

Berkshire Homes, Inc.
Form 10-K
March 17, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

- ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **November 30, 2014**
- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
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

(I.R.S. Employer Identification No.)

2375 East Camelback Road,

Suite 600 Phoenix, AZ

(Address of principal executive offices)

850164

(Zip Code)

Registrant's telephone number: **(602) 387-5393**

Securities registered under Section 12(b) of the Exchange Act

Title of each class Name of each exchange on which registered

None **not applicable**

Securities registered under Section 12(g) of the Exchange Act:

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

Title of each class

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes [] No [X]**

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **Yes [X] No []**

Indicate by checkmark 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 [] No [X]**

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 [X]**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[X]**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **Not available.**

Indicate the number of shares outstanding of each of the registrant'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

	<u>Page</u>
 <u>PART I</u>	
Item 1. <u>Business</u>	3
Item 2. <u>Properties</u>	6
Item 3. <u>Legal Proceedings</u>	6
Item 4. <u>Mine Safety Disclosures</u>	6
 <u>PART II</u>	
Item 5. <u>Market for Registrant’s Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	7
Item 6. <u>Selected Financial Data</u>	8
Item 7. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	8
Item 8. <u>Financial Statements and Supplementary Data</u>	10
Item 9. <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	11
Item 9A. <u>Controls and Procedures</u>	11
Item 9B. <u>Other Information</u>	12
 <u>PART III</u>	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	13
Item 11. <u>Executive Compensation</u>	14
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	15
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	16
Item 14. <u>Principal Accountant Fees and Services</u>	17
 <u>PART IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	17

Table of Contents

PART I

Item 1. Business

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 11 for \$5,691,800.00 prior to closing costs. Also, 3 properties are under contract for sale, 2 are listed for sale, and 7 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.

Our Business

Property Acquisitions

We plan to acquire properties that will be beneficial to our strategic objectives at costs that management believes is at or below current fair market values or that have significant marketable potential. We will consider acquisitions of multi-family and single-family properties in our target markets through a variety of acquisition channels, including foreclosure auctions, online auctions, brokers, multiple listing services, short sales and bulk purchases from institutions or investor groups. We plan to use a multi-market and multi-channel investment strategy to provide flexibility in deploying capital and to diversify our portfolio, mitigate risk and avoid overexposure to any single market. We will continue to seek expansion of our acquisition channels. Acquisitions may be financed from various sources, including proceeds from the sale of equity securities, retained cash flow, or future debt financings.

We have a network of partners that consists of brokers, developers, builders, lenders, appraisers, title companies, banks and other industry contacts to identify and acquire real estate assets that have the potential for significant return on investment. Every asset acquisition will be negotiated and analyzed by our current management, which, if we have the available funds, we intend to add upon in the next twelve months. Each property will go through an evaluation period, during which our management team will perform a home inspection, if necessary, and determine the acquisition price, the renovation costs, the potential sales price, profitability and, if we decide to retain the property, potential rental income.

Table of Contents

Property Renovation

We anticipate that most of the properties we acquire will require renovation and standardization before they are ready for sale or leasing. Our renovation and maintenance plan will be generally consistent across our various acquisition channels. We plan to maintain system-wide standards for our properties that are implemented at the local level and directed at increasing attractiveness to potential buyers or tenants, reducing future maintenance expenses and increasing the long-term value of the property.

Our management team and our network will oversee the work of local contractors engaged to renovate our properties. We plan to give our future buyers and tenants the best possible living space. In order to accomplish this task, we will identify every opportunity for improvement in the properties we purchase including foundational repairs, extensive structural improvements, and cosmetic upgrades such as fresh paint, cabinetry, and more.

Property Disposition

Most of the properties purchased by us will be resold after rehabilitation. These properties will have an average turnaround time ranging from three months to a year. With our single family properties, we plan to target first-time homebuyers.

We would consider holding a portion of our acquired real estate for leasing purposes depending on the economics of the deal. To date, we have one rental property. To accomplish this goal, we plan to focus on providing quality and consistency in our customer service, maintenance, leasing and marketing operations.

Marketing Strategy

We plan to generate interest in our real estate investment and rehabilitation services by utilizing a relationship-based approach, supplemented by a variety of advertising channels that will increase our exposure among industry businesses, prospective homesellers and homebuyers. We plan to follow an aggressive and creative marketing plan, allowing us to focus directly on our target clients while still being conservative with our advertising dollars. The primary focus of the marketing strategy is to locate distressed, foreclosed, and short-sale properties in various markets in the United States.

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

For property purchases: we have developed a number of key contacts that will assist in procuring leads for potential distressed properties. We have realtor contacts in place for the purpose of informing us of new listings before they hit the market. We have also established relationships with other real estate industry professionals who understand our focus, and plan to refer us leads. We also plan to leverage connections with local and online auctions, with which we have memberships, as well as bulk asset distributors for the purpose of purchasing groups of properties at vastly discounted prices.

For property sales: as mentioned above we have numerous relationships with area real estate industry professionals, including brokers, developers, builders, lenders, appraisers, title companies, banks and other industry contacts. We will keep these contacts informed of our current inventory of properties undergoing renovations prior to completion. The purpose of this is to allow them to start looking for buyers before the property is finished.

Table of Contents

Government Regulations

Our properties are subject to various covenants, laws and ordinances, and certain of our properties may also subject to the rules of the various HOAs where such properties are located. We believe that we will be able to comply with such covenants, laws, ordinances and rules. If pertinent, we would also require that tenants of our properties agree to comply with such covenants, laws, ordinances and rules as a condition of their leasing terms.

The Fair Housing Act, or FHA, its state law counterparts and the regulations promulgated by HUD and various state agencies, prohibit discrimination in housing on the basis of race or color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women and people securing custody of children under the age of 18) or handicap (disability) and, in some states, on financial capability. We believe that we will be able to comply with the FHA and other regulations.

As a current or prior owner of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties as a result of environmental contamination or noncompliance at our properties even if we no longer own such properties. We may be subject to unknown or contingent liabilities or restrictions related to properties that we acquire for which we may have limited or no recourse.

Competition

Our competitors will include other investors in real estate looking for attractive investment opportunities. These investors include other “equity” investors, real estate investment trusts, limited partnerships, syndications and private investors, among others. Competition in the market areas in which we operate is significant and affects our ability to acquire or expand properties. We will not be differentiating ourselves from the foregoing, but merely competing with them. Our competitive position within the industry is negligible in light of the fact that we have just started our operations. Older, well-established companies, companies with substantial customer bases, longer operating histories and better financial positions currently attract customers. We cannot compete with them on the basis of reputation. There can be no assurance that we can maintain a competitive position against current or future competitors, particularly those with greater financial, client database, marketing, service, technical and other resources. Our failure to maintain a competitive position within the market could have a material adverse effect on our business, financial condition and results of operations. At this time, our principal method of competition will be through personal contact with potential clients.

Insurance

We maintain insurance on our properties. There is no assurance, however, that if we are made party to an action, we would have sufficient insurance or funds to defend the litigation. If that occurs a judgment could be rendered against us that could cause us to cease operations.

Employees

We have two full-time employees. Mr. Llorin Kylo is our CEO and sole director and Mr. Munjit Johal is our CFO. If business is successful and we experience rapid growth, we may be required to hire new personnel to improve, implement and administer our operational, management, financial and accounting systems.

Table of Contents**Item 2. Properties**

Our principal executive offices are located at 2375 East Camelback Road, Suite 600 Phoenix, AZ 850164. Our offices are leased for 2 years and we pay \$285 in rent per month.

Included below is a current description of our real estate properties, their location, the dates of acquisition, the cost of acquisition, the general state of each project, and our proposed disposition.

Description	Location	Date of Acquisition	Cost of Acquisition⁽¹⁾	Status of Project	Proposed Disposition
Single Family	Mill Creek, WA	7/16/2014	\$235,000	Accepted Offer	\$348,000
Single Family	Chicago, IL	7/28/2014	85,000	Accepted Offer	235,000
Multi Family	Tallahasse, FL	6/27/2014	2,500,000	Accepted Offer	3,500,000
Single Family	Chicago, IL	7/1/2014	590,000	Listed	1,349,000
Single Family	Cape Coral, FL	6/24/2014	585,100	Listed	789,900
Multi Family	Brookline, MA	8/1/2014	1,220,000	Rehab	2,800,000
Single Family	Oak Park, MI	1/27/2015	95,000	Rehab	139,000
Single Family	Coconut Grove, FL	2/11/2015	545,000	Rehab	850,000
Single Family	Seattle, WA	5/29/2014	586,000	Rehab	875,000
Single Family	Seattle, WA	6/6/2014	397,000	Rehab	665,000
Single Family	Bellevue, WA	5/2/2014	510,000	Rehab	760,000
Single Family	Chicago, IL	7/14/2014	455,000	Rehab	925,000

(1)Property Acquisition Cost excludes acquisition fees and closing costs

Item 3. 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 4. Mine Safety Disclosures

N/A

Table of Contents

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

There is presently no active public market for our common stock. We have a trading symbol, BKSH, and we are quoted on the OTCPink operating by OTC Markets Group, Inc. There have been very few trades in our common stock at low volume. We can provide no assurance that a public market will materialize.

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Our Common Stock

As of March 13, 2015, we had 1,572,002 shares of our common stock issued and outstanding, held by eleven (11) shareholders of record, with others holding shares in street name.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;
2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Table of Contents

Recent Sales of Unregistered Securities

During the reporting period, we agreed to issue a total of two million (2,000,000) shares of our newly designated Series A Preferred Stock to Bay Capital A.G. for total proceeds of \$20,000. As of the date of this filing, the proceeds have not been received from Bay Capital A.G., and the shares have not been issued.

These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Securities Authorized for Issuance under Equity Compensation Plans

We do not have any equity compensation plans.

Item 6. Selected Financial Data

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

Item 7. 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" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates,"

“intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. V such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. 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 affect 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. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Table of Contents

Results of Operations for the years ended November 30, 2014 and 2013

Revenues

We generated sales of \$5,351,300 for the year ended November 30, 2014, as compared with no revenue for the same period ended November 30, 2013. Our cost of sales totaled \$4,878,092 for the year ended November 30, 2014. Our costs of sales includes: purchase price, rental expenses, rehabilitation, escrow, closing costs, and commissions. We achieved a gross profit of \$473,208 for the year ended November 30, 2014, which represented an 8% 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 \$34,208 resulting from rental income of \$85,070 net of associated costs of \$25,939 and depreciation expense of \$24,923.

Operating Expenses

Operating expenses increased by \$39,917 to \$259,098 for the year ended November 30, 2014 from \$219,181 for the year ended November 30, 2013. Our operating expenses for the year ended November 30, 2014 mainly consisted of management fees and expenses of \$116,656, professional fees of \$68,375, general and administrative expenses of \$51,066, depreciation of \$1,229, consulting fees of \$12,000 and insurance expenses of \$9,772. In comparison, our operating expenses for the year ended November 30, 2013 mainly consisted of management fees and expenses of \$106,250, general and administrative expenses of \$56,220 and professional fees in the amount of \$55,711, and consulting fee of \$1,000.

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 \$322,617 for the year ended November 30, 2014, as compared with \$147,101 for the year ended November 30, 2013. For 2013, included is a loss on the extinguishment of debt of \$35,715 we incurred.

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 Loss

We incurred a net loss of \$74,299 for the year ended November 30, 2014, compared to a net loss of \$366,282 for the year ended November 30, 2013. Our net loss for 2014 includes net income of \$34,208 from discontinued operations.

Table of Contents

Liquidity and Capital Resources

As of November 30, 2014, we had total assets of \$8,922,241. We had total liabilities of \$10,193,565 as of November 30, 2014.

Operating activities used \$3,702,394 in cash for the year ended November 30, 2014, as compared with \$2,134,798 used for the year ended November 30, 2013. Our negative operating cash flow for November 30, 2014 was mainly a result of the increase in our real property inventory.

Investing activities used \$2,688,670 in cash for the year ended November 30, 2014, as compared with \$0 used for the year ended November 30, 2013. Our negative investing cash flow for November 30, 2014 was mainly a result of a property related to discontinued operations now held for sale.

Financing activities for year ended November 30, 2014 generated \$6,598,701 in cash, as compared with cash flows provided by financing activities of \$2,280,846 for the year ended November 30, 2013. Our positive cash flow from financing activities for the year ended November 30, 2014 was the result of our ability to raise debt financing.

As of November 30, 2014, we had \$353,685 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.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” 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 November 30, 2014, there were no off balance sheet arrangements.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements Required by Article 8 of Regulation S-X:

Consolidated Financial Statements:

F-1 Report of Independent Registered Public Accounting Firms

F-2 Consolidated Balance Sheets as of November 30, 2014 and 2013

F-3 Consolidated Statements of Operations for the years ended November 30, 2014 and November 30, 2013

F-4 Consolidated Statement of Stockholders' (Deficit) Equity for the year ended November 30, 2014 and 2013

F-5 Consolidated Statements of Cash Flows for the years ended November 30, 2014 and November 30, 2013

F-6 Notes to Consolidated Financial Statements

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Berkshire Homes, Inc.

Phoenix, Arizona

We have audited the accompanying consolidated balance sheets of Berkshire Homes, Inc. and its subsidiary (collectively the "Company") as of November 30, 2014 and 2013, and the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Berkshire Homes, Inc. and its subsidiary as of November 30, 2014 and 2013 and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ MaloneBailey, LLP

www.malonebailey.com

Houston, Texas

March 17, 2015

F-1

Table of Contents**BERKSHIRE HOMES, INC.****CONSOLIDATED BALANCE SHEETS****AS OF**

	November 30, 2014	November 30, 2013
ASSETS		
Properties	\$	\$
Properties under development	4,963,545	1,914,762
Properties held for sale	932,171	—
Properties, net	5, 895,716	1, 914,762
Cash and equivalents	\$353,685	\$146,048
Prepaid expenses	5,000	—
Assets related to discontinued operations, net of accumulated depreciation of \$24,923	2,634,247	0
Vehicle, net of accumulated depreciation of \$ 1,229	28,271	0
Deferred financing costs	5,322	15,147
Total Assets	\$8,922,241	\$2,075,957
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable and accrued liabilities	\$26,529	\$17,438
Accrued interest	373,544	60,753
Accounts payable to related parties	494,020	494,020
Advances due to related party	—	275
Advances due to Cannabis-Rx, Inc.	149,472	50,496
Promissory notes	9,150,000	2,650,000
Total liabilities	10,193,565	3,272,982
Stockholders' Deficit		
Preferred stock, \$0.0001 par value, 20,000,000 shares authorized; 2,000,000 and nil shares issued and outstanding	200	—
Common Stock, \$0.0001 par value, 500,000,000 shares authorized, 1,572,002 and 2,152,000 shares issued and outstanding	157	215
Additional paid-in capital	168,243	148,385
Preferred share subscription receivable	(20,000)	—
Accumulated Deficit	(1,419,924)	(1,345,625)
Total Stockholders' Deficit	(1,271,324)	(1,197,025)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$8,922,241	\$2,075,957

See accompanying notes to consolidated financial statements.

Table of Contents**BERKSHIRE HOMES INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE YEARS ENDED**

	November 30, 2014	November 30, 2013
REVENUES		
Property sales	\$5,351,300	\$—
	5,351,300	
COST OF SALES		
Property costs	4,878,092	—
	4,878,092	—
GROSS PROFIT	473,208	—
EXPENSES		
Depreciation	1,229	—
Consulting fees	12,000	1,000
Insurance	9,772	—
General and administrative	51,066	56,220
Professional fees	68,375	55,711
Management fees and expenses	116,656	106,250
TOTAL EXPENSES	259,098	219,181
INCOME (LOSS) FROM OPERATIONS	214,110	(219,181)
OTHER INCOME (EXPENSE)		
Interest expense	(322,617)	(111,386)
Loss on extinguishments of liabilities	—	(35,715)
TOTAL OTHER (EXPENSE)	(322,617)	(147,101)
LOSS FROM CONTINUING OPERATIONS	(108,507)	—
INCOME FROM DISCONTINUED OPERATIONS	34,208	—
NET LOSS	\$(74,299)	\$(366,282)
NET INCOME LOSS PER SHARE: BASIC AND DILUTED FROM CONTINUING OPERATIONS	\$(0.07)	\$(0.26)
NET INCOME PER SHARE: BASIC AND DILUTED FROM DISCONTINUED OPERATIONS	\$0.02	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING: BASIC AND DILUTED	1,668,667	1,384,877

See accompanying notes to consolidated financial statements.

Table of Contents**BERKSHIRE HOMES, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)****FOR THE PERIOD FROM JUNE 2, 2010 (INCEPTION) TO NOVEMBER 30, 2014**

	Preferred Stock		Subscription	Common Stock		Additional	Deficit	
	Shares	Amount	Receivable	Shares	Amount	Paid-in	Accumulated	Total
Balance as of November 30, 2012	—	—	—	902,002	90	23,510	(979,343)	(955,743)
July 9, 2013 Common stock issued for accrued interest	—	—	—	125,000	125	124,875	—	125,000
Net loss	—	—	—	—	—	—	(366,282)	(366,282)
Balance as of November 30, 2013	—	—	—	2,152,002	215	148,385	(1,345,625)	(1,197,025)
Voluntary surrender of shares for cancellation				(580,000)	(58)	58	—	—
Issuance of Preferred shares	2,000,000	200	(20,000)	—	—	19,800	—	—
Net loss	—	—	—	—	—	—	(74,299)	(74,299)
Balance as of November 30, 2014	2,000,000	\$ 200	\$ (20,000)	1,572,002	\$ 157	\$ 168,243	\$(1,419,924)	\$(1,271,324)

See accompanying notes to consolidated financial statements.

Table of Contents**BERKSHIRE HOMES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED**

	November 30, 2014	November 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$(74,299)	\$(366,282)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	26,152	—
Amortization of deferred financing costs	9,826	4,503
Loss on extinguishments of liabilities	—	35,715
Changes in operating assets and liabilities:		
Prepaid expenses	(5,000)	—
Inventory of properties under development	(3,980,954)	(1,914,762)
Accounts payable	9,089	(13,146)
Accrued interest	312,792	111,386
Accounts payable – related party	—	7,788
Net Cash Used by Operating Activities	(3,702,394)	(2,134,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	(392)	—
Deferred financing costs	—	(19,650)
Issuance of promissory notes	6,500,000	2,250,000
Advances from Cannabis-Rx, Inc.	99,093	50,496
Net Cash Provided by Financing Activities	6,598,701	2,280,846
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of vehicle	(29,500)	—
Acquisition of properties held for rental	(2,659,170)	—
Net Cash Used by Investing Activities	(2,688,670)	—
Net Change in Cash	207,637	146,048
Cash and Cash equivalents, beginning of period	146,048	—
Cash and Cash equivalents, end of period	\$353,685	\$146,048
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$—	\$—
Income taxes paid	\$—	\$—
NON-CASH TRANSACTIONS		
Accrued interest converted to shares	\$—	\$89,285
Preferred shares subscription receivable	\$20,000	\$—
Cancellation of common shares	\$58	\$—

See accompanying notes to consolidated financial statements.

F-5

Table of Contents

BERKSHIRE HOMES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED NOVEMBER 30, 2014 AND 2013

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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain prior period amounts have been reclassified to conform to current period presentation.

Principles of Consolidation

The consolidated financial statements include the financial information of Berkshire Homes, Inc. and its wholly owned subsidiary, LCM9 Holdings, LLC. All significant inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, prepaid expenses, accounts payable, and accrued expenses, and due to related parties. The carrying amount of these financial instruments approximates fair value due to either length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these financial statements.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. At November 30, 2014, the Company had \$353,685 (2013 - \$146,048) of unrestricted cash to be used for future business operations.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the guidance of FASB ASC Topic 718, *Compensation – Stock Compensation* which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

Income Taxes

Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized. It is the Company's policy to classify interest and penalties on income taxes as interest expense or penalties expense. As of November 30, 2014, there have been no interest or penalties incurred on income taxes.

Capital assets

Vehicle assets are recorded at cost and depreciated over their estimated useful lives on a straight line basis over a three year period.

Properties held for rental are recorded at cost and depreciated over their estimated useful lives on a straight line basis over a 39 year period.

F-6

Table of Contents

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Company recognizes revenues from property sales on the date when all terms and conditions have been completed and payment has been received, and title has been transferred to the purchaser.

Rental revenue, net of any concessions, is recognized on a straight-line basis over the term of the lease, which is not materially different than if it were recorded when due from tenants and recognized monthly as it is earned.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Properties

Transactions in which properties for resale are purchased that are not subject to an existing lease are treated as asset acquisitions and, as such, are recorded at their purchase price, including acquisition fees. Inventory of property held for restoration and resale are valued at the lower of cost and net realizable value. Properties that are acquired either subject to an existing lease or as part of a portfolio level transaction are treated as a business combination under ASC 805, *Business Combinations*, and, as such, are recorded at fair value, allocated to land, building and the existing lease, if applicable, based upon their relative fair values at the date of acquisition, with acquisition fees and other costs expensed as incurred. Fair value is determined in accordance with ASC 820, *Fair Value Measurements and Disclosures*, primarily based on unobservable data inputs. In making estimates of fair values for purposes of allocating the purchase price of individually acquired properties subject to an existing lease, the Company utilizes its own market knowledge and published market data. In this regard, the Company also utilizes information obtained from county tax assessment records to assist in the determination of the fair value of the land and building

The value of acquired lease-related intangibles is estimated based upon the costs we would have incurred to lease the property under similar terms. Such costs are capitalized and amortized over the remaining life of the lease. Acquired leases are generally short-term in nature (less than one year).

Properties held for sale and discontinued operations

Properties are classified as held for sale when they meet the applicable GAAP criteria, including, but not limited to, the availability of the home for immediate sale in its present condition, the existence of an active program to locate a buyer and the probable sale of the home within one year. Properties classified as held for sale are reported at the lower of their carrying value or estimated fair value less costs to sell, and are presented separately in properties held for sale within the consolidated balance sheets.

The results of operations of leased and operating properties that have either been sold or classified as held for sale, if material, are reported in the consolidated statements of operations as discontinued operations for both current and prior periods presented through the date of the applicable disposition. Gains on dispositions of properties that have been in operation are included in "Income from discontinued operations," whereas gains on dispositions of properties with no historical or immaterial operating results are included in other revenues within the consolidated statements of operations.

Leasing Costs

Direct and incremental costs incurred to lease properties are capitalized and amortized over the term of the leases, which generally have a term of one year.

Recent Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flows.

NOTE 3 – RENT REVENUES

Our rental properties are rented under non-cancelable lease agreements with a term of one year. Future minimum rental revenues under leases existing on the properties as of November 30, 2014 were as follows:

2015 \$103,750

NOTE 4 - RELATED PARTY TRANSACTIONS

During the years ended November 30, 2014 and 2013, the Company incurred management fees and expenses of \$116,657 to its officers and \$106,250 to its sole officer at the time, respectively.

As of November 30, 2014 and 2013, 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 November 30, 2014, 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 5 - 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 November 30, 2014, 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 6 - COMMON STOCK

On January 11, 2013, the Company amended and restated its Articles of Incorporation and increased the Company's authorized capital stock from 75,000,000 shares of Common Stock, par value \$0.001 per share, and no Preferred Stock to 500,000,000 shares of Common Stock, par value \$0.0001 per share, and 20,000,000 shares of "blank-check" Preferred Stock, par value \$0.0001 per share.

On July 19, 2013, the Company issued 1,250,000 shares of common stock valued at \$ 125,000 to repay of \$ 89,285. This resulted in a loss on extinguishments of debt of \$ 35,715.

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 November 30, 2014, the Company had not received the proceeds of the share subscription and the proceeds have been recorded as share subscriptions receivable.

During the year ended November 30, 2014, the sole director and officer returned an aggregate of 580,000 common shares to the Company and they were cancelled.

On October 21, 2014, the Board of directors of the Company authorized a 100:1 reverse stock split of the common stock of the Company. The financial statements herein have been retroactively restated to reflect the reverse stock split.

NOTE 7 – INCOME TAXES

The company adopted the provision of ASC740, "Accounting for Income Taxes". Pursuant to ASC740 the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in the financial statements because the Company cannot be assured that it is more likely that not that it will utilize the net operating losses carried forward in future years.

Deferred tax assets consisted of the following as of November 30, 2014 and 2013:

	2014	2013
Deferred Tax Assets:		
Net operating loss	\$482,774	\$470,969
Valuation allowance	(482,774)	(470,969)
Net deferred tax assets	\$—	\$—

The cumulative net operating loss carryforward is approximately \$1,419,924 as of November 30, 2014 and it will begin to expire in the year 2030. The valuation allowance for deferred tax assets as of November 30, 2013 was \$470,969. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. As a result, management determined it was more likely than not the deferred tax assets would not be realized as of November 30, 2014.

NOTE 8 – 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. 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 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 is as follows:

Rental Income	\$85,080
Rental Expense	(25,993)
Depreciation Expense	(24,923)
Total rental income and expense	34,208

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 9 – SUBSEQUENT EVENTS

In accordance with ASC 855-10, the Company has analyzed its operations subsequent to November 30, 2014 to the date these financial statements were issued, and has determined that it does not have any material subsequent events to disclose in these financial statements, except as noted below.

F-8

Table of Contents

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

No events occurred requiring disclosure under Item 304 of Regulation S-K during the fiscal year ending November 30, 2014.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report, being November 30, 2014. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based upon that evaluation, including our Chief Executive Officer and Chief Financial Officer, we have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this annual report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Management has assessed the effectiveness of our internal control over financial reporting as of November 30, 2014 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of November 30, 2014, our internal control over

financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are indicative of many small companies with small staff:

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 year ended November 30, 2014. 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

Table of Contents

Remediation of 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 annual 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.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Limitations on the Effectiveness of Internal Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting are or will be capable of preventing or detecting all errors or all fraud. Any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements, due to error or fraud will not occur or 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 may occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risk.

Item 9B. Other Information

None.

12

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table contains information with respect to our current executive officers and directors:

Name	Age	Principal Positions With Us
Llorn Kylo	40	President, Chief Executive Officer and Director
Munjit Johal	59	Chief Financial Officer and Treasurer

Llorn Kylo, 40, was the owner of Kylo Homes, which developed, owned and managed a portfolio of residential properties for sale and rent from 2009 to June 2012. From 2002 to 2009, Mr. Kylo was the owner and Chief Executive Officer of Form 1 Land, Inc., a real estate development company and the President and a Director of Flex Resources Co., Ltd from January 2007 to September 2008. Mr. Kylo was chosen to be a director of the Company based on his real estate industry and construction management experience. Mr. Kylo holds a Bachelor of Commerce Degree from Royal Roads University.

Munjit Johal, age 59, is a director and Chief Financial Officer of SearchCore, Inc. (formerly General Cannabis, Inc.) since October 20, 2006. Additionally, Mr. Johal serves as the Controller of High Tower Capital, Inc., where he has served since January 2007. Prior to that, Mr. Johal has served as a financial officer of various companies including Pacific Heritage Bank as Executive Vice President. From 1981 to 1987 Mr. Johal was a Senior Analytical Manager for Officer of Thrift Supervision, Department of the Treasury (formerly Federal Home Loan Bank Board, the 11th District). Mr. Johal oversaw a staff responsible for, among other things, monitoring banking activities and enforcement actions for lending institutions and holding companies. Mr. Johal's skill set at researching, reviewing, analyzing, managing and overseeing entities from a financial prospective provides valuable direction and guidance as it relates to our reporting procedures. Mr. Johal's regulatory experience and other prior experience with public companies and banks as a compliance officer, in addition to being a CFO, is beneficial to the company with respect to internal controls, disclosures and complying with necessary regulatory requirements.

In total, Mr. Johal has over 30 years of broad experience in banking, accounting, finance and management in the private and public sector. Mr. Johal earned his MBA from the University of San Francisco in 1980. He received his BS degree in History from the University of California, Los Angeles, in 1978

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director, executive officer, or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Table of Contents

Committees of the Board

Our company currently does not have nominating, compensation or audit committees or committees performing similar functions nor does our company have a written nominating, compensation or audit committee charter. Our directors believe that it is not necessary to have such committees, at this time, because the functions of such committees can be adequately performed by the board of directors.

Our company does not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. The board of directors believes that, given the stage of our development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. Our company does not currently have any specific or minimum criteria for the election of nominees to the board of directors and we do not have any specific process or procedure for evaluating such nominees. The board of directors will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

A shareholder who wishes to communicate with our board of directors may do so by directing a written request addressed to our CEO and director, Lorn Kylo, at the address appearing on the first page of this annual report.

Code of Ethics

We have not adopted a Code of Ethics that applies our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

Item 11. Executive Compensation

The table below summarizes all compensation awarded to, earned by, or paid to our officers for all services rendered in all capacities to us for our fiscal years ended November 30, 2014 and 2013.

SUMMARY COMPENSATION TABLE

Name and principal position	Year Salary (\$)	Bonus	Option Non-Equity	Nonqualified	All Other	Total
-----------------------------	------------------	-------	-------------------	--------------	-----------	-------

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

	(\$)	Stock	Awards	Incentive	Plan	Deferred	Compensation	(\$)
		Awards	(\$)	Compensation	Compensation	(\$)		
		(\$)		(\$)		Earnings	(\$)	
Llorn Kylo	2014	\$75,000	0	0	0	0	0	\$75,000
Chief Executive Officer,								
Principal Executive Officer	2013	\$106,250	0	0	0	0	0	\$106,250
and Director								
Munjit Johal	2014	28,000 ⁽¹⁾	0	0	0	0	0	28,000
Chief Financial Officer								
and Treasurer	2013	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Mr. Johal is compensated \$3,500 per month. He has received payments from April 1, 2014 through September 30, 2014 for a total of \$21,000. The remaining \$7,000 is unpaid and accrued.

Narrative Disclosure to the Summary Compensation Table

We have not entered into any employment agreement or consulting agreement with our executive officers. There are no arrangements or plans in which we provide pension, retirement or similar benefits for executive officers.

Our decision to compensate officers depends on the availability of our cash resources with respect to the need for cash to further our business purposes.

Stock Option Grants

We have not granted any stock options to the executive officers or directors since our inception.

Table of Contents

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of November 30, 2014.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

OPTION AWARDS

STOCK AWARDS

Name	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Unearned Exercise Price (\$)	Option Expiration Date	Option Not Vested (#)	Equity Incentive Plan Awards:		
							Market Value of Awards of Number of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares, Units or Rights That Have Not Vested (#)	Market or Payout Value of Unearned Shares, Shares, or Rights That Have Not Vested (#)
Llorn Kylo	-	-	-	-	-	-	-	-	-
Munjit Johal	-	-	-	-	-	-	-	-	-

Director Compensation

We do not pay any compensation to our directors at this time. However, we reserve the right to compensate our directors in the future with cash, stock, options, or some combination of the above.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of March 13, 2015, certain information as to shares of our voting stock owned by (i) each person known by us to beneficially own more than 5% of our outstanding voting stock, (ii) each of our directors, and (iii) all of our executive officers and directors as a group.

Unless otherwise indicated below, each entity or person listed below maintains an address of 2375 East Camelback Road, Suite 600 Phoenix, AZ 850164.

Name and Address of Beneficial Owner	Common Stock		Series A Preferred Stock	
	Number of Shares Owned (1)	Percent of Class (2)(3)	Number of Shares Owned (1)	Percent of Class (2)(3)
Llorn Kylo	2,000	1.2%	-	-%
Munjit Johal	-	-%	-	-%
All Directors and Executive Officers as a Group (1 person)	2,000	1.2%	-	-%
5% Holders				
Bay Capital A.G.(4)				
Oberneuhofstrasse 5				
Baar, 6340	1,250,000	79.5%	2,000,000	100%
Switzerland				

Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (1)(or shares that power with that person’s spouse) with respect to all shares of voting stock listed as owned by that person or entity.

Pursuant to Rules 13d-3 and 13d-5 of the Exchange Act, beneficial ownership includes any shares as to which a (2)shareholder has sole or shared voting power or investment power, and also any shares which the shareholder has the right to acquire within 60 days, including upon exercise of common shares purchase options or warrants.

(3) The percent of class is based on 1,572,002 shares of common stock outstanding and 2,000,000 shares of Series A Preferred Stock outstanding as of March 13, 2015.

(4) Bay Capital A.G. is a limited corporation of which Hans Wild is the managing director.

15

Table of Contents

Item 13. Certain Relationships and Related Transactions, and Director Independence

Other than the transactions described below and under the heading “Executive Compensation” (or with respect to which such information is omitted in accordance with SEC regulations), since December 1, 2012 there have not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a participant in which the amount involved exceeded or will exceed \$120,000, and in which any director, executive officer, holder of 5% or more of any class of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

During the years ended November 30, 2014, we incurred management fees and expenses of \$116,656 to Llorin Kylo, our CEO and Director, and Munjit Johal, our CFO. For the year ended November 30, 2013, management fees and expenses totaled \$106,250, respectively, to Llorin Kylo, our officer and director.

During the year ended November 30, 2013, we issued three promissory notes for total proceeds of \$400,000 at an interest rate of 16% per annum. On February 4, 2013, we sold a promissory note for gross proceeds of \$100,000 at an interest rate of 16% per annum. All four promissory notes were unsecured and payable on demand. The promissory notes payable were repaid in full on June 27, 2013 to Bay Capital A.G., our majority shareholder. Accrued interest outstanding of \$86,222 was converted into 1,250,000 post-split shares of common stock.

As of November 30, 2014, we had a payable of \$482,243 owed to Bay Capital A.G.

On February 12, 2014, we agreed to issue a total of two million (2,000,000) shares of our newly designated Series A Preferred Stock to Bay Capital A.G. for total proceeds of \$20,000. The proceeds have not been received and the shares have not been issued. The Series A Preferred Stock entitles the holder to vote together with the holders of our common stock on all matters submitted to shareholders at a rate of two hundred (200) votes for each share held.

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 \$98,976 to us. As at November 30, 2014, the total advances from Cannabis was \$149,472.

Table of Contents**Item 14. Principal Accounting Fees and Services**

Below is the table of Audit Fees billed by our auditors in connection with the audits of the Company's annual financial statements for the years ended:

Financial Statements for the Year Ended November 30	Audit Services	Audit Related Fees	Tax Fees	Other Fees
2013	\$18,000	\$ 0	\$ 0	\$ 0
2014	\$35,000	\$ 0	\$ 0	\$ 0

PART IV**Item 15. Exhibits, Financial Statements Schedules***(a) Financial Statements and Schedules*

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)

(b) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation ⁽¹⁾
3.2	Certificate of Change ⁽²⁾
3.3	Amendment to Articles of Incorporation ⁽³⁾
3.4	Certificate of Amendment ⁽³⁾

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

3.5	Certificate of Designation ⁽³⁾
3.6	Amended and Restated Bylaws ⁽¹⁾
3.7	Certificate of Change ⁽⁴⁾
31.1	<u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), 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 Annual Report on Form 10-K for the year ended June 30, 2012 formatted in Extensible Business Reporting Language (XBRL).

1. Incorporated by reference to the Form 8-K filed on January 17, 2013.
2. Incorporated by reference to the Form 8-K filed on December 4, 2013.
3. Incorporated by reference to the Form 8-K filed on February 12, 2014.
4. Incorporated by reference to the Form 8-K filed on November 5, 2014.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the 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.

By: /s/ Llorin Kylo

Llorin Kylo

President, Chief Executive Officer, Principal Executive Officer and Director

March 17, 2015

By: /s/ Munjit Johal

Munjit Johal

Chief Financial Officer, Principal Financial Officer and Principal Accounting Officer

March 17, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Llorin Kylo

Llorin Kylo

President, Chief Executive Officer, Principal Executive Officer and Director

March 17, 2015

18

