

Chay Enterprises, Inc.  
Form 10-Q  
May 07, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**S QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 2008**.

or

**£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

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

Commission File Number: **333-146542**

**CHAY ENTERPRISES, INC..**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation or organization)

**26-0179592**

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

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**5459 S. Iris St. Littleton, CO**

(Address of principal executive offices)

**80123**

(Zip Code)

**303-932-9998**

(Registrant's telephone number, including area code)

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(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.    S    Yes    £    No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. 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    £ (Do not check if a smaller reporting company)

Smaller reporting company    S

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of **March 31, 2008**:  
**3,254,000**

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2008 and 2007 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2007 audited financial statements. The results of operations for the periods ended March 31, 2008 and 2007 are not necessarily indicative of the operating results for the full year.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Company)**  
**BALANCE SHEETS**

<u>ASSETS</u>	<b>March 31, 2008 (Unaudited)</b>	<b>December 31, 2007</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,089	\$ 1,594
<i>Total current assets</i>	1,089	1,594
<b>INVESTMENTS IN REAL ESTATE</b>		
Fall River County	30,154	30,154
<i>Total assets</i>	\$ 31,243	\$ 31,748
 <b><u>LIABILITIES AND SHAREHOLDERS' (DEFICIT)</u></b>  		
<b>CURRENT LIABILITIES:</b>		
Note payable, related party	\$ 34,962	\$ 20,000
Advances payable, related party	9,078	9,078
Accounts payable	12,859	12,653
Accrued real estate taxes	1,500	1,200
Accrued interest payable, related party	1,210	800
<i>Total current liabilities</i>	59,609	43,731
Commitments and contingencies (Notes 1, 3 and 4)		
<b>SHAREHOLDERS' (DEFICIT)</b>		
Preferred stock, no par value, 10,000,000 shares authorized, None issued and outstanding	-	-
Common stock, no par value, 25,000,000 shares authorized, 3,254,000 shares issued and outstanding	30,418	30,418
Accumulated deficit to July 31, 2001	(1,790)	(1,790)
Deficit accumulated during the development stage	(56,994)	(40,611)
<i>Total shareholders' (deficit)</i>	(28,366)	(11,983)

<b><i>Total liabilities and shareholders' (deficit)</i></b>	\$	31,243	\$	31,748
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The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	<b>Three months Ended March 31, 2008</b>	<b>Three months Ended March 31, 2007</b>	<b>Period From July 31, 2001 (Date of Development Stage) to March 31, 2008</b>
<b>INCOME:</b>			
Sales	\$ -	\$ -	-
<b>EXPENSES:</b>			
Accounting and audit	11,620	-	28,940
Legal fees	2,820	-	14,871
Real estate tax	300	300	7,734
Miscellaneous	1,233	-	4,239
<i>Total operating expenses</i>	15,973	300	55,784
<b>OTHER (EXPENSE):</b>			
Interest expense	(410)	-	(1,210)
<b>NET LOSS</b>	<b>\$ (16,383)</b>	<b>\$ (300)</b>	<b>\$ (56,994)</b>
<b>LOSS PER SHARE</b>	<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>			
	3,254,000	3,254,000	3,254,000

The accompanying notes are an integral part of these statements.





**CHAY ENTERPRISES, INC.**  
**(A Development Stage Company)**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Three Months  Ended March 31, 2008</b>	<b>Three Months  Ended March 31, 2007</b>	<b>Period From July 31, 2001  (Date of Development Stage) to March 31, 2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (16,383)	\$ (300)	\$ (56,994)
Adjustments to reconcile net loss to net cash used by operating activities:			
Change in accounts payable and accrued expenses	916	300	15,569
Net cash used in operating activities	(15,467)	-	(41,425)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Increase in real estate development costs	-	-	(2,338)
Net cash used in investing activities	-	-	(2,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from note payable, related party	14,962	-	34,962
Increase (decrease) in advances payable, related party	-	-	7,288
Proceeds from sale of common stock	-	-	2,602
Net cash provided by financing activities	14,962	-	44,852
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(505)</b>	<b>-</b>	<b>1,089</b>
<b>CASH, at beginning of period</b>	<b>1,594</b>	<b>-</b>	<b>-</b>
<b>CASH, at end of period</b>	<b>\$ 1,089</b>	<b>\$ -</b>	<b>\$ 1,089</b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW**

**INFORMATION:**

Cash paid for interest	\$	-	\$	-	\$	-
Cash paid for income taxes	\$	-	\$	-	\$	-

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING**

**ACTIVITIES:**

Real estate acquired via issuance of common stock	\$	-	\$	-	\$	27,816
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The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**(Unaudited)**

**NOTE 1 -**

**BASIS OF PRESENTATION**

**Interim Financial Information**

The unaudited financial statements of Chay Enterprises, Inc. ( Chay ) included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports on Form 10-Q. Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted as allowed by such rules and regulations. In the opinion of management, the interim financial statements reflect all adjustments of a normal recurring nature considered necessary for a fair presentation of the interim periods. The results for these interim periods are not necessarily indicative of the results to be expected for the full year. The accompanying financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2007.

**Organization and Description of Business**

The Company was incorporated on March 29, 1996 in the state of Colorado and is currently in the development stage. The Company is in the business of real estate investment and development.

**Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has recurring losses, has negative working capital, and no revenue generating business operations, all of which raise substantial doubt about its ability to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management has opted to commence filing with the Securities and Exchange Commission (SEC) and then to raise funds through a private placement. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates utilized in the preparation of the consolidated financial statements are prudent and reasonable. Actual results could differ from these estimates.

### **Impairment of Long Lived Assets**

The Company evaluates its real estate investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and SFAS 67 *Accounting for Costs and Initial Rental Operations of Real Estate Projects*. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or its net realizable value. If such review indicates that the asset is impaired, the asset's carrying amount is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**(Unaudited)**

**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At March 31, 2008, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

**Development Stage Company**

Based on the Company's business plan, it is a development stage company since planned principle operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to established operating enterprises. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on July 31, 2001, when the Company acquired real estate.

**Per Share Information**

SFAS 128, "Earnings Per Share," provides for the calculation of "Basic" and "Diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, assuming the issuance of an equivalent number of common shares pursuant to options, warrants, or convertible debt arrangements. Diluted earnings per share is not shown for periods in which the Company incurs a loss because it would be anti-dilutive. Similarly, potential common stock equivalents are not included in the calculation if the effect would be anti-dilutive.

**Recent Accounting Pronouncements**

There were various accounting standards and interpretations issued during 2008, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

**NOTE 2-**

**INVESTMENT IN REAL ESTATE**

The real estate owned by the Company was acquired in July of 2001. This property consists of land in the state of South Dakota. The carrying value of real estate includes the initial acquisition costs of land and subsequent development costs. Development costs consist principally of preliminary engineering plans.

**NOTE 3-**

**RELATED PARTY TRANSACTIONS**

The Chief Executive Officer of the Company has advanced money to the Company for operating expenses. The aggregate amount owed by the Company as of March 31, 2008 was \$9,078. The advances are uncollateralized, non-interest bearing and are due on demand.

On April 23, 2007, the Company entered into a \$100,000 revolving convertible loan agreement with four of its shareholders. The loan is uncollateralized, bears interest at 6% per annum, is due on demand and is convertible into restricted common stock at \$0.10 per share. As of March 31, 2008, proceeds of \$34,962 had been received under the terms of this agreement.

The Company uses the offices of its Chief Executive Officer for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Company)**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2008**

**(Unaudited)**

**NOTE 4-**

**INCOME TAXES**

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit from net operating loss (NOL) carry forwards. The net operating loss carry forward, if not used, will expire in various years through 2028, and is subject to various restrictions pursuant to the Internal Revenue Code. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry forwards.

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

Period Ending	Estimated NOL Carry-forward	NOL Expires	Estimated Tax Benefit from NOL	Valuation Allowance	Change in Valuation Allowance	Net Tax Benefit
March 31, 2008	\$58,784	2028	\$10,875	\$(10,875)	\$(3,031)	

Income taxes at the statutory rate are reconciled to the Company's actual income taxes as follows:

Income tax benefit at statutory rate resulting from net operating loss carryforward	(15.0%)
State tax (benefit) net of federal benefit	(3.5%)
Deferred income tax valuation allowance	18.5%
Actual tax rate	0%





## **ITEM 2. PLAN OF OPERATIONS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION**

#### **FORWARD-LOOKING STATEMENT NOTICE**

This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate or continue or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships.

#### **Description of Business.**

We incorporated on March 29, 1996 in the state of Colorado and are currently considered a development stage company. We are in the business of land development, pursuant to which we purchase raw land for subsequent real estate development. In July 2001 we purchased 32 residential building lots located in the Cold Spring Addition to the city of Hot Springs, Fall River County in South Dakota. We intend to combine and develop the lots into approximately 12 single and multi-family residential building sites.

We operate in the real estate industry and we primarily acquire tracts of raw land and develop them into residential lots for sale to homebuilders or individuals.

Considerable up front costs in any real estate platting project must first be incurred and paid for, thus in the early stages of our real estate projects significant amounts of capital can be required until platting occurs, and lots are improved and sold. Predictably, greater revenues will be achieved as soon as a portion of the lots are improved and sold. When the lot development plan has been completed and accepted by Fall River County, South Dakota, and construction of the lots completed, the sale of these lots will be currently funded and closed.

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We currently own 32 residential building lots in Fall River County, South Dakota. All of our lots are located within one and a half block area in the city limits of Hot Springs. We intend to combine and develop the lots into approximately 12 single and multi family residential building sites.

Nestled in the Southern Black Hills of South Dakota, Hot Springs is home to natural springs, pleasant year-round weather, many outdoor activities, scenic beauty, plentiful golfing, and unusual sandstone architecture.

We believe Hot Springs, South Dakota is attractive to potential real estate investors and purchasers because of the attractions, location and amenities discussed below.

Local attractions in Hot Springs include:

.

Evans Plunge and its naturally warm 87 degree spring water

.

The Mammoth Site which is America's greatest Ice Age treasure

.

The Wild Horse Sanctuary where American mustangs roam free

.

Close proximity, less than an hour, from Mt. Rushmore National Monument

.

Close proximity to the Wind Cave National Park and Custer State Park



Hot Springs is located at the southern edge of the Black Hills and offers:

.

Micro-climate with relatively mild winters

.

Summers include warm days and cool nights with low humidity

.

Red rock canyons and pine covered hills provide magnificent scenery

Hot Springs is a bustling community of 4,250 people that provides a small town atmosphere, including:

.

Good schools and churches

.

Low crime rate

.

An active and energetic business community

Hot Springs is the cultural capital of the Black Hills and offers:

.

Many fine galleries filled with original art

.  
Annual arts festivals, songwriter s galleries and more

.  
The Badger Clark Hometown Poetry and Music Gathering every fall

.  
Locations for filming motion pictures such as Hildalgo which was filmed in the area

.  
Local artists and musicians displaying their talents in local businesses at various times throughout the year

Outdoor recreational activities in and around Hot Spring include:

.  
Golf at the well known Southern Hills Golf Course

.  
Angostura Reservoir which offers top notch fishing and boating

.  
Great hunting is available including wild turkeys, antelope, deer and elk

.  
Winter sports activities are less than an hour away

## **Competition**

We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S.

## **Governmental Regulation**

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

## **Employees**

We currently have only one employee, Philip J. Davis who is our sole officer and director. Mr. Davis will devote such time as needed to pursue the business operations of Chay Enterprises.

## **Description of Property**

We own 32 residential building lots in Fall River County, South Dakota. Specifically, we own Lots 7, 8, 9, 10, 11, 12, 13, 14, 16 and 16, Block 5; and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, Block 6, all in Cold Spring Addition to the town, now city, of Hot Springs, Fall River County, South Dakota. The property is not encumbered.

We use office space provided by Philip J. Davis, our officer and director, at no charge for our business operations.

## **Overview**

The following discussion updates our plan of operation for the next twelve months. It also analyzes our financial condition at March 31, 2008 and compares it to our financial condition at December 31, 2007. Finally, the discussion summarizes the results of our operations for the three months ended March 31, 2008 and compares those results to the corresponding period ended March 31, 2007. This discussion and analysis should be read in conjunction with our audited financial statements for the two years ended December 31, 2007, including footnotes.

## **Plan of Operation**

We intend to further develop our lots in Fall River County, South Dakota by combining and developing the lots into approximately 12 single and multi family residential building sites which we will then attempt to sell to individuals or other developers.

To date, we have performed preliminary engineering plans regarding basic utilities such as roads, water, sewer, and power. Our next steps will be to complete the full engineering plan and then obtain plat approval from the city of Hot Springs based on our full engineering plan showing how the property will be subdivided. We are in the process of obtaining estimates for complete engineering of our property development. We anticipate having final engineering and submitting our application for plat approval in the next six to nine months.

## **Capital Resources and Liquidity**

As of March 31, 2008, we had a working capital deficit of \$(58,520) comprised of current assets of \$1,089 and current liabilities of \$59,609. This represents an increased deficit of \$16,383 from the working capital deficit of \$(42,137)

reported at December 31, 2007. During the three months ended March 31, 2008, our working capital deficit increased as we increased our efforts to implement our plan of operation.

To fund our operations, we entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At March 31, 2008, we had borrowed \$34,962 on the revolving loan, including \$14,962 borrowed during the three months ended March 31, 2008. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. Through March 31, 2008, we have accrued interest on this loan of \$1,210.

In addition, our Chief Executive Officer has periodically advanced funds to us to meet our working capital needs. As of March 31, 2008, we owe our Chief Executive Officer \$9,078 for advances which are non-interest bearing and due on demand. During the three months ended March 31, 2008, we incurred other obligations and liabilities which are reflected in the accompanying balance sheet as accounts payable and accrued expenses.

We will need additional funding to achieve our real estate development goals. In the past we have relied on loans and advances from shareholders to fund our operations, however we have no written or firm agreement regarding financing.

Net cash used in operating activities was \$15,467 during the first three months of 2008, compared to \$nil during the first three months of 2007. During 2008, we used our cash to prepare financial statements and other documents required by our status as a public company.



**Results of Operations Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007**

We are considered a development stage company for accounting purposes, since we have not generated any revenues from operations. We are unable to predict with any degree of accuracy when this classification will change. We expect to incur losses until such time, if ever, as we begin generating revenue from operations.

For the three months ended March 31, 2008, we recorded a net loss of \$(16,383), or \$(0.01) per share, compared to a net loss for the corresponding period of 2007 of \$(300) or \$(0.00) per share. In neither period did we report any revenue.

Operating expenses increased to \$15,973 for the three months ended March 31, 2008 compared to \$300 during the same period of 2007. The increase of \$15,673 primarily reflects increased professional fees associated with the audit of our financial statements and other reports we are required to file with the Securities and Exchange Commission.

Interest expense increased to \$410 in 2008 compared to \$nil in 2007, reflecting interest accrued on our revolving convertible loan agreement.

**Need for Additional Financing**

The Company has no material commitments for the next twelve months. The Company has a capital deficit and its current liquidity needs cannot be met by cash on hand. As a result, our independent auditors have expressed substantial doubt about our ability to continue as a going concern. In the past, the Company has relied on capital contributions from shareholders to supplement operating capital when necessary. The Company anticipates that it will receive sufficient contributions from shareholders to continue operations for at least the next twelve months. However, there are no agreements or understandings to this effect. Should the Company require additional capital, it may sell common stock, take loans from officers, directors or shareholders or enter into debt financing agreements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not required by smaller reporting companies.

**ITEM 4T. CONTROLS AND PROCEDURES.**

(a)

*Evaluation of Disclosure Controls and Procedures.* The Company's 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, as amended). Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of March 31, 2008.

This quarterly report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this quarterly report.

(b)

*Changes in Internal Control over Financial Reporting.* There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

None.

### ITEM 1A. RISK FACTORS

The Company's business is subject to numerous risk factors, including the following.

**We have relied on loans from shareholders to fund our operations that must be repaid.** If we fail to repay our outstanding notes, we may not be able to continue our operations and you may lose your entire investment.

**We have not performed any formal market studies, so we may not be able to market, sell or develop our property due to focusing on the wrong markets.** In making our business plan, we relied on the judgment and experience of our management. We did not conduct any formal market studies about the demand for our property, and we have no plans to conduct such studies. Without market studies, we may miss opportunities to expand into other markets or identify emerging trends in the local real estate market. If we overestimate the demand for our business or fail to capitalize on new markets, our business could fail.

**We operate in a very competitive business environment, with the risk that we could lose some or all of our potential clientele to our competitors.** Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up company. We expect the real estate development business to be highly competitive because many developers have access to the same market. Substantially all of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. We cannot assure that we will have the necessary resources to be competitive. Also, we may not be able to establish our identity in this competitive industry. If we cannot compete successfully, our business will fail and you will lose your investment.

**The real estate business is highly competitive and many of our competitors are larger and financially stronger than we are.** We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S. Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up company. We cannot assure that we will have the necessary resources to be competitive.

**We may not be able to conduct successful operations in the future.** The results of our operations will depend, among other things, upon our ability to develop and market our properties. Furthermore, our proposed operations may not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain ourselves. Our operations may be affected by many factors, some known by us, some unknown, and some which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an entity and might cause the investment of our shareholders to be impaired or lost.

**To fully develop our business plan, we will need additional financing for which we have no firm commitments.**

To date and in the foreseeable future, we expect to rely principally upon internal financing. We expect to fund our site development through loans, or guaranteed loans made by our president and certain other shareholders. We cannot guarantee the success of this plan. We believe that from time to time, we may have to obtain additional financing in order to conduct our business in a manner consistent with our proposed operations. There can be no guaranty that additional funds will be available when, and if, needed. If we are unable to obtain financing, or if its terms are too costly, we may be forced to curtail proposed expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our operations and our shareholders' investment.

**We are subject to risk associated with investments in real estate.** The value of, and our potential income from, our properties may decline due to developments that adversely affect real estate generally and those that are specific to our properties. General factors that may adversely affect our real estate portfolios include:

- increases in interest rates;
- a general tightening of the availability of credit;
- a decline in the economic conditions in one or more of our primary markets;
- an increase in competition for customers or a decrease in demand by customers;
- an increase in supply of our property types in our primary markets;
- declines in consumer spending during an economic recession that adversely affect our revenue; and
- the adoption on the national, state or local level of more restrictive laws and governmental regulations, including more restrictive zoning, land use or environmental regulations and increased real estate taxes.

Additional factors may adversely affect the value of, and our income from, specific properties, including:

- adverse changes in the perceptions of prospective purchasers of the attractiveness of the property;
- opposition from local community or political groups with respect to development or construction at a particular site;
- a change in existing comprehensive zoning plans or zoning regulations that impose additional restrictions on use or requirements with respect to our property;
- our inability to provide adequate management and maintenance or to obtain adequate insurance;
- an increase in operating costs;
- new development of a competitor's property in or in close proximity to one of our current markets; and

- earthquakes, floods or underinsured or uninsured natural disasters.

The occurrence of one or more of the above risks could result in significant delays or unexpected expenses. If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**We are subject to real estate development risks.** Our development projects are subject to significant risks relating to our ability to complete our projects on time and on budget. Factors that may result in a development project exceeding budget or being prevented from completion include:

- an inability to secure sufficient financing on favorable terms, including an inability to refinance construction loans;
- construction delays or cost overruns, either of which may increase project development costs;
- an increase in commodity costs;
- an inability to obtain zoning, occupancy and other required governmental permits and authorizations;

If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**Recent downturns in the real estate market and home mortgage financing may significantly impact our future development plans.** The real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation and oversupply of properties. Any sustained period of weakness or weakening business or economic conditions in the markets in which we intend to do business or in related markets, such as those experienced since July 2007, could result in a continuing decrease in the demand for the type of properties we intend to develop.

**We are vulnerable to concentration risks because our operations are currently exclusive to the Hot Springs, South Dakota area.** Because of our geographic concentration and limited number of projects, our operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies.

The performance of the South Dakota economy greatly affects our sales and, consequently the underlying values of our properties. The South Dakota economy is heavily influenced by conditions and employment in the farming and ranching industries. Adverse conditions in these markets, could negatively affect the economy in our market. Rising interest rates may adversely affect our ability to sell lots and homes.

**Our results of operations and financial condition will be greatly affected by the performance of the real estate industry.** Our real estate activities are subject to numerous factors beyond our control, including local real estate market conditions, both where our properties are located and in areas where our potential customers reside, substantial existing and potential competition, general national, regional and local economic conditions, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by these economic circumstances, market fundamentals, competition and demographic conditions. Because of the effect these factors have on real estate values, it is difficult to predict with certainty the level of future sales or sales prices that will be realized for individual assets.

Our real estate operations are also dependent upon the availability and cost of mortgage financing for potential customers, to the extent they finance their purchases, and for buyers of the potential customers' existing residences.

**Our operations are subject to an intensive regulatory approval process.** Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

**Our operations are subject to natural risks.** Our performance may be adversely affected by weather conditions that delay development or damage property.

The U.S. military intervention in Iraq, the terrorist attacks in the U.S. on September 11, 2001 and the potential for additional future terrorist acts have created economic, political and social uncertainties that could materially and adversely affect our business.

Further acts of terrorism could be directed against the U.S. domestically or abroad, these acts of terrorism could be directed against properties and personnel of companies such as ours. Terrorism and war developments may materially and adversely affect our business and profitability and the prices of our common stock in ways that we cannot predict at this time.

**We depend entirely on our executive officer to run our business, and losing the services of any executive officer would adversely affect our business.** Our success depends entirely on our CEO, Philip J. Davis. We have no written employment agreements to keep Mr. Davis bound to us or to prevent him from competing with us he leaves. The process of finding qualified managers, either for replacement or expansion, is often lengthy. We can give you no assurance that we will succeed in attracting and retaining qualified executives and personnel. The loss of key personnel, or the inability to attract additional qualified personnel, could materially harm our business.



**Our principal stockholders will retain control of Chay Enterprises.** Even if our two principal stockholders sell some of their shares, they will continue to hold a majority of the issued and outstanding shares and they may exercise control over the company and prevent a change of control in the company.

**Our stock will likely be subject to the Penny Stock rules, which impose significant restrictions on broker-dealers and may affect the resale of our stock.** A penny stock is generally a stock that:

- is not listed on a national securities exchange or NASDAQ,
- is listed in the "pink sheets" or on the NASD OTC Bulletin Board,
- has a price per share of less than \$5.00 and
- is issued by a company with net tangible assets less than \$5 million.

The penny stock trading rules impose additional duties and responsibilities upon broker-dealers and salespersons effecting purchase and sale transactions in common stock and other equity securities, including

- determination of the purchaser's investment suitability,
- delivery of certain information and disclosures to the purchaser, and
- receipt of a specific purchase agreement before effecting the purchase transaction.

Many broker-dealers will not effect transactions in penny stocks, except on an unsolicited basis, in order to avoid compliance with the penny stock trading rules. In the event our common stock becomes subject to the penny stock trading rules,

- such rules may materially limit or restrict the ability to resell our common stock, and

- the liquidity typically associated with other publicly traded equity securities may not exist.

Because of the significant restrictions on trading penny stocks, a public market may never emerge for our securities. If this happens, you may never be able to publicly sell your shares.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

The Company did not sell or issue any securities during the period covered by this report.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matters were submitted during the period covered by this report to a vote of security holders.

**ITEM 5. OTHER INFORMATION.**

None

**ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.**

(a) Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

<b>Exhibit No.</b>	<b>Title of Document</b>	<b>Location</b>
31.1	Certification of the Principal Executive Officer/ Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Attached
32.1	Certification of the Principal Executive Officer/ Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	Attached

(b) Reports on Form 8-K

None

\*

The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

### **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.

**CHAY ENTERPRISES, INC.**

Date: May 6, 2008

By: /s/ Philip J. Davis

Philip J. Davis, President

and Chief Financial Officer