

Berkshire Homes, Inc.  
Form 10-Q  
April 20, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **February 28, 2015**

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **333-171423**

**Berkshire Homes, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**68-0680858**

(IRS Employer Identification No.)

**2375 East Camelback Road, Suite 600**

**Phoenix, AZ 85016**

(Address of principal executive offices)

**(602) 387-5393**

(Registrant's telephone number)

---

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

Edgar Filing: Berkshire Homes, Inc. - Form 10-Q

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  
 Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:  
1,572,002 as of March 13, 2015.

Table of Contents

**TABLE OF CONTENTS**

Page

**PART I – FINANCIAL INFORMATION**

Item 1: <u>Financial Statements</u>	3
Item 2: <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	4
Item 3: <u>Quantitative and Qualitative Disclosures About Market Risk</u>	6
Item 4: <u>Controls and Procedures</u>	6

**PART II – OTHER INFORMATION**

Item 1: <u>Legal Proceedings</u>	8
Item 1A: <u>Risk Factors</u>	8
Item 2: <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	8
Item 3: <u>Defaults Upon Senior Securities</u>	8
Item 4: <u>Mine Safety Disclosures</u>	8
Item 5: <u>Other Information</u>	8
Item 6: <u>Exhibits</u>	8

Table of Contents

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

Our consolidated financial statements included in this Form 10-Q are as follows:

F-1 Consolidated Balance Sheets as of February 28, 2015 and November 30, 2014 (unaudited);

F-2 Consolidated Statements of Operations for the three months ended February 28, 2015 and 2014 (unaudited);

F-3 Consolidated Statements of Cash Flows for the three months ended February 28, 2015 and 2014 (unaudited); and

F-4 Notes to Consolidated Financial Statements.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended February 28, 2015 are not necessarily indicative of the results that can be expected for the full year.

Table of Contents

BERKSHIRE HOMES, INC.

**CONSOLIDATED BALANCE SHEETS (unaudited)****AS OF**

	<b>February 28, 2015</b>	<b>November 30, 2014</b>
<b>ASSETS</b>		
Properties		
Properties under development	\$4,437,047	\$4,963,545
Properties held for sale	1,793,101	932,171
Properties, net	6,230,148	5,895,716
Cash and equivalents	\$118,004	\$353,685
Prepaid expenses	25,000	5,000
Assets related to discontinued operations, net of accumulated depreciation of \$ \$36,584 (2014-\$24,923)	2,624,386	2,634,247
Vehicle, net of accumulated depreciation of \$3,687 (2014-\$1,229)	25,813	28,271
Deferred financing costs	2,866	5,322
Total Assets	\$9,026,217	\$8,922,241
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Accounts payable and accrued liabilities	\$15,394	\$26,529
Accrued interest	486,352	373,544
Accounts payable to related parties	494,020	494,020
Advances due to Cannabis-Rx, Inc.	149,472	149,472
Promissory notes	9,150,000	9,150,000
Total liabilities	10,295,238	10,193,565
Stockholders' Deficit		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized; 2,000,000 and 2,000,000 shares issued and outstanding	200	200
Common Stock, \$0.0001 par value, 500,000,000 shares authorized, 1,572,002 and 1,572,002 shares issued and outstanding	157	157
Additional paid-in capital	168,243	168,243
Preferred subscription receivable	(20,000 )	(20,000 )
Accumulated Deficit	(1,417,621 )	(1,419,924 )
Total Stockholders' Deficit	(1,269,021 )	(1,271,324 )
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$9,026,217</b>	<b>\$8,922,241</b>

*See accompanying notes to unaudited consolidated financial statements.*

F-1

Table of Contents**BERKSHIRE HOMES INC.****CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)****FOR THE THREE MONTHS ENDED**

	<b>February 28, 2015</b>	<b>February 28, 2014</b>
<b>REVENUES</b>		
Property sales	\$675,419	\$—
	675,419	—
<b>COST OF SALES</b>		
Property costs	565,252	—
	565,252	—
<b>GROSS PROFIT</b>	110,167	—
<b>EXPENSES</b>		
Depreciation	2,458	—
Consulting fees	5,000	12,000
Insurance	5,813	—
General and administrative	15,362	8,993
Professional fees	18,053	8,252
Management fees and expenses	30,947	18,750
<b>TOTAL EXPENSES</b>	77,633	47,995
<b>INCOME (LOSS) FROM OPERATIONS</b>	32,534	(47,995 )
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(115,264 )	(35,581 )
<b>TOTAL OTHER ( EXPENSE)</b>	(115,264 )	(35,581 )
<b>LOSS FROM CONTINUING OPERATIONS</b>	(82,730 )	(83,576 )
<b>INCOME FROM DISCONTINUED OPERATIONS</b>	85,033	—
<b>NET INCOME (LOSS)</b>	\$2,303	\$(83,576 )
<b>NET INCOME LOSS PER SHARE: BASIC AND DILUTED FROM CONTINUING OPERATIONS</b>	\$(0.05 )	\$(0.04 )
<b>NET INCOME PER SHARE: BASIC AND DILUTED FROM DISCONTINUED OPERATIONS</b>	\$0.05	\$0.00
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED</b>	1,572,002	1,978,000

*See accompanying notes to unaudited consolidated financial statements.*

Table of Contents**BERKSHIRE HOMES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)****FOR THE THREE MONTHS ENDED**

	February 28, 2015	February 28, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$2,303	\$(83,576 )
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Depreciation	14,119	—
Amortization of deferred financing costs	2,456	2,456
Changes in operating assets and liabilities:		
Prepaid expenses	(25,000 )	—
Inventory of properties under development	(334,432)	(126,324)
Accounts payable	(6,135 )	(5,399 )
Accrued interest	112,808	33,125
Net Cash Used in Operating Activities	(233,881)	(179,718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from Cannabis-Rx, Inc.	—	37,353
Net Cash Provided by Financing Activities	—	37,353
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of properties, rehabilitation expense	(1,800 )	—
Net Cash Used in Investing Activities	(1,800 )	—
<b>Net Change in Cash</b>	(235,681)	(142,365)
Cash and Cash equivalents, beginning of period	353,685	146,048
<b>Cash and Cash equivalents, end of period</b>	<b>\$118,004</b>	<b>\$3,683</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$—	\$—
Income taxes paid	\$—	\$—

*See accompanying notes to unaudited consolidated financial statements.*

Table of Contents

**BERKSHIRE HOMES, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED FEBRUARY 28, 2015 AND 2014**

**NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

*Description of Business*

Berkshire Homes, Inc. (the “Company”) was incorporated in Nevada on June 2, 2010.

The Company operated an agricultural consulting business until November 16, 2012 when upon change of management the Company changed its business focus to acquisition, rehabilitation and sale or lease of distressed residential real estate in the United States.

**NOTE 2- SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation*

The accompanying unaudited interim financial statements of Berkshires Homes, Inc. (the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the Company’s audited 2014 annual financial statements and notes thereto filed on Form 10-K with the SEC. In the opinion of management, all adjustments, consisting of normal reoccurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods present have been reflected herein. The results of operation for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements, which would substantially

**NOTE 3 - RELATED PARTY TRANSACTIONS**

During the three months ended February 28, 2015 and 2014, the Company incurred management fees and expenses of \$30,947 and \$18,750 to its officers , respectively.



As of February 28, 2015, the Company had a payable of \$482,243 owed to Bay Capital A.G., who became a related party during 2013 by obtaining majority ownership and \$11,777 owed to the Chief Executive Officer of the Company.

During 2013, Cannabis-Rx Inc., an entity with common ownership and management, advanced an aggregate of \$50,496 to us which was outstanding as of November 30, 2013. In addition, in 2014, Cannabis advanced an additional \$99,093 to us, \$117 of which was written off as the of the year ended November 30, 2014. As at February 28, 2015, the total advances from Cannabis was \$149,472.

The amounts due to these related parties are due on demand, non-interest bearing and unsecured.

#### **NOTE 4 - PROMISSORY NOTES**

On June 13, 2013, the Company borrowed \$2,150,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on June 13, 2015. In connection with the note, the Company paid a fee of \$19,650 to a third party which was recorded as deferred financing costs and is being amortized to interest expense over the life of the loan using the effective interest rate method. During the period ended February 28, 2015, amortization expense of \$9,824 was recognized and unamortized financing costs of \$5,323 are deferred on the balance sheet.

On June 27, 2013, the Company borrowed \$500,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on June 27, 2015.

On April 21, 2014, the Company borrowed \$4,500,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on April 21, 2016.

On June 23, 2014, the Company borrowed \$2,000,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on June 23, 2016.

Table of Contents**NOTE 5 - COMMON STOCK**

On February 12, 2014, the Company authorized a class of Series A preferred stock consisting of 5,000,000 shares with a par value of \$ 0.0001 per share. On February 12, 2014, the Company agreed to issue 2,000,000 such shares for cash of \$20,000. As of February 28, 2015, the Company had not received the proceeds of the share subscription and the proceeds have been recorded as subscription receivable.

**NOTE 6 – ACQUISITION**

On June 27, 2014, the Company acquired a 100% ownership interest in a property located in Tallahassee, Florida at an auction for a purchase price of \$2,500,000 and rehabilitation expenses of \$159,170 for a total of \$2,659,170. During the period ended February 28, 2015, the Company incurred rehabilitation expenses of \$1,800 related to the property. The property consisted of 56 residential units consisting of one and two bedrooms. There were preexisting leases. However, due to the short-term nature of the leases, no value was assigned to them. The property was purchased for the purpose of resale after renovations. Offers for the purchase of the property have been received.

The following table summarizes the preliminary estimated fair values of the assets and liabilities acquired as part of the Tallahassee purchase:

Land	\$556,000
Buildings, net and Improvements	2,078,247
Estimated fair value of assets and liabilities acquired	\$2,634,247

The rental income and expenses from the discontinued operations for the three months ended February 28, 2015 is as follows:

Rental Income	\$27,393
Purchase deposit forfeited	75,000 *
Rental Expense	(5,699 )
Depreciation Expense	(11,661)
Total rental income and expense	85,033

\* the purchase offer executed on February 2, 2015 has fallen through.

The property has been classified as held for sale. As a result the assets and rental income have been presented as discontinued operations in the financial statements.

F-5

Table of Contents

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Forward-Looking Statements**

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements.” These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “v likely result,” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

**Company Overview**

We are focused on the acquisition, rehabilitation and sale of distressed residential properties in the United States. We will, however, consider the acquisition of commercial and multi-family properties as well. Our corporate offices are located at 2375 East Camelback Road, Suite 600, Phoenix, AZ 85016 and our phone number is (602) 387-5393.

We believe that the current housing market environment presents an unprecedented opportunity for those who have the expertise, operating platform, technology systems and capital in place to execute an acquisition and operating strategy in a cost-effective manner. We intend to build a geographically diversified portfolio of primarily residential homes in target markets that we believe exhibit favorable demographics and long-term economic trends, attractive acquisition prices and appreciation potential, as well as rental yields with commercial and multi-family properties. We intend to implement a buy and renovate strategy to increase value, livability, and attractiveness, and then sell the properties or we may keep them for value as rental properties.

In furthering our business plan, we have been actively searching for capital to purchase distressed properties and build our inventory. We have sold an aggregate of \$9,150,000 of our 5% unsecured promissory notes (the “5% Notes”) for gross proceeds to us of \$9,150,000. The 5% Notes accrued interest at the rate of 5% per annum are due and payable twenty four months from their respective dates of issuance, subject to acceleration in the event of default and the 5% Notes may be prepaid, in whole or in part, without penalty or premium.

With the money we have raised through debt financing to date we have acquired 23 properties for a purchase price of \$11,855,762.02. Of these 23 properties we have sold 12 for \$6,039,800.00 prior to closing costs. Also, 1 properties are under contract for sale, 2 are listed for sale, and 8 are under rehab. The properties include single and multi-family residences in 6 States. We plan to recycle all the capital from these properties and purchase more similar type assets to rehabilitate and sell. Additionally, we plan to expand our portfolio and have been looking at other major urban markets to enter into. Our short and long-term goals are to seek out opportunistic real estate investments that meet our underwriting criteria including twenty percent annualized returns. There is no assurance, however, that we will find the assets that fit our parameters or that we will raise the needed capital to implement our business plan.

We will continue our efforts to secure additional financing, which is necessary to implement our business strategy of acquiring a substantial portfolio investment properties. We plan to continue our efforts to secure financing.

### **Results of Operations for the three months ended February 28, 2015 and 2014**

#### ***Revenues***

We generated sales of \$675,419 for the three months ended February 28, 2015, as compared with no sales for the same period ended February 28, 2014. Our cost of sales totaled \$565,252 for the three months ended February 28, 2015. Our costs of sales includes: purchase price, rental expenses, rehabilitation, escrow, closing costs, and commissions. We achieved a gross profit of \$110,167 for the three months ended February 28, 2015, which represented a 16% margin.

#### ***Discontinued Operations***

We purchased a property for \$2,500,000 (and rehabilitation expenses of \$159,170) that is now related to discontinued operations and held for sale. Our income from these discontinued operations totaled \$85,033 for the three months ended February 28, 2015.

Table of Contents

***Operating Expenses***

Operating expenses increased by \$29,638 to \$77,633 for the three months ended February 28, 2015 from \$47,995 for the same period ended February 28, 2014. Our operating expenses for the three months ended February 28, 2015 mainly consisted of management fees and expenses of \$30,947, professional fees of \$18,053, general and administrative expenses of \$15,362, depreciation of \$2,458, consulting fees of \$5,000 and insurance expenses of \$5,813. In comparison, our operating expenses for the same period ended February 28, 2014 mainly consisted of management fees and expenses of \$18,750, general and administrative expenses of \$8,993, professional fees in the amount of \$8,252, and consulting fee of \$12,000.

We anticipate our operating expenses will increase as we continue to expand our operations. The increase will be attributable to administrative and operating costs associated with the management associated with the increase in the acquisition, renovation and sale of residential properties and our continued reporting obligations with the Securities and Exchange Commission.

***Interest Expenses***

We incurred interest expenses of \$115,264 for the three months ended February 28, 2015, as compared with \$35,581 for the same period ended February 28, 2014.

On April 21, 2014, we borrowed \$4,500,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on April 21, 2016.

On June 23, 2014, we borrowed \$2,000,000 at an interest rate of 5% per annum. The promissory note is unsecured and is due on June 23, 2016.

We expect that interest expenses will increase as we plan to take on more debt to finance our property acquisitions resulting in higher interest expenses.

***Net Income/Loss***

We incurred net income of \$2,303 for the three months ended February 28, 2015, compared to a net loss of \$83,567 for the same period ended February 28, 2014. For the three months ended February 28, 2015, we incurred a loss of \$82,730 from continuing operations and net income of \$85,033 from discontinued operations.

### **Liquidity and Capital Resources**

As of February 28, 2015, we had total assets of \$9,026,217. We had total liabilities of \$10,295,238 as of February 28, 2015.

Operating activities used \$233,881 in cash for the three months ended February 28, 2015, as compared with \$179,718 used for the same period ended February 28, 2014. Our negative operating cash flow for February 28, 2015 was mainly a result of the increase in our real property inventory.

Investing activities used \$1,800 in cash for three months ended February 28, 2015, as compared with \$0 used for same period ended February 28, 2014. Our negative investing cash flow for February 28, 2015 was mainly a result of a property related to discontinued operations now held for sale.

Financing activities for the three months ended February 28, 2015 generated \$0 in cash, as compared with cash flows provided by financing activities of \$37,353 for same period ended February 28, 2014. Our positive cash flow from financing activities for the three months ended February 28, 2014 was the result of money obtained from Cannabis-RX, Inc.

As of February 28, 2015, we had \$118,004 in cash. With the cash on hand, we have sufficient cash to operate our business at the current level for the next twelve months. Our plan, however, is to acquire more properties, and to do this, we intend to fund our expansion through debt and/or equity financing arrangements. We do not have any formal commitments or arrangements for the sales of stock or the advancement or loan of funds at this time. There can be no assurance that such additional financing will be available to us on acceptable terms, or at all.

Table of Contents

**Critical Accounting Policies**

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our critical accounting policies are set forth in Note 2 to the financial statements.

**Recently Issued Accounting Pronouncements**

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

**Off Balance Sheet Arrangements**

As of February 28, 2015, there were no off balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

A smaller reporting company is not required to provide the information required by this Item.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures**



We conducted an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of February 28, 2015, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities Exchange Commission's rules and forms, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of February 28, 2015, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses identified and described below.

Our principal executive officers do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officers have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Table of Contents

**Remediation Plan to Address the Material Weaknesses in Internal Control over Financial Reporting**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following three material weaknesses that have caused management to conclude that, as of February 28, 2015, our disclosure controls and procedures, and our internal control over financial reporting, were not effective at the reasonable assurance level:

- We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act as of the period ending February 28, 2015. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
- We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the initiation of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.
- Effective controls over the control environment were not maintained. Specifically, a formally adopted written code of business conduct and ethics that governs our employees, officers, and directors was not in place. There is a material weakness in our management not having GAAP and SEC reporting expertise. Additionally, management has not developed and effectively communicated to employees its accounting policies and procedures. This has resulted in inconsistent practices. Further, our Board of Directors does not currently have any independent members and no director qualifies as an audit committee financial expert as defined in Item 407(d)(5)(ii) of Regulation S-K. Since these entity level programs have a pervasive effect across the organization, management has determined that these circumstances constitute a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

To remediate the material weakness in our documentation, evaluation and testing of internal controls we plan to engage a third-party firm to assist us in remedying this material weakness once resources become available.

We intend to remedy our material weakness with regard to insufficient segregation of duties by hiring additional employees in order to segregate duties in a manner that establishes effective internal controls once resources become available.

### **Changes in Internal Control over Financial Reporting**

No change in our system of internal control over financial reporting occurred during the period covered by this report, the period ended February 28, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II – OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

**Item 1A. Risk Factors**

A smaller reporting company is not required to provide the information required by this Item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

N/A

**Item 5. Other Information**

None

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
31.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended February 28, 2015 formatted in Extensible Business Reporting Language (XBRL).

\*\*Provided herewith

8

Table of Contents

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Berkshire Homes, Inc.**

April 20, 2015

Date:

By: /s/ Llorin Kylo

Llorin Kylo

Title: President, Chief Executive Officer, Chief Financial Officer and Director

