

**BLUE RIDGE REAL ESTATE COMPANY  
AND SUBSIDIARIES**

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

**2023**

**FIRST QUARTER REPORT**

As of January 31, 2023 (Unaudited) and October 31, 2022 (Audited)  
and for the Three Months Ended January 31, 2023 and 2022 (Unaudited)

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

## Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

**BLUE RIDGE REAL ESTATE COMPANY  
AND SUBSIDIARIES**  
a Pennsylvania Corporation

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

Telephone: 570-443-8433  
Website: [www.brreco.com](http://www.brreco.com)  
Email: [info@brreco.com](mailto:info@brreco.com)  
SIC code: 6500

**Quarterly Report**  
**For the Period Ending: January 31, 2023**  
(the "Reporting Period")

### Outstanding Shares

The number of shares outstanding of our Common Stock was:

2,408,599 as of January 31, 2023

2,408,599 as of October 31, 2022

### Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

### Change in Control

Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes:  No:

**1) Name and address(es) 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”). Blue Ridge Real Estate Company was incorporated in Pennsylvania on August 8, 1911 and its current standing in Pennsylvania is active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception: 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.

The address(es) of the issuer’s principal executive office: 5 Blue Ridge Court, P O Box 707, Blakeslee, Pa 18610.

The address(es) of the issuer’s principal place of business:

*Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:

**2) Security Information****Transfer Agent**

Name: American Stock Transfer & Trust Company, LLC

Phone: 800-937-5449 or 718-921-8124

Email: [help@astfinancial.com](mailto:help@astfinancial.com)

Address: Operations Center, 6201 15th Avenue, Brooklyn, NY 11219

**Publicly Quoted or Traded Securities:**

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 date: January 31, 2023
Total shares outstanding: 2,408,599	as of date: January 31, 2023
Total number of shareholders of record: 108	as of date: January 31, 2023

**All additional class(es) of publicly quoted or traded securities (if any): None**

**Other classes of authorized or outstanding equity securities: None.**

**Security Description:****1. For common equity, describe any dividend, voting and preemption rights.**

Dividends. Holders of Common Stock are entitled to dividends when, as and if declared by the Company's Board of Directors (the "Board") out of funds legally available therefor. In the event of a liquidation, dissolution or winding-up of the affairs of the Company, holders of Common Stock will be entitled to share ratably in the assets of the Company remaining after provision for payment of amounts owed to creditors.

Voting. The Articles provide that every shareholder shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation. Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person to act for the shareholder by proxy.

Preemptive Rights. The holders of common shares do not have any preemptive or other preferential rights to purchase any equity securities that we may issue in the future unless such rights are specifically granted to such holders.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

No shares of preferred stock have been issued by the Company.

**3. Describe any other material rights of common or preferred stockholders.**

Meetings. Shareholders have the right to attend shareholder meetings. Written notice of every meeting of shareholders shall be given by, or at the direction of, the secretary of the corporation or other authorized person to each shareholder of record entitled to vote at the meeting.

Special meetings of the shareholders may be called at any time by the (i) board of directors or (ii) shareholders entitled to cast at least 20% of the votes that all shareholders are entitled to cast at the particular special meeting.

Right of Inspection by Shareholders. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom.

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

There have not been any material modifications to rights of holders of the Company's securities that have occurred over the reporting period covered by this report.

**3) Issuance History**

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

**A. Changes to the Number of Outstanding Shares**

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:        Yes: (If yes, you must complete the table below)

Shares outstanding as of November 1, 2020 Opening Balance: Common: 2,427,243 Preferred: 0									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual / Entity Shares were issued to.  You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided if applicable	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
3/4/2021	Cancellation	241	Common						
3/5/2021	Cancellation	18,291	Common						
9/3/2021	Cancellation	112	Common						
Shares Outstanding on January 31, 2023: <u>Ending Balance</u> Common: 2,408,599 Preferred: 0									

During the fiscal year ended October 31, 2021, the Company repurchased 18,644 shares of its common stock. Upon transfer, all shares were cancelled and returned to the status of authorized but unissued. During the fiscal year ended October 31, 2022 no shares were repurchased. No shares were repurchased during the three months ended January 31, 2023.

**B. Promissory and Convertible Notes**

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)

**4) 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.

Blue Ridge's year end date is October 31<sup>st</sup>.

Blue Ridge's primary SIC code is 6500.

The accompanying audited financial statements include the accounts of Blue Ridge Real Estate Company and its wholly-owned subsidiaries (Northeast Land Company, Jack Frost National Golf Course, Inc., Flower Fields Motel, LLC, and Lake Mountain, LLC) (collectively "Blue Ridge").

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.

Additional information regarding the business of Blue Ridge's wholly-owned subsidiaries can be found under Item 5) Issuer's Facilities and in the Notes to the Audited Financial Statements.

***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; services to the trusts that operate resort residential communities; and rental of 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.

#### **5) Issuer's Facilities**

At January 31, 2023, the properties of Blue Ridge and its subsidiaries consisted of 9,405 total acres of land owned by Blue Ridge, Northeast Land Company and Flower Fields Motel, LLC located in the Pocono Mountains of Eastern Pennsylvania. Of this acreage, 7,632 acres were held for investment, 1,300 acres were held for development and 473 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, 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 Jack Frost Golf Management, LLC, a subsidiary of Indigo Sports, LLC (formerly known as Antares Golf, LLC), an unaffiliated third-party operator. The golf course is a seasonal facility. Golf course operations generally occur between April and October.

Blue Ridge owns the Boulder View Tavern, which consists of 8,800 square feet and is located on the eastern shore of Big Boulder Lake, Kidder Township, Carbon County, Pennsylvania. Lake Mountain, LLC, a wholly owned subsidiary of Blue Ridge Real Estate Company, leases and operates the facility. The restaurant was managed by Boulder View Management, LLC, a subsidiary of Indigo Sports, LLC (formerly known as Antares Golf, LLC), an unaffiliated third-party operator. On November 1, 2022, the Company terminated its Management Agreement with Indigo Sports, LLC through its subsidiary Boulder View Management, LLC, for the management of Boulder View Tavern. On November 1, 2022, the Company entered into a Management Agreement with RealFood, LLC, a subsidiary of Troon Golf, LLC, an unaffiliated third-party operator, for the management of Boulder View Tavern. The restaurant has dining capacity for 200 patrons. The restaurant is open year-round.

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. Boulder Lake Club is a seasonal facility. Lake Club operations generally occur between May and September.

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. The Stretch is a seasonal facility. Fishing club operations generally occur between April and September.

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 of land 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.

## 6) 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.

Name of all Officers, Directors and Control Person	Affiliation with Company (e.g. Officer Title/Director/ Owner of more than 5%)	Residential Address (City/State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Bruce Beaty	Chairman of the Board, President and Chief Executive Officer	Blakeslee, PA	0		0%	
Paul A. Biddelman	Director	New York, NY	0		0%	
Raymond Edwards	Director	Jericho, NY	0		0%	
David Domb	Director	Jericho, NY	0		0%	
Cynthia A. Van Horn	Chief Financial Officer and Treasurer	Blakeslee, PA	0		0%	
KRSX Merge, LLC 500 North Broadway Suite 201 Jericho, NY 11753	Principal Stockholder	Jericho, NY	1,425,153	Common	59.2%	Conor C. Flynn, Director Glenn G. Cohen, Director Ross Cooper, Director 500 North Broadway, Suite 201, Jericho, NY 11753

## 7) Legal/Disciplinary History

A. During the past 10 years, none of the persons listed above have been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);



2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities: None.

#### 8) **Third Party Service Providers**

##### Securities Counsel

Joanne R. Soslow, Esquire  
Morgan, Lewis & Bockius  
1701 Market Street  
Philadelphia, PA 19103-2921  
(215) 963-5000

##### Accountant or Auditor

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

##### Investor Relations

Not Applicable

##### All other means of Investor Communication:

Twitter: None

Discord: None

LinkedIn: None

Facebook: None

(Other): None

##### Other Service Providers

Not Applicable

#### 9) **Financial Statements**

**A. The following financial statements were prepared in accordance with:**

IFRS

U.S. GAAP

**B. The following financial statements were prepared by**

Name: Cynthia A. Van Horn

Title: Chief Financial Officer and Treasurer

Relationship to Issuer: Principal Financial Officer

Describe the qualifications of the person or persons who prepared the financial statements: Cynthia A. Van Horn has served as the Company's Chief Financial Officer ("CFO") and Treasurer since January 1, 2012. Mrs. Van Horn previously served as the Companies' Controller beginning in October 1996. From November 1995 until October 1996 Mrs. Van Horn served as the Companies' Accounting Manager. Mrs. Van Horn holds a Bachelor of Science Degree in Accounting from Pennsylvania State University.

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

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**10) Issuer Certification**

*Principal Executive Officer:*

I, Bruce Beaty certify that:

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

Date: March 16, 2023

/s/ Bruce Beaty

Bruce Beaty

Chief Executive Officer and President

*Principal Financial Officer:*

I, Cynthia A. Van Horn certify that:

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

Date: March 16, 2023

/s/ Cynthia A. Van Horn

Cynthia A. Van Horn

Chief Financial Officer and Treasurer

(Principal Financial Officer)

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

	(UNAUDITED)	(AUDITED)
	1/31/2023	10/31/2022
<b>ASSETS:</b>		
Land and land development costs (1,300 acres per land ledger)	\$7,071,413	\$6,854,487
Land improvements, buildings and equipment, net	2,068,763	2,137,207
Land held for investment, principally unimproved (7,632 acres per land ledger)	1,532,287	1,532,287
Long-lived assets held for sale (473 acres per land ledger)	187,214	187,214
Cash and cash equivalents	4,868,297	5,611,789
Marketable securities	3,775,643	3,672,526
Cash held in escrow	530	530
Prepaid expenses and other assets	329,135	527,475
Deferred tax asset	96,186	0
Accounts receivable	137,443	159,866
Total assets	<b>\$20,066,911</b>	<b>\$20,683,381</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Debt	\$16,727	\$16,727
Accounts payable	360,871	366,846
Accrued liabilities	312,385	494,776
Deferred income	335,237	182,225
Deferred income taxes	0	79,814
Accrued pension expense	132,150	122,901
Total liabilities	<b>1,157,370</b>	<b>1,263,289</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock, without par value, stated value \$0.30 per share, Blue Ridge authorized 6,000,000 shares, issued and outstanding 2,408,599	722,580	722,580
Capital in excess of stated value	18,003,861	18,003,861
Earnings retained in the business	1,376,764	1,887,315
Accumulated other comprehensive loss	(1,193,664)	(1,193,664)
Total shareholders' equity	<b>18,909,541</b>	<b>19,420,092</b>
Total liabilities and shareholders' equity	<b>\$20,066,911</b>	<b>\$20,683,381</b>

See accompanying notes to unaudited financial statements.

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES****STATEMENTS OF OPERATIONS****for the three months ended January 31, 2023 and 2022 (UNAUDITED)**

	1/31/2023	1/31/2022
Revenues:		
Resort operations revenue	\$528,687	\$477,773
Real estate management revenue	183,544	139,489
Land resource management revenue	47,485	43,545
Rental income revenue	11,690	17,405
Total revenues	<u>771,406</u>	<u>678,212</u>
Costs and expenses:		
Resort operations costs	913,377	728,004
Real estate management costs	167,043	161,170
Land resource management costs	97,927	103,590
Rental income costs	13,455	16,392
General and administration expense	416,128	379,735
Total costs and expenses	<u>1,607,930</u>	<u>1,388,891</u>
Operating loss before other income and (expense)	<u>(836,524)</u>	<u>(710,679)</u>
Other income and (expense):		
Gain on sale of assets	(128)	8,154
Interest and other income	65	0
Interest expense	(237)	(71)
Interest and dividends on marketable securities, net	67,561	13,005
Realized gain on disposition of equity securities	195	3,715
Unrealized (loss) gain on equity securities	91,766	(27,429)
Pension expense	(9,249)	(29,025)
Total other income (expense)	<u>149,973</u>	<u>(31,651)</u>
Loss from operations before income taxes	<u>(686,551)</u>	<u>(742,330)</u>
Benefit for income taxes	<u>(176,000)</u>	<u>(191,000)</u>
Net loss	<u>(\$510,551)</u>	<u>(\$551,330)</u>
Basic loss per weighted average share	<u>(\$0.21)</u>	<u>(\$0.23)</u>

See accompanying notes to unaudited financial statements

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE LOSS**  
**for the three months ended January 31, 2023 and 2022**  
**(Unaudited)**

	<b>1/31/2023</b>	1/31/2022
Net loss	<b>(\$510,551)</b>	(\$551,330)
Other comprehensive loss, net of tax	<b>\$0</b>	\$0
Total comprehensive loss	<b>(\$510,551)</b>	(\$551,330)

See accompanying notes to unaudited financial statements

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES****STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
for the Three Months Ended January 31, 2023 (Unaudited)**

	Capital Stock (1)		Capital in	Earnings	Accumulated	
	Shares	Amount	Excess of	Retained in	Other	Total
			Stated Value	the Business	Comprehensive	
					Loss	
Balance, October 31, 2022	2,408,599	\$722,580	\$18,003,861	\$1,887,315	(\$1,193,664)	\$19,420,092
Net loss				(510,551)		(510,551)
<b>Balance, January 31, 2023</b>	<b>2,408,599</b>	<b>\$722,580</b>	<b>\$18,003,861</b>	<b>\$1,376,764</b>	<b>(\$1,193,664)</b>	<b>\$18,909,541</b>

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

See accompanying notes to unaudited financial statements

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES****STATEMENTS OF CASH FLOWS****for the three months ended January 31, 2023 and 2022****(UNAUDITED)**

	<b>1/31/2023</b>	1/31/2022
<b>Cash Flows from Operating Activities:</b>		
Net loss	<b>(\$510,551)</b>	(\$551,330)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	<b>105,204</b>	102,542
Amortization of investment premiums	<b>471</b>	0
Realized gain on equity securities	<b>(195)</b>	(3,715)
Unrealized (gain) loss on equity securities	<b>(91,766)</b>	27,428
Deferred income taxes	<b>(176,000)</b>	(191,000)
Loss (gain) on sale of assets	<b>128</b>	(8,154)
Changes in operating assets and liabilities:		
Accounts receivable	<b>22,423</b>	(23,305)
Prepaid expenses and other assets	<b>198,340</b>	141,906
Land and land development costs	<b>(216,926)</b>	(6,700)
Accounts payable and accrued liabilities	<b>(179,117)</b>	(388,012)
Deferred income	<b>153,012</b>	159,417
Net cash used in operating activities	<b>(694,977)</b>	(740,923)
<b>Cash Flows from Investing Activities:</b>		
Purchases of marketable securities	<b>(461,627)</b>	(69,594)
Proceeds from maturities and sales of marketable securities	<b>450,000</b>	170,200
Proceeds from disposition of assets	<b>0</b>	24,000
Additions to properties	<b>(36,888)</b>	(93,141)
Net cash (used in) provided by investing activities	<b>(48,515)</b>	31,465
<b>Cash Flows from Financing Activities:</b>		
Payment of debt	<b>0</b>	(16,576)
Net cash used in financing activities	<b>0</b>	(16,576)
Net decrease in cash and cash equivalents and restricted cash	<b>(743,492)</b>	(726,034)
Cash and cash equivalents and restricted cash, beginning of period	<b>5,612,319</b>	10,436,129
Cash and cash equivalents and restricted cash, ending of period	<b>\$4,868,827</b>	\$9,710,095

See accompanying notes to unaudited financial statements



## **NOTES TO UNAUDITED FINANCIAL STATEMENTS**

### **1. Basis of Presentation**

The accompanying unaudited financial statements include the accounts of Blue Ridge Real Estate Company and its wholly-owned subsidiaries (Northeast Land Company, Jack Frost National Golf Course, Inc., Flower Fields Motel, LLC, and Lake Mountain, LLC) (collectively “Blue Ridge”).

The balance sheet as of January 31, 2023, which has been derived from audited financial statements, and the financial statements as of and for the three-month periods ended January 31, 2023 and 2022, which are unaudited, are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. They do not include all information and footnotes required by GAAP for complete financial statements. Accordingly, these financial statements should be read in conjunction with the combined financial statements and notes thereto contained in the Company’s 2022 Annual Report filed with OTC Markets on January 27, 2023 and amended on February 2, 2023. In the opinion of management, the accompanying financial statements reflect all adjustments (which are of a normal recurring nature) necessary for a fair statement of the results for the interim periods. All significant intercompany accounts and transactions are eliminated.

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

### **2. Significant Accounting Policies**

#### **Use of Estimates and Assumptions:**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For example, unexpected changes in market conditions or a continued or further downturn in the economy could adversely affect actual results. Estimates are used in accounting for, among other things, land development costs, asset fair value calculations, accounts, equity 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, 2022 (“Fiscal 2022”). Material subsequent events are evaluated and disclosed through the issuance date of this Quarterly Report.

#### **Statements of Cash Flows:**

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

#### **Cash Concentration of Credit Risk:**

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments. The Company’s temporary cash investments are held by financial institutions. The Company has not experienced any losses related to these investments. At January 31, 2023, the Company had no working cash on deposit in excess of the FDIC insured limit of \$250,000, and also had \$4,542,429 invested in money market and mutual funds at January 31, 2023, which are not insured by the FDIC.

**Cash Equivalents and Restricted Cash:**

Cash, cash equivalents and restricted cash as of the three months ended January 31, 2023 and 2022 consist of the following:

	2023	2022
Cash and cash equivalents	\$4,868,297	\$9,709,570
Cash held in escrow	530	525
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$4,868,827</u>	<u>\$9,710,095</u>

Restricted cash represents cash held in a real estate escrow account. The restriction expires when the real estate brokers license associated with the account is no longer in place.

**Marketable Securities:**

Marketable securities held by the Company have readily determinable fair values and are reported at fair value. Realized gains and losses are determined by using the first-in first-out method (FIFO). Both realized and unrealized gains and losses on marketable securities are reported in net income.

Marketable securities consist of investments in preferred stocks (16 positions of financial services, insurance and real estate investment trusts), 17 positions of government bonds, a bond mutual fund, a fixed income exchange traded products fund and one certificate of deposit at January 31, 2023. Marketable securities consist of investments in preferred stocks (15 positions of financial services, insurance and real estate investment trusts), 17 positions of government bonds, a bond mutual fund, a fixed income exchange traded products fund and one certificate of deposit at October 31, 2022. Investments in preferred stocks are stated at fair value. Investments in preferred stocks are not purchased with the intent of selling in the near term. However, from time to time, the Company may decide to sell certain securities for liquidity, tax planning and other business purposes. The cost of securities sold is determined by the specific identification method. Unrealized and realized gains and losses on investments in preferred stocks and government bonds are recorded monthly. Since these investments are in marketable securities with a readily determinable fair value, unrealized and realized gains and losses are recorded in other income. Purchases and sales of securities are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date and interest is recorded when earned.

Fair value is the price we would receive to sell an asset in an orderly transaction with a market participant at the measurement date.

**New Accounting Pronouncements:**

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. In June 2020 ASU No. 2020-05 was released deferring the effective date of ASU 2016-02 for us until November 1, 2022 and at that time, we will adopt the new standard using a modified retrospective approach. We have implemented ASU 2016-02 and it did not have a material effect on our financial statements and disclosures.

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. We have implemented ASU 2018-14 and it did not have a material effect on our financial statements and disclosures.

In December 2018, the FASB issued ASU 2018-20, “Leases (Topic 842): Narrow-Scope Improvements for Lessors”, effective date for entities that have not adopted ASU 2016-02 is the same as ASU 2016-02, as amended. We have implemented ASU 2018-20 and it did not have a material effect on our financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”, effective for nonpublic entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted but requires simultaneous adoption of all provisions of the new standard. We have implemented ASU 2019-12 and it did not have a material effect on our financial statements and disclosures.

The Financial Accounting Standards Board issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which supersedes accounting standards that currently exist GAAP and provides a methodology for measuring credit losses that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard also requires companies to disclose additional information, including expanded credit quality disclosures. The Company will be required to apply the expected credit loss model for accounts receivable, loans, and other financial instruments. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, and interim reporting periods within those fiscal years. The Company is evaluating the impact of the pronouncement may have on the financial statement.

### 3. Segment Reporting

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

### 4. Income Taxes

The benefit for income taxes for the three months ended January 31, 2023 and 2022 was estimated using an estimated annual effective tax rate of 25.74%.

The Company’s practice is to recognize interest and/or penalties related to income tax matters as income tax expense in its financial statements. As of and for the three months ended January 31, 2023, no interest and penalties have been accrued in the balance sheet and no expense is reflected in the statement of operations. At January 31, 2023, federal and state tax returns for years ending October 31, 2019 and later are subject to future examination by the respective tax authorities.

### 5. Land and Land Development Costs

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

	1/31/2023	10/31/2022
Land unimproved designated for development	<b>\$1,834,546</b>	\$1,834,546
Residential development	<b>1,175,754</b>	1,175,754
Infrastructure development	<b>4,061,113</b>	3,844,187
Total Land and Land Development Costs	<b>\$7,071,413</b>	\$6,854,487

### 6. Land Held for Investment

	1/31/2023	10/31/2022
Land – Unimproved	<b>\$1,387,501</b>	\$1,387,501
Land – Commercial rental properties	<b>144,786</b>	144,786
Total land held for investment	<b>\$1,532,287</b>	\$1,532,287

## 7. Marketable Securities

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

	January 31, 2023			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Preferred equity securities	\$603,961	\$33,828	(\$11,966)	\$625,823
Bond mutual fund	78,561	12,107	(20,706)	69,962
Exchange traded fund	88,431	8,240	(12,231)	84,440
Available for sale debt securities:				
Government bonds	2,850,132	10,839	(5,553)	2,855,418
Certificate of deposit	140,000	0	0	140,000
<b>Total marketable securities</b>	<b>\$3,761,085</b>	<b>\$65,014</b>	<b>(\$50,456)</b>	<b>\$3,775,643</b>

The cost of the available for sale certificate of deposit at January 31, 2023 was \$140,000 maturing within one year. On March 8, 2023 a certificate in the amount of \$140,000 matured and yielded interest of \$140. The Company reinvested \$140,000 in a certificate of deposit with Mauch Chunk Trust for a term of 13 months with a new maturity date of April 8, 2024. The preferred stocks include investments in 16 public companies in various industries with the largest investment, at market value, in a single company of \$125,799. For the three months ended January 31, 2023, there were no realized gains or losses on the sale of equity securities.

	October 31, 2022			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Equity securities:				
Preferred equity securities	\$576,211	\$3,764	(\$47,448)	\$532,527
Bond mutual fund	77,849	5,934	(19,176)	64,607
Exchange traded fund	88,431	5,520	(11,071)	82,880
Available for sale debt securities:				
Government bonds	2,867,243	436	(15,167)	2,852,512
Certificate of deposit	140,000	0	0	140,000
<b>Total marketable securities</b>	<b>\$3,749,734</b>	<b>\$15,654</b>	<b>(\$92,862)</b>	<b>\$3,672,526</b>

The cost of a certificate of deposit at October 31, 2021 maturing within one year was \$140,000. On March 8, 2021 a certificate in the amount of \$140,000 matured and yielded interest of \$1,333. The Company reinvested \$140,000 in a certificate of deposit with Mauch Chunk Trust for a term of 12 months with a new maturity date of March 8, 2022. On June 24, 2021, a \$77,000 certificate matured yielding interest of \$6,362. The \$83,362 was deposited back into operating cash. The preferred stocks include investments in 16 public companies in various industries with the largest investment, at market value, in a single company of \$151,997. For the twelve months ended October 31, 2021, there were realized gains of \$1,449 and realized losses of \$83 on sales of equity securities.

## 8. Pension Benefits

Components of Net Periodic Pension Cost:

	Three Months Ended	
	1/31/2023	1/31/2022
Interest Cost	\$49,749	\$49,892
Expected return on plan assets	(85,500)	(91,715)
Amortization of accumulated loss	45,000	70,848
<b>Total net periodic pension cost</b>	<b>\$9,249</b>	<b>\$29,025</b>

The Company expects to contribute a minimum of \$126,055 to the pension plan in the fiscal year ending October 31, 2023 (“Fiscal 2023”). As of January 31, 2023, the Company has made no contributions and anticipates contributing the \$126,055 to fund their pension plan in the remaining nine months of Fiscal 2023.

## 9. Accumulated Other Comprehensive Loss

The following table presents the changes in the accumulated other comprehensive loss for the twelve months ended October 31, 2022:

	10/31/2022	
	Defined Benefit Pension Plan	Accumulated Other Comprehensive Loss
Beginning balance	(\$1,249,064)	(\$1,249,064)
Current period other comprehensive income	55,400	55,400
Ending balance	(\$1,193,664)	(\$1,193,664)

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

## 10. Fair Value of Financial Instruments and Impairment

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

The fair value hierarchy is summarized below:

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

The estimated recurring fair values of the Company’s financial instruments at January 31, 2023 and October 31, 2022 are as follows:

	1/31/2023		10/31/2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>ASSETS:</b>				
Cash and cash equivalents and cash held in escrow	\$4,868,827	\$4,868,827	\$5,612,319	\$5,612,319
Marketable securities	3,775,643	3,775,643	3,672,526	3,672,526
Accounts receivable	137,443	137,443	159,866	159,866
<b>LIABILITIES:</b>				
Accounts payable	360,871	360,871	366,846	366,846
Accrued liabilities	312,385	312,385	494,776	494,776
Debt	\$16,727	\$17,624	\$16,727	\$17,319

Fair Values were determined as follows:

Cash and cash equivalents and cash held in escrow, 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, government bonds, a bond mutual fund, a fixed equity exchange traded fund and a certificate of deposit at January 31, 2023. Marketable securities at October 31, 2022 consisted of all the aforementioned. Fair value of preferred stocks, government bonds, a bond mutual fund, a fixed equity exchange traded fund and certificate 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.

Preferred equity securities: The fair value of preferred equity securities is determined by the value at the closing price reported on the active markets on which the individual securities are traded.

The following tables set forth by level within the fair value hierarchy the Company's equity securities asset at fair value as of January 31, 2023 and October 31, 2022.

	Investment Assets at Fair Value as of January 31, 2023			
	Level 1	Level 2	Level 3	Total
Preferred stocks:				
Real estate investment trust	\$164,540			\$164,540
Finance	451,860			451,860
Insurance	9,423			9,423
Government bonds	2,855,418			2,855,418
Bond mutual fund	69,962			69,962
Exchange traded fund	84,440			84,440
Certificate of Deposit	140,000			140,000
Total marketable securities	\$3,775,643			\$3,775,643

	Investment Assets at Fair Value as of October 31, 2022			
	Level 1	Level 2	Level 3	Total
Preferred Stocks:				
Real estate investment trust	\$143,000			\$143,000
Finance	381,305			381,305
Insurance	8,222			8,222
Government bonds	2,852,512			2,852,512
Bond Mutual fund	64,607			64,607
Exchange traded fund	82,880			82,880
Certificate of Deposit	140,000			140,000
Total marketable securities	\$3,672,526			\$3,672,526

As of January 31, 2023, the carrying amount net of prior period impairments for land and land development costs is \$7,071,413. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$2,068,763. The carrying amount net of prior period impairments for land held for investment is \$1,532,287. The carrying amount for long-lived assets held for sale is \$187,214, no impairment was ever expensed on the assets held for sale. There was no impairment expense in the three months ended January 31, 2023.

As of October 31, 2022, the carrying amount net of prior period impairments for land and land development costs is \$6,54,487. The carrying amount net of prior period impairments for land improvements, buildings and equipment is \$2,137,207. The carrying amount net of prior period impairments for land held for investment is \$1,532,287. The

carrying amount for long lived assets held for sale is \$187,214, no impairment was ever expensed on the assets held for sale. There was no impairment expense in Fiscal 2022.

## 11. Per Share Data

Earnings per share (“EPS”) is based on the weighted average number of common shares outstanding during the period. The calculation of diluted EPS assumes weighted average options have been exercised to purchase shares of common stock in the relevant period, net of assumed repurchases using the treasury stock method. For the three and nine months ended January 31, 2023 and 2022, there were no unexercised stock options. As a result, the calculation of diluted EPS has been excluded from the table below since diluted EPS for these periods is equal to EPS.

Weighted average basic shares, taking into consideration shares issued, weighted average options, if any, used in calculating EPS, treasury shares repurchased, shares cancelled and basic loss per weighted average share for the three months ended January 31, 2023 and 2022 are as follows:

	Three Months Ended	
	1/31/2023	1/31/2022
Weighted average shares of common stock outstanding used to compute basic earnings per share	2,408,599	2,408,599
Basic loss per weighted average share is computed as follows:		
Net loss	(\$510,551)	(\$551,330)
Weighted average share of common stock outstanding	2,408,599	2,408,599
Basic loss per weighted average share	(\$0.21)	(\$0.23)

## 12. Supplemental Disclosure to Statements of Cash Flows

The following are supplemental disclosures to the statements of cash flows for the three months ended January 31, 2023 and 2022:

	1/31/2023	1/31/2022
Cash paid during the period for:		
Interest	\$0	\$71
Income taxes	\$0	\$0

## 13. Business Segment Information

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

### Resort Operations

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

### Real Estate Management/Rental Operations

Real Estate Management/Rental Operations consists of: investment properties leased to others; services to the trusts that operate resort residential communities; and rental of signboards.

### Land Resource Management

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

Information by business segment is as follows:

	Three months ended	
	1/31/2023	1/31/2022
Revenues from operations:		
Resort operations	\$528,687	\$477,773
Real estate management/rental operations	195,234	156,894
Land resource management	47,485	43,545
Total revenues from operations	<b>\$771,406</b>	\$678,212
Operating income (loss) from operations, excluding general and administrative expenses:		
Resort operations	(\$384,690)	(\$250,231)
Real estate management/rental operations	14,736	(20,668)
Land resource management	(50,442)	(60,045)
Total operating income (loss), excluding general and administrative expenses	<b>(\$420,396)</b>	(\$330,944)
General and administrative expenses:		
Resort operations	\$287,128	\$269,612
Real estate management/rental operations	104,032	87,339
Land resource management	24,968	22,784
Total general and administrative expenses	<b>\$416,128</b>	\$379,735
Interest expense:		
Resort operations	\$0	\$0
Real estate management/rental operations	237	71
Land resource management	0	0
Total Interest expense	<b>\$237</b>	\$71
Loss before income taxes	<b>(\$686,551)</b>	(\$742,330)

Identifiable assets, net of accumulated depreciation at January 31, 2023 and October 31, 2022 and depreciation expense and capital expenditures for three months ended January 31, 2023 and the fiscal year ended October 31, 2022 by business segment are as follows:



January 31, 2023	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort operations	\$2,368,170	\$64,540	\$28,076
Real estate management/rental income	4,052,779	29,388	0
Land resource management	13,307,539	7,943	0
Other corporate	151,209	3,333	8,812
Assets held for sale	187,214	0	0
<b>Total Assets</b>	<b>\$20,066,911</b>	<b>\$105,204</b>	<b>\$36,888</b>

October 31, 2022	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
Resort operations	\$2,547,072	\$243,097	\$442,991
Real estate management/rental income	4,294,644	120,192	0
Land resource management	13,506,773	31,609	2,253
Other corporate	147,678	12,713	7,722
Assets held for sale	187,214	0	0
<b>Total Assets</b>	<b>\$20,683,381</b>	<b>\$407,611</b>	<b>\$452,466</b>

During the three months ended January 31, 2023, there were no significant sales.

#### 14. Contingencies and Uncertainties

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

#### 15. Subsequent Events

The Company has evaluated and disclosed subsequent events from January 31, 2023 through the issuance date of the financial statements.

On March 1, 2023 the closing took place for the sale of approximately 340 acres, situated in Kidder Township and Tobyhanna Township.

## **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 40 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 January 31, 2023, we owned 9,405 acres of land in Northeastern Pennsylvania. Of these land holdings, we designated 7,632 acres as held for investment, 1,300 acres as held for development and 473 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.

Boulder View Tavern and Boulder Lake Club are a significant portion of our Resort Operations revenue.

The Jack Frost National Golf Course is managed by Jack Frost Golf Management, LLC, a subsidiary of Indigo Sports, LLC (formerly known as Antares 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 November 1, 2022, the Company, through its subsidiary Lake Mountain, LLC, terminated its Management Agreement with Indigo Sports, LLC through its subsidiary Boulder View Management, LLC, for the management of Boulder View Tavern.

On November 1, 2022, the Company, through its subsidiary Lake Mountain, LLC, entered into a Management Agreement with RealFood, LLC, a subsidiary of Troon Golf, L.L.C., an unaffiliated third-party operator, for the management of Boulder View Tavern. The Agreement has a term of five years from the Commencement Date.

On November 17, 2022, the Company entered into an Agreement of Sale for approximately 133 acres located in Tobyhanna Township, Monroe County, Pennsylvania, with a purchase price of \$3,500,000. A deposit in the amount of \$26,000 has been received and placed into an escrow account.

On January 17, 2023, the Company entered into a lease Agreement with Pocono Area Realty Benz Group, LLC to rent office space located at Blue Ridge Real Estate's Corporate office, effective August 1, 2023 to August 1, 2024.

### **Results of Operations for the Three Months Ended January 31, 2023 and 2022**

Operations for the three months ended January 31, 2023 resulted in a net loss of \$510,551, or \$0.21 per share respectively, compared to a net loss of \$551,330, or \$0.23 per share respectively, for the three-month period ended January 31, 2022.

#### **Revenues**

Revenues of \$771,406 for the three months ended January 31, 2023 represent an increase of \$93,194 or 14% compared to the three months ended January 31, 2022. Resort operations revenue increased \$50,914, or 11% for the three months ended January 31, 2023. Real Estate Management Operations/Rental Income revenue increased \$38,340 or 24% compared to the three months ended January 31, 2022. Land Resource Management revenue increased \$3,940, or 9% for the three months ended January 31, 2023 compared to the three months ended January 31, 2022.

#### **Resort Operations**

Resort operations consist of the Boulder View Tavern, Boulder Lake Club, Jack Frost National Golf Course, and The Stretch fishing club. Resort operations revenue for the three months ended January 31, 2023 was \$528,687 as compared to \$477,773 for the three months ended January 31, 2022 an increase of \$50,914 or 11%. This was primarily the result of increased revenues at Boulder View Tavern of \$48,503, or 11%. Revenues also increased at Boulder Lake Club by \$1,404, or 8%, at Jack Frost National Golf Course by \$832, or 2% and the Stretch fishing club by \$175.

#### **Real Estate Management/Rental Income**

Real Estate Management Operations / Rental Income revenue was \$195,234 for the three months ended January 31, 2023, compared to \$156,894 for the three months ended January 31, 2022, which resulted in an increase of \$38,340. Real Estate Management revenue for the three months ended January 31, 2023 increased to \$183,544 as compared to \$139,489 for the three months ended January 31, 2022, an increase of \$44,055. This was primarily the result of increased trust revenues from the trust services. Rental revenue decreased (\$5,715) primarily resulting from decreased leased property and signboard revenues.

#### **Land Resource Management**

For the three months ended January 31, 2023, Land Resource Management revenues increased to \$47,485 compared to \$43,545 for the three months ended January 31, 2022, an increase of \$3,940, primarily due to increased hunting club revenues.

#### **Operating Costs**

##### **Resort Operations**

Operating costs associated with Resort Operations for the three months ended January 31, 2023 increased to \$913,377 compared to \$728,004 for the three months ended January 31, 2022, an increase of \$185,373, or 25%.

This was primarily related to increased labor costs and increased cost of goods sold in tandem with increased revenues.

### **Real Estate Management/Rental Income**

Operating costs associated with Real Estate Management Operations/Rental Income for the three months ended January 31, 2023 increased to \$180,498 compared to \$177,562 for the three months ended January 31, 2022, an increase of \$2,936, or 2%. This increase was attributed to increased expenses in the property management/trust services division offset by decreased expenses in the rental division.

### **Land Resource Management**

Operating costs associated with Land Resource Management for the three months ended January 31, 2023 decreased to \$97,927 compared to \$103,590 for the three months ended January 31, 2022, a decrease of (\$5,663), or (5%).

### **General and Administration**

General and administration costs for the three months ended January 31, 2023 increased to \$416,128 as compared to \$379,735 for the three months ended January 31, 2022, an increase of \$36,393, or 9%. This increase is primarily related to an increase in labor costs, \$18,804, an increase in supplies and services, \$9,753, an increase in utilities of \$5,020 and an increase in insurance expense of \$1,332 for the three months ended January 31, 2023 as compared to the three months ended January 31, 2022.

### **Other Income and Expense**

Interest expense for the three months ended January 31, 2023 increased to \$237 compared to \$71 for the three months ended January 31, 2022, an increase of \$166.

Interest and dividends on equity securities, net was \$67,561 for the three months ended January 31, 2023 compared to \$13,005 for the three months ended January 31, 2022, an increase of \$54,556. Realized gains on disposition of equity securities were \$195 for the three months ended January 31, 2023 compared to \$3,715 in the three months ended January 31, 2022. Unrealized gains on equity securities were \$91,766 for the three months ended January 31, 2023 compared to unrealized losses of (\$27,429) for the three months ended January 31, 2022.

Pension expense for the three months ended January 31, 2023 decreased to \$9,249 compared to \$29,025 for the three months ended January 31, 2022, a decrease of (\$19,776) or (68%).

### **Tax Rate**

The tax rate specific to federal taxes for the three and nine months ended January 31, 2023 and 2022 was 21%. The effective rate for the three months ended January 31, 2023 and 2022 was 25.74%.

### **Liquidity and Capital Resources**

As reflected in the Statements of Cash Flows, net cash used in operating activities was \$694,977 for the three months ended January 31, 2023 versus net cash used in operating activities was \$740,923 for the three months ended January 31, 2022.

There were no material non-recurring cash items for the three months ended January 31, 2023 and 2022.

The Company's investment portfolio includes preferred securities and government bonds with a goal to provide current income with capital preservation over a 3 to 5-year time horizon. At January 31, 2023, the Company's cash and equity securities totaled \$8,643,940 compared to cash and equity securities of \$9,284,315 at October 31, 2022.

On March 21, 2022, the 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 utility vehicle for the Jack Frost National Golf Course in the amount of \$22,323. The lease is due and payable in 24 non-consecutive monthly installments in the months of May through October, through October 20, 2025. The interest is a fixed rate of 5.65%.

On July 30, 2020, the Company entered into an installment loan with GM Financial in the amount of \$26,410 for the purchase of a 2020 Chevrolet Colorado. The loan was payable in 36 monthly installments of \$786 from September 2020 to August 2023 and bore interest at a fixed rate of 4.39%. On November 17, 2021, the Company paid this loan in full and on December 23, 2021 the vehicle was sold with a gain on the sale of \$8,154.

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 was due and payable in 30 non-consecutive monthly installments in the months of May through October. The interest was a fixed rate of 5.08%. In June 2022 the final installment of the lease was paid.

The Company has one certificate of deposit with Mauch Chunk Trust Company. On March 8, 2023 the certificate in the amount of \$140,000 matured and yielded interest of \$140. The Company reinvested \$140,000 in a certificate of deposit with Mauch Chunk Trust for a term of 13 months with a new maturity date of April 8, 2024. The bank certificate is included in Equity Securities, which approximates fair value.

On November 9, 2022, 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 two years, renewable biennially 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 two dams to post a financial guarantee adequate to breach the dams if we fail to comply with PA-DEP safety requirements.

The following table sets forth the Company’s significant contractual cash obligations for the items indicated as of January 31, 2023, 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	\$0	\$0	\$0	\$0	\$0
Capital Leases	16,727	5,265	11,462	0	0
Fixed Rate Interest	1,520	822	698	0	0
Pension Contribution Obligations (1)	126,055	126,055	0	0	0
Total Contractual Cash Obligations	\$144,302	\$132,142	\$12,160	\$0	\$0

(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, equity 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, a recreational lake club facility and a fly-fishing club, 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, fishing and lake clubs, and golf course memberships paid. Revenues related to the hunting, fishing and lake clubs and golf course memberships are recognized over the seasonal period that the dues cover. We recognize revenue related to the fishing and lake clubs 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 are 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 January 31, 2023 includes 340 acres of land currently under an

Agreement of Sale entered into August 21, 2022. Subsequently, on March 1, 2023 the closing took place for the sale of approximately 340 acres, situated in Kidder Township and Tobyhanna Township.

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

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

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

Our deferred tax assets consist principally of the recognition of losses primarily driven by recognition of net operating losses, 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.

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. 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. Future benefit accruals under the pension plan ceased as of August 31, 2010. The pension plan is currently underfunded. The Company has not made any contributions during the three months ended January 31, 2023 and anticipates contributing a minimum of \$126,055 to the pension plan in the remaining months of Fiscal 2023. The Company also has a 401(k)-pension plan that is available to all full-time employees. 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.