Berkshire Homes, Inc.
Form 10-Q
November 02, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **August 31, 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	**68-0680858**
(State or other jurisdiction of incorporation or organization)	(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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[ ] Yes [X] 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 [X] 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 [X] 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 [X] 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 October 20, 2015

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

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 August 31, 2015 are not necessarily indicative of the results that can be expected for the full year.

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BERKSHIRE HOMES, INC.

CONSOLIDATED BALANCE SHEETS (unaudited)

AS OF

	August 31, 2015	November 30, 2014
ASSETS		
Properties	$	$
Properties under development	3,233,999	4,963,545
Properties held for sale	2,409,708	932,171
Properties, net	5,643,707	5, 895,716
Cash and equivalents	$477,776	$353,685
Prepaid expenses	25,206	5,000
Assets related to discontinued operations, net of accumulated depreciation of $ 59,907 (2014-$24,923)	2,776,361	2,634,247
Vehicle, net of accumulated depreciation of $ nil (2014-$ 1,229)	-	28,271
Advances due from Praetorian Property, Inc.	3,877	-
Deferred financing costs	38,977	5,322
Total Assets	$8,965,904	$8,922,241
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable and accrued liabilities	$6,903	$26,529
Accrued interest	722,556	373,544
Accounts payable to related parties	482,243	494,020
Advances due to Praetorian Property, Inc.	-	149,472
Loan payable	212,110	-
Promissory notes	9,150,000	9,150,000
Total liabilities	10,573,812	10,193,565
Stockholders' Deficit		
Preferred stock, $0.0001 par value, 20,000,000 shares authorized; 2,000,000 and nil 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 share subscription receivable	(20,000)	(20,000)
Accumulated Deficit	(1,756,508)	(1,419,924)
Total Stockholders' Deficit	(1,607,908)	(1,271,324)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$8,965,904	$8,922,241

See accompanying notes to the unaudited consolidated financial statements.

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BERKSHIRE HOMES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

FOR THE THREE MONTHS AND NINE MONTHS ENDED AUGUST 31, 2015 AND 2014

	Three months ended August 31, 2015	Three months ended August 31, 2014	Nine months ended August 31, 2015	Nine months ended August 31, 2014
REVENUES				
Property sales	$230,002	$3,411,705	$1,655,418	$4,621,705
COST OF SALES				
Property costs	180,978	2,997,901	1,492,474	4,106,511
GROSS PROFIT	49,024	413,804	162.944	515,194
EXPENSES				
Depreciation	-	-	4,917	-
Consulting fees	-	-	5,000	12,000
Insurance	3,221	832	10,693	6,897
General and administrative	8,843	22,988	31,956	49,319
Professional fees	11,539	731	60,368	45,696
Management fees and expenses	26,692	31,624	100,534	85,995
TOTAL EXPENSES	50,295	56,175	213,468	199,907
INCOME (LOSS) FROM OPERATIONS	(1,271)	357,629	(50,524)	315,287
OTHER INCOME (EXPENSE)				
Gain on sale of vehicle	3,346	-	3,346	-
Interest expense	(126,086)	(102,595)	(359,122)	(198,416)
TOTAL OTHER INCOME (EXPENSE)	(122,740)	(102,595)	(355,776)	(198,416)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(124,011)	255,034	(406,300)	116,871
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(15,880)		69,716	
NET INCOME (LOSS)	$(139,891)	$255,034	$(336,584)	$116,871
NET INCOME (LOSS) PER SHARE: BASIC AND DILUTED CONTINUING OPERATIONS	$(0.08)	$0.16	$(0.26)	$0.07
NET INCOME PER SHARE: BASIC AND DILUTED DISCONTINUED OPERATIONS	$(0.01)	$(0.00)	$(0.04)	$(0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	1,572,002	1,572,002	1,572,002	1,700,889

See accompanying notes to the unaudited consolidated financial statements.

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BERKSHIRE HOMES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

FOR THE NINE MONTHS ENDED

	August 31, 2015	August 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	$(336,584)	$ 116,871
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on sale of vehicle	(3,346)	-
Depreciation	39,901	—
Amortization of deferred financing costs	8,595	7,369
Changes in operating assets and liabilities:		
Prepaid expenses	(20,206)	—
Inventory of properties under development	252,009	(6,689,398)
Accounts payable	(19,626)	(11,655)
Accounts payable related party	(11,777)	—
Accrued interest	349,012	198,416
Net Cash Provided/(Used) by Operating Activities	257,978	(6,378,397)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of vehicle	26,700	
Rental properties, rehabilitation expense	(177,098)	—
Net Cash Used by Investing Activities	(150,398)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	169,860	
Issuance of promissory notes	—	6,500,000
Repayment of advances from Praetorian Property, Inc.	(153,349)	117,951
Net Cash Provided by Financing Activities	16,511	6,617,951
Net Change in Cash	124,091	239,554
Cash and Cash equivalents, beginning of period	353,685	146,048
Cash and Cash equivalents, end of period	$477,776	$385,602
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$—	$—
Income taxes paid	$—	$—
NON CASH TRANSACTIONS		
Preferred stock subscription	$—	$20,000
Cancellation of common stock	$—	$5,800

See accompanying notes to the unaudited consolidated financial statements.

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BERKSHIRE HOMES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

AUGUST 31, 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.

NOTE 3 - RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2015 and 2014, the Company incurred management fees and expenses of $26,692 and $31,624 to its officers, respectively. During the nine months ended August 31, 2015 and 2014, the Company incurred management fees and expenses of $100,534 and $85,995 to its officers, respectively.

As of August 31, 2015 and December 31, 2014, 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. As of August 31, 2015 and December 31, 2014, there were $0 and $11,0777 owed to the Chief Executive Officer of the Company, respectively.

During 2013, Praetorian Property, 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 of the year ended November 30, 2014. During the period ended August 31, 2015, the Company repaid $ 153,349 of the advances. As at August 31, 2015, the total advances to Cannabis was $3,877.

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

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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 August 31, 2015, amortization expense of $5,322 was recognized and no unamortized financing costs as of August 31, 2015. The note has matured. While the note has matured, the note has not been declared in default. Accordingly, the Company will continue accruing interest at 5% per annum and not the default interest rate of 12% per annum.

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. The note has matured. While the note has matured, the note has not been declared in default. Accordingly, the Company will continue accruing interest at 5% per annum and not the default interest rate of 12% per annum

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.

NOTE 5 – LOAN PAYABLE

On July 6, 2015, the Company entered into a term note agreement in the total amount of $1,500,000. The loan payable is repayable in monthly interest payments of interest only, calculated at the greater of 8.25% or 475 basis points above the Wall Street Journal's Prime Lending Rate. Balance of principal and any unpaid interest is due July 1, 2017. The Company received an initial advance of $212,110. Financing fees of $42,520 have been deferred on the balance sheet and are being amortized over a 24 month period. The loan is secured by the Company's Tallahassee property. The proceeds of the loan is only for the payment of costs directly associated with the construction of the improvements and shall not divert such funds for any other purpose.

NOTE 6 - 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 August 31, 2015, the Company had not received the proceeds of the share subscription and the proceeds have been recorded as share subscriptions receivable.

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NOTE 7 – 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 August 31, 2015, the Company incurred rehabilitation expenses of $16,411 related to the property and during this period inventory of properties under development increased by $225,557. 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. On February 2, 2015, a written offer for $3,500,000 has been executed.

The following table summarizes the preliminary estimated fair values of the assets and liabilities acquired as part of the Tallahasee 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 and nine months ended August 31, 2015 is as follows:

	3 months	**9 months**
Rental Income	$11,399	60,637
Purchase deposit forfeited	—	75,000
Rental Expense	(15,618)	(30,938)
Depreciation Expense	(11,661)	(34,983)
Total rental income and expense	(15,880)	69,716

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.

NOTE 8 – SUBSEQUENT EVENTS

The Company has come to an agreement to convert $20,000 in accounts payable as payment for the subscription receivable for the 2,000,000 shares of Series A Preferred Stock.

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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.

On July 6, 2015, we entered into a term note agreement in the total amount of $1,500,000. The loan payable is repayable in monthly interest payments of interest only, calculated at the greater of 8.25% or 475 basis points above the Wall Street Journal's Prime Lending Rate. Balance of principal and any unpaid interest is due July 1, 2017. We received an initial advance of $212,110. Financing fees of $42,520 have been deferred on the balance sheet and are being amortized over a 24 month period. The loan is secured by our property located in Tallahassee Florida.

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 14 for $7,019,800.00 prior to closing costs. Also, 1 property is under contract for sale, 2 are listed for sale, and 6 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.

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Results of Operations for the three months ended August 31, 2015 and 2014

Revenues

We generated sales of $230,002 for the three months ended August 31, 2015, as compared with sales of $3,411,705 for the same period ended August 31, 2014. Our cost of sales totaled $180,978 for the three months ended August 31, 2015, as compared with cost of sales of $2,997,901 for the same period ended August 31, 2014. Our costs of sales includes: purchase price, rental expenses, rehabilitation, escrow, closing costs, and commissions. We only had one sale during the three months ended August 31, 2015. We expect to have more sales in the upcoming quarter. We achieved a gross profit of $49,024 for the three months ended August 31, 2015, as compared with a gross profit of $413,804 for the same period ended August 31, 2015.

We generated sales of $1,655,418 for the nine months ended August 31, 2015, as compared with sales of $4,621,705 for the same period ended August 31, 2014. Our cost of sales totaled $1,492,474 for the nine months ended August 31, 2015, as compared with sales of $4,106,511 for the same period ended August 31, 2014. Our costs of sales includes: purchase price, rental expenses, rehabilitation, escrow, closing costs, and commissions. We achieved a gross profit of $162,944 for the nine months ended August 31, 2015, which represented a 10% margin, as compared with a gross profit of $515,194, which also represented an 11% 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 loss and income from these discontinued operations totaled $15,880 and $69,716 for the three and months ended August 31, 2015, respectively.

Operating Expenses

Operating expenses decreased by $5,880 to $50,295 for the three months ended August 31, 2015 from $56,175 for the same period ended August 31, 2014. Our operating expenses for the three months ended August 31, 2015 mainly consisted of management fees and expenses of $26,692, professional fees of $11,539, general and administrative expenses of $8,843, and insurance expenses of $3,221. In comparison, our operating expenses for the three months ended August 31, 2014 consisted of management fees and expenses of $31,624, general and administrative expenses of $22,988, professional fees of $731 and insurance expenses of $832.

Operating expenses increased by $13,561 to $213,468 for the nine months ended August 31, 2015 from $199,907 for the same period ended August 31, 2014. Our operating expenses for the nine months ended August 31, 2015 mainly consisted of management fees and expenses of $100,534, professional fees of $60,368, general and administrative expenses of $31,956, insurance expenses of $10,693, consulting fees of $5,000 and depreciation of $4,917. In comparison, our operating expenses for the nine months ended August 31, 2014 consisted of management fees and expenses of $85,995, professional fees of $45,696, general and administrative expenses of $49,319, consulting fees of $12,000 and insurance expenses of $6,897.

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.

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Interest Expenses

We incurred interest expenses of $126,086 for the three months ended August 31, 2015, as compared with $102,595 for the same period ended August 31, 2014. We incurred interest expenses of $359,122 for the nine months ended August 31, 2015, as compared with $198,416 for the same period ended August 31, 2014.

During the reporting period, we entered into a term note agreement in the total amount of $1,500,000. The loan payable is repayable in monthly interest payments of interest only, calculated at the greater of 8.25% or 475 basis points above the Wall Street Journal's Prime Lending Rate. Balance of principal and any unpaid interest is due July 1, 2017. We received an initial advance of $212,110. Financing fees of $42,520 have been deferred on the balance sheet and are being amortized over a 24 month period.

Prior to the reporting period, 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.

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 Loss

We incurred a net loss of $139,891 for the three months ended August 31, 2015, compared to net income of $255,034 for the same period ended August 31, 2014. We incurred a net loss of $336,584 for the nine months ended August 31, 2015, compared to net income of $116,871 for the same period ended August 31, 2014.

For the three months ended August 31, 2015, we incurred a loss of $124,011 from continuing operations and a net loss of $15,880 from discontinued operations. For the nine months ended August 31, 2015, we incurred a loss of $406,300 from continuing operations and net income of $69,716 from discontinued operations.

Liquidity and Capital Resources

As of August 31, 2015, we had total assets of $8,965,904. We had total liabilities of $10,573,812 as of August 31, 2015.

Operating activities provided $257,978 in cash for the nine months ended August 31, 2015, as compared with $6,378,397 used for the same period ended August 31, 2014. Our positive operating cash flow for August 31, 2015 was mainly a result of a decrease in our real property inventory and a decrease in accrued interest.

Investing activities used $150,398 in cash for nine months ended August 31, 2015, as compared with $0 used for same period ended August 31, 2014. Our negative investing cash flow for August 31, 2015 was mainly a result of a property related to discontinued operations now held for sale.

Financing activities for the nine months ended August 31, 2015 provided $16,511 in cash, as compared with cash flows provided by financing activities of $6,617,951 for same period ended August 31, 2014. Our positive cash flow from financing activities for the nine months ended August 31, 2015 was the result of proceeds from our term note agreement, as described above, offset by repayments made to Praetarion Property, Inc.

As of August 31, 2015, we had $477,776 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.

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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 August 31, 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 August 31, 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 August 31, 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.

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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 August 31, 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 August 31, 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 August 31, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

Exhibit Number	**Description of Exhibit**
31.1	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
31.2	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
32.1	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
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended August 31, 2015 formatted in Extensible Business Reporting Language (XBRL).

**Provided herewith

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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.

Date:	November 2, 2015
By:	/s/ Llorn Kylo
	Llorn Kylo
Title:	President, Chief Executive Officer and Director