

**BLUE RIDGE REAL ESTATE COMPANY
BIG BOULDER CORPORATION**

2009 ANNUAL REPORT

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**BLUE RIDGE REAL ESTATE COMPANY
BIG BOULDER CORPORATION**

To Our Shareholders:

For the fiscal year ended October 31, 2009, or Fiscal 2009, we reported a net income of \$149,246, or \$0.06 per combined share, compared to a net loss of \$1,285,630, or (\$0.52) per combined share, for the fiscal year ended October 31, 2008, or Fiscal 2008.

In June 2009 and August 2009, we sold approximately 2,700 acres of land, located outside of our core area landholdings in Northeast Pennsylvania, to The Conservation Fund in two separate transactions, for the aggregate price of \$6,875,000. The net gain realized from both land sales was approximately \$6,300,000. We have reserved the oil and gas rights to all of the land that was sold to The Conservation Fund until December 2031. Proceeds from the sale were used to pay down debt.

In September 2009, we sold a retail store, which we had leased to Wal-Mart, located in Laurens, South Carolina for \$1,275,000. A portion of the proceeds from the sale were used to repay a loan on the property. The remaining proceeds will be used to purchase another income producing investment property that qualifies as an Internal Revenue Service, or IRS, Section 1031 tax deferred exchange.

We are currently offering for sale homes in our Laurelwoods II community and our Boulder Lake Village Condominium development overlooking Big Boulder Ski Resort located in Lake Harmony, Pennsylvania. In Phase I of the Laurelwoods II community, we have completed construction on 22 single family homes, 19 of which have been sold and three of which are held in inventory. We have received municipal approval for the construction of 44 duplex and 22 single units in Phase II of our Laurelwoods II community, and we have completed the construction of eight of the duplex units. Three of these completed units have been sold and the five other units are held in inventory. We have also received municipal approval for the construction of 144 condominium units in our Boulder Lake Village Condominium development. Boulder Lake Village "Building J" is comprised of 18 condominium units, and we have completed construction on 6 of these units. Two of these completed units have been sold, one unit has been decorated as a model, one unit accommodates a sales office, and two units are held in inventory. The remaining 12 condominium units are expected to be completed during the fiscal year ended October 31, 2010, or Fiscal 2010. Our management has made the decision not to begin construction on any additional planned homes or units until the housing market recovers. We are also offering financing and other incentives in an effort to sell these homes.

As a result of our recent market analysis, we have decided to take a write down of costs for several development projects, which are more fully disclosed in the notes to our Combined Financial Statements of this Annual Report.

Our Boards of Directors have made the decision to utilize the experience of a professional real estate developer for the development of several of our planned residential communities.

The Jack Frost and Big Boulder Ski Areas have been operated and managed by Peak Resorts, an unaffiliated entity, since December 2005. We are pleased with the current maintenance and operation of these two leased facilities.

The Jack Frost National Golf Course has been operated and managed by Billy Casper Golf, LLC for the past two golf seasons. They have taken various steps to reduce expenses and increase revenues while providing players with an enjoyable golf experience. We are also pleased with their management efforts.

During Fiscal 2009, we engaged the services of Pocono Resorts Realty, a well-known local real estate broker, to market our inventory of new homes at Big Boulder. For Fiscal 2010, we will continue to market commercial land and residential parcels for sale and continue evaluation of our current landholdings for possible future energy exploration.



Patrick M. Flynn, President

Blakeslee, Pennsylvania
February 22, 2010

For convenience, references in this Annual Report to “we,” “us,” “our,” and the “Companies” mean or relate to Blue Ridge Real Estate Company, Big Boulder Corporation and their subsidiaries.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report to Shareholders constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are made based upon, among other things, our current assumptions, expectations and beliefs concerning future developments and their potential effect on us. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words “believes,” “expects,” “anticipates,” “plans,” “future,” “potential,” “probably,” “predictions,” “continue” or the negative of such terms or similar expressions. All statements, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenue, projected costs, projected savings, prospects, plans, opportunities and objectives constitute “forward-looking statements,” including but not limited to statements regarding the current and future real estate market in the Pocono Mountains; the timing and outcome of our planned land development; compensation expense related to non-vested awards; contributions to our pension plan; our land development and infrastructure plans in and around Jack Frost Mountain and Big Boulder Lake and Ski Resort; and our anticipated cash needs.

These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

- Changes in market demand, weather and/or economic conditions within our local region and nationally, including changes in consumer confidence, volatility of mortgage interest rates and inflation;
- The status of the current and future real estate market in the Pocono Mountains;
- Borrowing costs and our ability to generate cash flow to pay interest and scheduled debt payments as well as our ability to refinance such indebtedness;
- Our ability to continue to generate sufficient working capital to meet our operating requirements;
- Our ability to obtain and maintain approvals from local, state and federal authorities for land development and construction;
- Our ability to provide competitive pricing to sell homes;
- Our ability to achieve gross profit margins to meet operating expenses;
- Fluctuations in the price of building materials;
- Our ability to effectively manage our business;
- Our ability to attract and retain qualified personnel in our business;
- Our ability to negotiate leases for the future operations of our facilities;
- Our relations with our controlling shareholder, including its continuing willingness to provide financing and other resources;
- Actions by our competitors.
- Effects of changes in accounting policies, standards, guidelines or principles; and
- Terrorist acts, acts of war and other factors over which the Companies have little or no control.

As a result of these factors, we cannot assure you that the forward-looking statements in this Annual Report to Shareholders will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all.

We may not update these forward-looking statements, even though our situation may change in the future.

We qualify all the forward-looking statements contained in this Annual Report to Shareholders by the foregoing cautionary statements.

OUR COMPANY

Blue Ridge Real Estate Company, or Blue Ridge, which was incorporated in Pennsylvania in 1911, is believed to be one of the largest owners of investment property in Northeastern Pennsylvania. Blue Ridge owns 13,357 acres of land that are predominately located in the Pocono Mountains, along with 14 acres of land in various other states. Of this acreage, 8,368 acres are held for investment, 4,585 acres are held for development and 404 acres are held for recreation. Income is derived from these lands through leases, selective timbering by third parties, sales, and other dispositions. Included in the properties owned by Blue Ridge are: 93 acres of land held for investment in Northeast Land Company, a commercial property comprised of 2.9 acres of vacant land; a shopping center with 9.4 acres; three residential investment properties; the Jack Frost National Golf Course; and the Jack Frost Mountain Ski Area, which is currently leased to JFBB Ski Areas, Inc., an affiliate of Peak Resorts. Blue Ridge also owns three retail stores, two of which are leased to Walgreen Company on 3.4 acres, and one of which is leased to Jack in the Box on 1.2 acres.

Big Boulder Corporation, or Big Boulder, was incorporated in Pennsylvania in 1949. Big Boulder's primary asset is 865 acres of land, which includes a 175-acre lake, the Big Boulder Ski Area, and Boulder View Tavern. Of the 865 acres, 369 acres are held for investment, 386 acres are held for development and 110 acres are held for recreation. The principal source of revenue for Big Boulder is derived from the sale of residential homes and real estate in close proximity to the Big Boulder Ski Area. The Big Boulder Ski Area is currently leased to JFBB Ski Areas, Inc., an affiliate of Peak Resorts.

We currently operate in three business segments, which consist of the Real Estate Management/Rental Operations, Summer Recreational Operations and Land Resource Management segments. Our business segments were determined from our internal organization and management reporting, which are based primarily on differences in the services we provide. Financial information about our segments can be found in Note 17 of our audited financial statements.

- **Real Estate Management/Rental Operations** consists of: investment properties leased to others located in Eastern Pennsylvania, South Carolina, New Jersey, Minnesota, Louisiana and Texas; a custom home construction division; recreational club activities and services to the trusts that operate resort residential communities; sales of investment properties; and rental of land and land improvements, which includes the leasing of our two ski areas located in the Pocono Mountains of Northeastern Pennsylvania.
- **Summer Recreation Operations** consists of the Jack Frost National Golf Course, which opened in the spring of 2007. The Lake Mountain Club was previously reported as part of this business segment, but is now reported under Real Estate Management/Rental Operation as a result of this operation being leased to a third party operator in March 2007.
- **Land Resource Management** consists of land sales, land purchases, timbering operations and a real estate development division. Timbering operations consist of selective timbering on our land holdings. Contracts are entered into for parcels that have had the timber selectively marked. 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 of land for timbering. Our forester gives significant attention to protecting the environment and retaining the value of these parcels for future timber harvests. 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 principal executive offices are located at Route 940 and Mosey Wood Road, Blakeslee, Pennsylvania 18610, and our telephone number is (570) 443-8433.

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
AND
BIG BOULDER CORPORATION and SUBSIDIARIES**

COMBINED BALANCE SHEETS
October 31, 2009 and 2008

ASSETS	10/31/09	10/31/08
Land and land development costs (4,971 acres per land ledger)	\$15,965,609	\$18,400,355
Land improvements, buildings and equipment, net	25,936,464	27,448,577
Land held for investment, principally unimproved (8,737 and 11,448, respectively, acres per land ledger)	7,774,879	8,194,827
Land held for recreation (514 acres per land ledger)	8,693,860	8,693,860
Long-lived assets held for sale	3,441,944	5,552,362
Net investment in direct financing leases	8,310,073	8,324,258
Cash and cash equivalents	161,772	225,083
Cash held in escrow	1,041,677	232,059
Prepaid expenses and other assets	1,281,775	1,430,068
Accounts receivable and mortgages receivable	351,328	532,167
	\$72,959,381	\$79,033,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Debt	\$26,294,719	\$31,273,294
Accounts payable	641,504	1,264,556
Accrued liabilities	591,265	628,325
Deferred income	723,608	866,660
Amounts due to related parties	7,292	48,959
Deferred income taxes	5,677,000	6,750,000
Accrued pension expense	3,192,663	1,179,643
Total liabilities	37,128,051	42,011,437
Commitments and contingencies		
COMBINED SHAREHOLDERS' EQUITY:		
Capital stock, without par value, stated value \$.30 per combined share, Blue Ridge and Big Boulder each authorized 3,000,000 shares, each issued 2,732,442	819,731	819,731
Capital in excess of stated value	19,823,586	19,785,264
Earnings retained in the business	19,346,304	19,197,058
Accumulated other comprehensive loss	(2,072,884)	(694,467)
	37,916,737	39,107,586
Less cost of 282,018 shares of capital stock in treasury	2,085,407	2,085,407
Total shareholders' equity	35,831,330	37,022,179
	\$72,959,381	\$79,033,616

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

BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
AND
BIG BOULDER CORPORATION and SUBSIDIARIES

COMBINED STATEMENTS OF OPERATIONS
for the years ended October 31, 2009, 2008 and 2007

	10/31/09	10/31/08	10/31/07
Revenues:			
Real estate management	\$1,552,798	\$4,860,549	\$7,140,631
Summer recreation operations	725,015	629,314	580,328
Land resource management	11,265,226	2,233,516	5,310,518
Rental income	2,353,627	2,434,734	2,554,485
	<u>15,896,666</u>	<u>10,158,113</u>	<u>15,585,962</u>
Costs and expenses:			
Real estate management	1,994,154	5,147,034	6,984,127
Summer recreation operations	1,361,576	1,727,795	1,082,850
Land resource management	8,904,621	1,812,854	3,729,512
Rental income	1,184,221	1,366,988	1,309,555
General and administration	1,639,307	1,241,027	1,387,241
Loss or (gain) on sale of assets	10,643	54,811	(2,118)
	<u>15,094,522</u>	<u>11,350,509</u>	<u>14,491,167</u>
Operating profit (loss)	<u>802,144</u>	<u>(1,192,396)</u>	<u>1,094,795</u>
Other income (expense)			
Interest and other income	328,924	320,215	340,575
Interest expense (net of capitalized interest of \$499,637 in 2009, \$561,591 in 2008 and \$531,444 in 2007)	(1,064,822)	(1,004,449)	(1,035,761)
	<u>(735,898)</u>	<u>(684,234)</u>	<u>(695,186)</u>
Income (loss) from continuing operations before income taxes	<u>66,246</u>	<u>(1,876,630)</u>	<u>399,609</u>
(Credit) provision for income taxes:			
Current	47,000	8,000	208,000
Deferred	(130,000)	(599,000)	58,000
	<u>(83,000)</u>	<u>(591,000)</u>	<u>266,000</u>
Net income (loss) before discontinued operations	<u>149,246</u>	<u>(1,285,630)</u>	<u>133,609</u>
Discontinued operations	<u>0</u>	<u>0</u>	<u>86,618</u>
Provision for income taxes on discontinued operations:			
Current	0	0	34,000
Deferred	0	0	0
	<u>0</u>	<u>0</u>	<u>34,000</u>
Net income from discontinued operations	<u>0</u>	<u>0</u>	<u>52,618</u>
Net income (loss)	<u>\$149,246</u>	<u>(\$1,285,630)</u>	<u>\$186,227</u>

COMBINED STATEMENTS OF OPERATIONS
for the years ended October 31, 2009, 2008 and 2007

	<u>10/31/09</u>	10/31/08	10/31/07
Basic earnings per weighted average combined share:			
Net income (loss) before discontinued operations	\$0.06	(\$0.52)	\$0.05
Income from discontinued operations, net of tax	0.00	0.00	0.03
	<hr/>		
Net income (loss)	<u>\$0.06</u>	<u>(\$0.52)</u>	<u>\$0.08</u>
Diluted earnings per weighted average combined share:			
Net income (loss) before discontinued operations	\$0.06	(\$0.52)	\$0.05
Income from discontinued operations, net of tax	0.00	0.00	0.03
	<hr/>		
Net income (loss)	<u>\$0.06</u>	<u>(\$0.52)</u>	<u>\$0.08</u>

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

**BLUE RIDGE REAL ESTATE COMPANY and SUBSIDIARIES
AND
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**COMBINED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended October 31, 2009, 2008 and 2007**

	Capital Stock (a)		Capital in	Earnings	Accumulated	Capital	Total
	Shares	Amount	Excess of Stated Value	Retained in the Business	Other Comprehensive Loss	Stock in Treasury (b)	
Balances, October 31, 2006	2,725,042	\$817,511	\$18,920,297	\$20,296,461	(\$103,465)	(\$2,085,407)	\$37,845,39
Comprehensive income:							
Net income				186,227			186,22
Other comprehensive income:							
Additional minimum pension liability adjustment, net of deferred tax expense of \$82,000					103,465		103,46
Cumulative effect of adoption of FAS 158, net of deferred tax benefit of of \$209,176					(289,583)		<u>(289,58)</u>
Total comprehensive income							<u>10</u>
Compensation recognized under employee stock plan			263,940				263,94
Excess tax benefit on exercise of employee stock options			225,813				225,81
Exercise of stock options	7,400	2,220	249,380				251,60
Balances, October 31, 2007	2,732,442	\$819,731	\$19,659,430	\$20,482,688	(\$289,583)	(\$2,085,407)	\$38,586,85
Comprehensive loss:							
Net loss				(1,285,630)			(1,285,63)
Other comprehensive loss:							
Additional minimum pension liability adjustment, net of deferred tax expense of \$276,000					(404,884)		(404,88)
Total comprehensive loss							<u>(1,690,51)</u>
Compensation recognized under employee stock plan			125,834				125,83
Balances, October 31, 2008	2,732,442	\$819,731	\$19,785,264	\$19,197,058	(\$694,467)	(\$2,085,407)	\$37,022,17

COMBINED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (cont'd)
for the years ended October 31, 2009, 2008 and 2007

	Capital Stock (a)		Capital in Excess of Stated Value	Earnings Retained in the Business	Accumulated	Capital Stock in Treasury (b)	Total
	Shares	Amount			Other Comprehensive Loss		
Balances, October 31, 2008	2,732,442	\$819,731	\$19,785,264	\$19,197,058	(\$694,467)	(\$2,085,407)	\$37,022,17
Comprehensive income:							
Net income				149,246			149,24
Other comprehensive loss:							
Defined benefit pension							
Deferred actuarial loss, net					(1,380,283)		(1,380,28
Prior service costs, net					163		16
Unrecognized transition cost, net					1,703		1,70
Total defined benefit pension, net of deferred tax expense of \$943,000							(1,378,41
Total comprehensive loss							(1,229,17
Compensation recognized under employee stock plan			38,322				38,32
Balances, October 31, 2009	2,732,442	\$819,731	\$19,823,586	\$19,346,304	(\$2,072,884)	(\$2,085,407)	\$35,831,33

(a) Capital stock, at stated value of \$.30 per combined share

(b) 282,018 shares held in treasury, at cost at October 31, 2009, 2008, and 2007

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

