**	691,901
Amortization of investment premiums	**1,225**	19,993
(Gain) loss on marketable securities	**(2,616)**	5,998
Impairment	**0**	37,000
Net book value of properties sold	**0**	128,641
Deferred income taxes	**(81,000)**	(598,000)
Changes in operating assets and liabilities:		
Cash held in escrow	**(5)**	(5)
Accounts and notes receivable	**(2,305)**	88,526
Prepaid expenses and other assets	**(55,396)**	13,195
Land and land development costs	**(40)**	0
Long-lived assets held for sale	**0**	18,233
Accounts payable and accrued liabilities	**(524,364)**	780,076
Deferred income	**(14,056)**	9,167
Net cash used in operating activities	**(1,796,155)**	(32,136)
Cash Flows Provided By (Used In) Investing Activities:		
Purchases of marketable securities	**(1,850,682)**	(1,358,306)
Proceeds from maturities and sales of marketable securities	**3,565,732**	3,383,010
Additions to properties	**(160,818)**	(287,167)
Net cash provided by investing activities	**1,554,232**	1,737,537
Cash Flows (Used In) Provided By Financing Activities:		
Proceeds from debt	**0**	126,776
Payment of debt	**(318,497)**	(357,931)
Purchase of common stock	**(840)**	(1,635)
Net cash used in financing activities	**(319,337)**	(232,790)
Net (decrease) increase in cash and cash equivalents	**(561,260)**	1,472,611
Cash and cash equivalents, beginning of period	**3,130,601**	1,657,990
Cash and cash equivalents, ending of period	**$2,569,341**	$3,130,601

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, 2018 were 284 acres of land, with a cost of $65,657, that is the subject of an Agreement of Sale, entered into by the Company on February 12, 2018.

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, golf club and lake club paid in advance. The Company recognizes revenue related to the hunting and fishing clubs, golf course and lake club memberships over the period that the dues cover. The Company recognizes revenue related to the fishing club over a six-month period, April through September, the golf course over a seven-month period, April through October and the lake club over a five-month period, May through September. Deposits are required on land and home sales.

Comprehensive Loss:

The Company's comprehensive loss differs from net 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 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, 2018 ("Fiscal 2018"). 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, 2018, the Company had $2,091 working cash on deposit in excess of the FDIC insured limit of $250,000, and also had $1,948,301 invested in money market and mutual funds at October 31, 2018, 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 investments in preferred stocks (49 positions of financial services, insurance and real estate investment trusts) and two certificates of deposit at October 31, 2018. Marketable securities consist of debt securities (3 positions of corporate bonds), investments in preferred stock (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. Investments in debt securities and 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.

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 ASU 2016-20 Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers are effective for us beginning November 1, 2019, 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. FASB issued updates ASU 2018-10, Codification Improvements to Topic 842, Leases and ASU 2018-11, Leases (Topic 84): Targeted Improvements in relation to ASU 2016-02. 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, 2020. We are currently evaluating the impact that the adoption of ASU 2017-07 may have on our financial statements and disclosures.

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"). ASU 2018-02 allows a reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted on December 22, 2017 and also requires entities to disclose their accounting policy for releasing income tax effects from accumulated other comprehensive income. We elected to adopt ASU 2018-02 in the current year. See Note 9, Accumulated Other Comprehensive Loss.

In August 2018, the FASB issued ASU 2018-14, "Compensation-Retirement Benefits- Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans" ("ASU 2018-14"). ASU 2018-14 modifies the disclosure requirements for employers that sponsor defined benefit pension or other post retirement plans. ASU 2018-14 is effective for us beginning November 1, 2021. We are currently evaluating the impact that the adoption of ASU 2018-14 may have on our financial statements and disclosures.

2. CONDENSED FINANCIAL INFORMATION:

Condensed financial information of Blue Ridge and its subsidiaries at October 31, 2018 and 2017 and for each of the years then ended is as follows:

	Blue Ridge and Subsidiaries	
	10/31/18	10/31/17
FINANCIAL POSITION:		
Total assets	**$26,998,928**	$30,017,754
Total liabilities	**9,709,534**	11,484,406
Shareholders' equity	**17,289,394**	18,533,348
OPERATIONS:		
Revenues	**5,609,394**	6,116,299
Loss from operations before taxes	**(1,856,608)**	(1,824,861)
Benefit for income taxes	**(80,000)**	(598,000)
Net loss	**($1,776,608)**	($1,226,861)

3. LAND AND LAND DEVELOPMENT COSTS:

Land and improvements in progress held for development as of October 31, 2018 and 2017 consist of the following:

	10/31/2018	10/31/2017
Land unimproved designated for development	**$1,981,817**	$1,981,817
Residential development	**1,208,201**	1,208,201
Infrastructure development	**3,673,548**	3,673,508
Total land and land development costs	**$6,863,566**	$6,863,526

4. LAND HELD FOR INVESTMENT:

	10/31/2018	10/31/2017
Land – Unimproved	**$1,692,278**	$1,692,278
Land – Commercial rental properties	**2,395,012**	2,395,012
Total land held for investment	**$4,087,290**	$4,087,290

5. DEBT AND LETTER OF CREDIT:

Debt as of October 31, 2018 and 2017 consists of the following:

	10/31/2018	10/31/2017
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.	**$6,299,862**	$6,595,245
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.	**86,229**	109,343
Total debt	**$6,386,091**	$6,704,588

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 14, 2018, 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 rates for the year ended October 31, 2018 and 2017 were $0 and $0 and 0% and 0%, respectively. As of October 31, 2018, 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, 2018, is as follows: 2019 -$340,734; 2020 - $364,529; 2021 - $390,022; 2022 - $398,390; 2023 - $416,667 thereafter $4,475,749.

6. INCOME TAXES:

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

	10/31/18	10/31/17
Currently payable:		
Federal	**$0**	$0
State	**1,000**	0
	1,000	0
Deferred:		
Federal	**(198,000)**	(604,000)
State	**117,000**	6,000
	(81,000)	(598,000)
Total	**($80,000)**	($598,000)

A reconciliation between the amount computed using the statutory federal income tax rate of 21% and 34% and the actual credit, rounded to the nearest thousand, for income taxes as of October 31, 2018 and October 31, 2017, respectively, is as follows:

	10/31/18	10/31/17
Computed at statutory rate	**($390,000)**	($621,000)
State income taxes, net of federal income tax	**88,000**	8,000
Nondeductible expenses	**1,000**	2,000
True up of prior year amounts	**11,000**	0
Change in valuation allowance	**(1,046,000)**	13,000
Tax reform	**1,256,000**	0
Credit for income taxes from operations	**($80,000)**	($598,000)

The components of the deferred tax assets and liabilities as of October 31, 2018 and 2017 are as follows:

	10/31/18	10/31/17
Deferred tax assets:		
Accrued expenses	**($7,000)**	$283,000
Deferred income	**(28,000)**	(40,000)
Defined benefit pension	**701,000**	1,358,000
Asset impairment	**4,775,000**	6,708,000
AMT credit carryforward	**557,000**	557,000
Net operating losses	**4,468,000**	3,927,000
Valuation allowance	**(5,779,000)**	(6,544,000)
Contribution carryforward	**3,000**	1,000
Partnership basis differences	**(3,000)**	0
Capital loss carryforward	**0**	2,000
Deferred tax asset	**4,687,000**	6,252,000
Deferred tax liability:		
Depreciation	**(3,879,000)**	(5,247,000)
Unrealized capital gains	**14,000**	(48,000)
Deferred tax liability	**(3,865,000)**	(5,295,000)
Deferred income tax asset, net	**$822,000**	$957,000

At October 31, 2018, 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, 2018, the Companies had available approximately $6,054,000 of federal net operating loss carryforwards which will expire from 2032 to 2038. The Companies also have state net operating loss carryforwards of approximately $31,998,000 that will expire from 2021 to 2038. 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, 2018, the Companies had unsettled federal tax returns for Fiscal 2015, 2016 and 2017 and unsettled state tax returns for Fiscal 2015, 2016 and 2017 for the states of Louisiana, Minnesota, New Jersey and Pennsylvania.

On December 22, 2017, H.R.1, (also known as the Tax Cuts and Jobs Act (the "Act")) was signed into law. Among its numerous changes to the Internal Revenue Code, the Act reduces the U.S. federal corporate tax rate from 35% to 21%. The Act repeals the Alternative minimum Tax ("AMT") for years beginning after December 31, 2017 and allows Companies with existing AMT credit carryforwards to receive future refunds of the credit. As a result, the Company believes that the most significant impact on its financial statements will be a decrease of approximately $1,256,000 for the deferred tax assets which is partially offset by a reduction to the valuation allowance in the amount of $1,046,000. The Company has completed the accounting for the tax impact of the Act as of October 31, 2018 and has recorded no provisional amounts.

7. MARKETABLE SECURITIES:

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

	October 31, 2018			
	Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Available for sale:				
Preferred stocks	**$2,355,262**	**$38,957**	**($88,238)**	**$2,305,981**
Certificates of deposit	**253,620**	**0**	**0**	**253,620**
Total marketable securities	**$2,608,882**	**$38,957**	**($88,238)**	**$2,559,601**

The costs of the available for sale certificates of deposit at October 31, 2018 maturing within one year was $176,620, and maturing one year through five years was $77,000. The preferred stocks include investments in 49 public companies in various industries with the largest investment, at market value, in a single company of $127,199. For the twelve months ended October 31, 2018, there were realized gains of $8,852 and realized losses of $6,236 on sale of preferred stocks.

	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 sale 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	**10/31/18**	10/31/17
Discount Rates used to determine net periodic pension cost as of October 31, 2018 and 2017	**3.53%**	3.47%
Expected long-term rates of return on assets	**5.00%**	5.00%
Rates of increase in compensation levels	**N/A**	N/A

Change in Benefit Obligation	**10/31/18**	10/31/17
Benefit obligation at beginning of year	**$10,074,066**	$10,371,271
Service cost (net of expenses)	**105,601**	102,435
Interest cost	**346,817**	352,315
Curtailment	**0**	0
Actuarial gain	**(1,083,728)**	(288,555)
Benefits paid	**(728,730)**	(463,400)
Benefit obligation at end of year	**$8,714,026**	$10,074,066

Change in Plan Assets	**10/31/18**	10/31/17
Fair value of plan assets at beginning of year	**$6,817,418**	$6,788,499
Actual return on plan assets	**(73,570)**	352,489
Employer contributions	**214,000**	251,050
Benefits paid	**(728,730)**	(463,400)
Administrative expenses	**(85,494)**	(111,220)
Fair value of plan assets at end of year	**$6,143,624**	$6,817,418

Reconciliation of Funded Status of the Plan	**10/31/18**	10/31/17
Funded status at end of year	**($2,570,402)**	($3,256,648)
Unrecognized transition obligation	**0**	0
Unrecognized net prior service cost	**0**	0
Unrecognized net actuarial loss	**2,427,055**	3,345,010
Net amount recognized at end of year	**($143,347)**	$88,362

Amounts Recognized in the Balance Sheet	**10/31/18**	10/31/17
Accrued pension expense	**($2,570,402)**	($3,256,648)
Accumulated other comprehensive loss (pre-tax)	**2,427,055**	3,345,010
Net amount recognized	**($143,347)**	$88,362

Additional Year-End Information for Pension Plan with Accumulated Benefit Obligation in Excess of Plan Assets	10/31/18	10/31/17
Projected benefit obligation	**$8,714,026**	$10,074,066
Accumulated benefit obligation	**$8,714,026**	$10,074,066
Fair value of plan assets	**$6,143,624**	$6,817,418

Amounts Recognized in Accumulated Other Comprehensive Loss	10/31/18	10/31/17
Net actuarial loss	**$2,427,055**	$3,345,010
Prior service cost	**0**	0
Unrecognized net initial obligation	**0**	0
Total (before tax effects)	**$2,427,055**	$3,345,010

Components of Net Periodic Benefit Cost	10/31/18	10/31/17
Service cost	**$105,601**	$102,435
Interest cost	**346,817**	352,315
Expected return on plan assets	**(332,735)**	(333,956)
Amortization of transition obligation	**0**	0
Amortization of prior service cost	**0**	0
Amortization of accumulated loss	**326,026**	461,096
Total net periodic benefit expense	**$445,709**	$581,890

Other changes in plan assets and benefit obligations recognized in other comprehensive loss	10/31/18	10/31/17
Net gain	**($591,929)**	($195,868)
Recognized net actuarial gain	**(326,026)**	(461,096)
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)	**($917,955)**	($656,964)
Total recognized in net periodic benefit cost and other comprehensive loss (before tax effects)	**($472,246)**	($75,074)

Amounts expected to be recognized into net periodic cost in the coming year	10/31/18	10/31/17
Loss recognition	**$242,313**	$326,026
Prior service cost recognition	**$0**	$0
Net initial obligation/(asset) recognition	**$0**	$0

Estimated Future Benefits Payments	Fiscal Year	Benefits
	2019	$489,055
	2020	$490,021
	2021	$518,483
	2022	$541,641
	2023	$560,669
	2024-2028	$2,824,447

The Company expects to contribute $225,427 to the pension plan in Fiscal 2019.

Measurement Date October 31

Weighted Average Assumptions	**For Determination of:**	
	Benefit Obligations as of October 31, 2018	Benefit Obligations as of October 31, 2017
Discount rate	**4.28%**	3.53%
Rate of compensation increase	**N/A**	N/A
Mortality improvement scale	**MP-2018**	MP-2017

Weighted-Average Asset Allocations	**10/31/18**	10/31/17
Asset Category		
Equity	**23.80%**	25.53%
Fixed Income	**73.71%**	72.03%
Cash Equivalents	**2.49%**	2.44%
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.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs used in determining valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company as the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted market prices for similar assets in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at October 31, 2018 and 2017.

Fair value for investment in the common collective trusts are based on the net asset value ("NAV") provided by the administrator of the funds. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV's unit price is quoted on a private market that is not active, however, the unit price is based on the underlying investments which are traded on an active market.

The preceding method 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 methodology is appropriate and consistent with other market participants, the use of different fair value measurement at the reporting date.

In accordance with FASB ASC Subtopic 820-10, investments measured at fair value using the net asset value per share practical expedient are not classified within the fair value hierarchy. The fair value of these investments at October 31, 2018 and 2017 are $6,143,624 and $6,817,418, respectively.

The following table summarizes investments at fair value based on NAV per share as of October 31, 2018 and 2017, respectively:

As of October 31, 2018:

Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common collective trusts	$6,143,624	N/A	Daily	5 days

As of October 31, 2017:

Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common collective trusts	$6,817,418	N/A	Daily	5 days

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the changes in the accumulated other comprehensive loss for the twelve months ended October 31, 2018 and 2017:

	10/31/18		
	Unrealized Gains on Securities	**Defined Benefit Pension Plan**	**Accumulated Other Comprehensive Loss**
Beginning balance	**$70,345**	**($1,987,259)**	**($1,916,914)**
Current period other comprehensive income (loss)	**(105,389)**	**638,883**	**533,494**
Adoption of ASU 2018-02	**1,034**	**(378,588)**	**(377,554)**
Ending balance	**($34,010)**	**($1,726,964)**	**($1,760,974)**

	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)

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

The Company elected to reclassify the stranded tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive loss to retained earnings, based on ASU No. 2018-02, “Income Statement-Reporting Comprehensive Income: Reclassification of Certain Tax Effects from Accumulated other Comprehensive Income”. The amount reclassified from Accumulated Other Comprehensive Income to Retained Earnings, which related to the re-measurement of deferred taxes on the defined benefit pension plan, amounted to $377,554 at October 31, 2018.

10. LAND IMPROVEMENTS, BUILDINGS AND EQUIPMENT, NET:

These assets consist of the following at October 31, 2018 and 2017:

	10/31/18	10/31/2017
Land improvements	**$10,833,507**	$10,787,358
Corporate buildings	**1,016,364**	1,037,767
Buildings leased to others	**10,545,856**	10,545,856
Equipment and furnishings	**3,957,370**	3,821,299
	26,353,097	26,192,280
Less accumulated depreciation and amortization	**16,861,128**	16,202,119
Total	**$9,491,969**	$9,990,161

11. ACCRUED LIABILITIES:

Accrued liabilities consist of the following at October 31, 2018 and 2017:

	10/31/18	10/31/2017
Payroll	**$307,317**	$296,035
Security and Other Deposits	**1,500**	1,500
Professional Fees	**110,694**	99,616
Other	**25,889**	790,305
Total	**$445,400**	$1,187,456

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, 2018, is as follows:

		Properties Subject to Lease	
		Cost	**Accumulated Depreciation**
Investment properties leased to others		**$10,545,856**	**$3,484,999**
Land		**$4,439,800**	
Minimum future rentals:			
Fiscal years ending October 31:	2019	$891,570	
	2020	846,335	
	2021	790,150	
	2022	774,000	
	2023	774,000	
	Thereafter	10,454,000	
		$14,530,055	

Minimum future rentals subsequent to 2023 include $1,032,500 under a land lease expiring in 2072; $4,416,500 and $5,005,000 under net leases for two stores expiring in December 2035 and August 2036. There were no contingent rentals included in income for Fiscal 2018 and 2017. 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, 2018 and October 31, 2017 are as follows:

	10/31/18		10/31/17	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
ASSETS:				
Cash and cash equivalents and cash held in escrow	**$2,569,851**	**$2,569,851**	$3,131,106	$3,131,106
Marketable securities available for sale	**2,559,601**	**2,559,601**	4,440,954	4,440,954
Accounts receivable	**46,241**	**46,241**	43,936	43,936
LIABILITIES:				
Accounts payable	**192,673**	**192,673**	206,690	206,690
Accrued liabilities	**445,400**	**445,400**	1,187,456	1,187,456
Debt	**$6,386,091**	**$6,353,296**	$6,704,588	$6,863,945

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 preferred stocks and 2 certificates of deposit at October 31, 2018. Marketable securities consist of debt securities (corporate bonds and commercial paper), preferred stocks and 2 certificates of deposit at October 31, 2017. 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, 2018 and October 31, 2017:

	Investment Assets at Fair Value as of October 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Preferred stocks:				
Real estate investment trust	**$1,206,153**			**$1,206,153**
Finance	**935,088**			**935,088**
Insurance	**164,740**			**164,740**
Certificates of Deposit	**253,620**			**253,620**
Total marketable securities	**$2,559,601**			**$2,559,601**

	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

As of October 31, 2018, the carrying amount net of prior period impairments for land and land development costs is $6,863,566. The carrying amount net of prior period impairments for land improvements, buildings and equipment is $9,491,969. The carrying amount net of prior period impairments for land held for investment is $4,087,290. 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 no impairment expense in Fiscal 2018.

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.

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 2018 and Fiscal 2017 years are presented below:

	1st	**2nd**	**3rd**	**4th**	**Total**
Year ended 10/31/18					
Operating revenues	**$854,638**	**$1,132,832**	**$1,975,636**	**$1,646,288**	**$5,609,394**
Operating loss	**(713,768)**	**(386,422)**	**(182,000)**	**(319,861)**	**(1,602,051)**
Net loss	**(811,432)**	**(347,077)**	**(186,686)**	**(431,413)**	**(1,776,608)**
Net loss per weighted average share	**($0.33)**	**($0.14)**	**($0.08)**	**($0.18)**	**($0.73)**

	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)

The quarterly results of operations for Fiscal 2018 and 2017 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 a communication tower 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:

	10/31/18	10/31/17
Revenues from operations:		
Resort operations	**$3,716,719**	$3,667,566
Real estate management/rental income	**1,528,247**	1,581,140
Land resource management	**364,428**	867,593
Total revenues from operations	**$5,609,394**	$6,116,299
Operating profit (loss) from operations, excluding general and administrative expenses:		
Resort operations	**($24,451)**	$102,294
Real estate management/rental income	**588,138**	570,595
Land resource management	**(301,073)**	(149,623)
Total operating profit, excluding general and administrative expenses	**$262,614**	$523,266
General and administrative expenses:		
Resort operations	**$1,235,505**	$1,231,119
Real estate management/rental income	**508,017**	530,753
Land resource management	**121,143**	291,231
Total general and administrative expenses	**$1,864,665**	$2,053,103
Interest and other income, net:		
Resort operations	**$166**	$743
Real estate management/rental income	**14**	303
Land resource management	**3**	166
Total interest and other income, net	**$183**	$1,212
Interest expense:		
Resort operations	**$5,381**	$3,027
Real estate management/rental income	**444,998**	464,694
Land resource management	**0**	0
Total Interest expense	**$450,379**	$467,721
Loss from operations before income taxes	**($1,856,608)**	($1,824,861)

Identifiable assets, net of accumulated depreciation at October 31, 2018 and 2017 and depreciation expense and capital expenditures for the years then ended by business segment are as follows:

	Identifiable Assets	**Depreciation and Amortization Expense**	**Capital Expenditures**
October 31, 2018			
Resort operations	**$1,337,675**	**$200,287**	**$127,725**
Real estate management/rental income	**16,474,723**	**436,829**	**19,610**
Land resource management	**9,047,020**	**1,637**	**1,927**
Other corporate	**73,853**	**20,257**	**11,556**
Assets held for sale	**65,657**	**0**	**0**
Total Assets	**$26,998,928**	**$659,010**	**$160,818**

During Fiscal 2018, there were no significant sales.

	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
October 31, 2017			
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

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. All asset impairment in Fiscal 2017 relates 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 2018 and 2017.

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, 2018 and October 31, 2017.

18. STOCK OPTIONS AND CAPITAL STOCK:

During Fiscal 2018 and 2017, no stock options were issued or exercised. For Fiscal 2018 and 2017, 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 2018 and 2017, 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, 2018 and 2017, the Company repurchased 112 and 224 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 2018 and 2017 are as follows:

	10/31/18	10/31/17
Weighted average shares of common stock outstanding used to compute basic loss per share	**2,443,535**	2,443,805

Basic loss per weighted average share is computed as follows:

	10/31/18	10/31/17
Net loss	**($1,776,608)**	($1,226,861)
Weighted average shares of common stock outstanding	**2,443,535**	2,443,805
Basic loss per weighted average share	**($0.73)**	($0.50)

20. SUPPLEMENTAL DISCLOSURE TO STATEMENTS OF CASH FLOWS:

Supplemental disclosures of cash flow information:

	10/31/18	10/31/17
Cash:		
Interest	**$450,379**	$467,815
Income taxes	**$1,898**	$0
Non cash:		
Reclassification increasing accumulated other comprehensive loss and increasing retained earnings due to the re-measurement of deferred tax on unrealized losses of pension plan	**$377,554**	$0
Marketable securities available for sale and shareholders equity increased (decreased) resulting from changes in the net unrealized gains and losses	**$105,389**	($29,404)
Reclassification of assets from land held for investments, principally unimproved to long-lived assets held for sale	**$0**	$65,657

Pension liability and accumulated other comprehensive loss was (decreased) increased by ($638,883) and $638,883 in 2018 and ($390,302) and $390,302 in 2017 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, 2018 through the issuance date of the financial statements.

On November 14, 2018, 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 November 27, 2018, the Company executed a Second Amendment to the Purchase and Sale Agreement for 1,162 acres of land, extending the Buyer’s time to complete a survey of the property to nine months from the effective date of April 25, 2018. All other terms of the Purchase and Sale Agreement remain in effect.

On December 10, 2018, the Company executed the First Amendment to the Purchase and Sale Agreement for 284 +/- acres of land, extending the due diligence period until February 12, 2019. All of the other terms of the Purchase and Sale Agreement remain in effect.

On December 21, 2018, the Company entered into a Purchase and Sale Agreement for the sale of the Walgreens property located in White Bear Lake, Minnesota. A deposit has been received and placed in escrow. Subsequently, on January 22, 2019, the Company entered into a First Amendment to the Purchase and Sale Agreement extending the inspection period and the closing date. The sale is subject to and conditioned upon satisfactory completion of due diligence by the Buyer.

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, 2018, 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

On October 23, 2018, the Company executed the First Amendment to the Purchase and Sale Agreement for 1,162 acres of land, extending the time for Buyer to complete a survey of the property to seven months from the effective date of April 25, 2018. No other terms of the Purchase and Sale Agreement were changed. Subsequently, on November 27, 2018, the Company executed a Second Amendment to the Purchase and Sale Agreement for 1,162 acres of land, extending the Buyer's time to complete a survey of the property to nine months from the effective date of April 25, 2018. All other terms of the Purchase and Sale Agreement remain in effect.

During the fiscal year ended October 31, 2018, the Company repurchased an aggregate of 112 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 2018 Versus Fiscal 2017

Net Income

For Fiscal 2018, we reported a net loss of ($1,776,608) or ($0.73) per share, as compared with a net loss of ($1,226,861) or ($0.50) per share for Fiscal 2017.

Revenues

Revenue of $5,609,394 in Fiscal 2018 represents a decrease of ($506,905), or (8%) compared to $6,116,299 in Fiscal 2017. Resort operations revenue increased to $3,716,719 in Fiscal 2018 as compared to $3,667,566 for Fiscal 2017 which represents an increase of $49,153, or 1%. Land resource management revenue decreased ($503,165), or (58%), compared to Fiscal 2017. Real estate management/rental income decreased ($52,893), or (3%) compared to Fiscal 2017.

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 $3,716,719 in Fiscal 2018 as compared to $3,667,566 in Fiscal 2017, an increase of $49,153, or 1%. This was primarily attributable to increased revenue at the Boulder View Tavern of $96,213, or 5%, Boulder Lake Club of $10,795 or 3% and the Stretch, $32,788 or 21% which was offset by a decrease of ($90,643), or (8%) at the Jack Frost National Golf Course from Fiscal 2017. This decrease was primarily weather related.

Real Estate Management/Rental Income

The Real Estate Management Operations/Rental Income revenue was $1,528,247 in Fiscal 2018 as compared to $1,581,140 in Fiscal 2017, which represented a decrease of ($52,893), or (3%). Real Estate Management revenue decreased to $681,783 in Fiscal 2018 as compared to $730,150 in Fiscal 2017, a decrease of ($48,367), or (7%). Rental Income revenue decreased ($4,526), or less than (1%).

Land Resource Management

Land Resource Management revenues decreased to $364,428 in Fiscal 2018 as compared to $867,593 in Fiscal 2017, a decrease of ($503,165), or (58%). This was primarily the result of no land sales in Fiscal 2018 compared to two land sales in Fiscal 2017, 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, Pennsylvania that was sold for $165,000. In Fiscal 2018, we had one timber contract for $192,155 compared to one timber contract for $129,013 in Fiscal 2017. Land hunting leases increased by $302, or less than 1%.

Operating Costs

Resort Operations

Operating costs associated with Resort Operations was $3,741,170 in Fiscal 2018, compared to $3,565,272 in Fiscal 2017, an increase of $175,898, or 5%. The Boulder View Tavern, Boulder Lake Club and The Stretch operating costs increased by $180,441, or 8% in Fiscal 2018, compared to Fiscal 2017. This was offset by decreased costs at the Jack Frost National Golf Course of ($4,543), or less than (1%) that was due to the extremely rainy summer season.

Real Estate Management/Rental Income

Operating costs associated with Real Estate Management Operations/Rental Income for Fiscal 2018 were $940,109 as compared to $1,010,545 for Fiscal 2017, which represents a decrease of ($70,436), or (7%). This decrease was primarily related to the sale of a Saylorsburg, Pennsylvania rental property for in Fiscal 2017.

Land Resource Management

Operating costs associated with Land Resource Management for Fiscal 2018 were $665,501 compared to $1,017,216 for Fiscal 2017, a decrease of ($351,715), or (35%). This decrease was primarily the result for the cost basis of no land sales during Fiscal 2018 as compared to two land sales occurring in Fiscal 2017.

General and Administration

General and administration costs for Fiscal 2018 were $1,864,665, as compared with $2,053,103 for Fiscal 2017, which represents a decrease of ($188,438), or (9%). This decrease was primarily related to decreases in pension expense ($136,181), consultants ($25,853), expenses related to the Delaware Holding company ($14,340) and salaries, wages and benefits ($11,858), as compared to Fiscal 2017.

Other Income and Expense

Interest and other income were $183 in Fiscal 2018, as compared to $1,212 in Fiscal 2017, a decrease of ($1,029), or (85%) relating to interest income.

Interest expense for Fiscal 2018 was $450,379 as compared to $467,721 for Fiscal 2017, a decrease of ($17,342), or (4%). There was no capitalized interest in Fiscal 2018 or 2017.

Interest and dividends on marketable securities, net was $193,023 in Fiscal 2018 compared to $177,483 in Fiscal 2017, an increase of $15,540, or 9%. In Fiscal 2018, this amount included $194,248 of interest income which was reduced by $1,225 of amortized bond premium compared to $197,476 of interest income reduced by $19,993 of amortized bond premium in Fiscal 2017**.**

Tax Rate

The tax rate specific to federal taxes for Fiscal 2018 was 21%. The effective rate was 4.3%. The difference between the tax (benefit) provision recognized and the provision based on the statutory rate was due to the impact of the Tax Cuts and Jobs Act. The effective tax rate for Fiscal 2017 was 33%.

Liquidity and Capital Resources

As reflected in the Statements of Cash Flows, net cash used in operating activities was $1,796,155 for Fiscal 2018 versus net cash used in operating activities of $32,136 for Fiscal 2017. The net increase is primarily due to payment of the Transition Settlement Agreement with Boulder Lake Village Condominium Association in January 2018, no land sales and one timber sale in Fiscal 2018 versus the net income on one timber sale and two property sales in Fiscal 2017.

The payment of the Transition Settlement Agreement and the $192,000 timber sale were the material non-recurring cash items for the nine months ended October 31, 2018. The $129,000 timber sale and two property sales totaling $577,000 are the material non-recurring cash items for Fiscal 2017.

The Company’s investment portfolio includes preferred securities with a goal to provide current income with capital preservation over a 3 to 5-year time horizon. At October 31, 2018, the Company’s cash and marketable securities totaled $5,128,942 compared to cash and marketable securities of $7,571,555 at October 31, 2017.

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%.

The Company has two certificates of deposit with Mauch Chunk Trust Company. A $77,000 certificate was purchased in July of 2016 with a maturity of July 6, 2021. A second certificate of deposit in the amount of $176,620 was purchased in March 2017 with a maturity date of February 5, 2019. 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 14, 2018, 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, 2018, 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	$6,299,862	$316,422	$1,091,024	$863,011	$4,029,405
Capital Leases	86,229	24,312	61,917	0	0
Debt Sub-total	6,386,091	340,734	1,152,941	863,011	4,029,405
Fixed Rate Interest	3,221,576	428,991	1,137,467	619,450	1,035,668
Pension Contribution Obligations (1)	225,427	225,427	0	0	0
Total Contractual Cash Obligations	$9,833,094	$995,152	$2,290,408	$1,482,461	$5,065,073

(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 net realizable value.

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 our long-lived assets for recoverability 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, 2018 and October 31, 2017 included 284 acres of land that is the subject of an Agreement of Sale, entered into by the Company on February 12, 2018.

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. In Fiscal 2018, the deferred tax assets have been remeasured based on the new Tax Cuts and Jobs Act legislation, which includes the enacted date, December 22, 2017.

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, defined benefit pension, fixed assets 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 $214,000 in Fiscal 2018. 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 $47,800 and anticipates contributing another $177,627 to the pension plan in Fiscal 2019. 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.