GROW CONDOS, INC.
Form 10-Q
February 13, 2017

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: December 31, 2016
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from: _____________ to _____________

GROW CONDOS, INC.
(Exact name of registrant as specified in its charter)

NEVADA	000-53548	86-0970023
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

722 W. Dutton Road
Eagle Point, OR 97524
(Address of principal executive offices) (Zip Code)

541-879-0504
(Registrant's telephone number, including area code)

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.
[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such reports.

[X] 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	[ ]	Smaller reporting company	[X]

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

The number of shares of the issuer's Common Stock outstanding as of December 31, 2016 is 29,923,451.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

GROW CONDOS, INC. and Subsidiary
CONSOLIDATED BALANCE SHEET
as of December 31, 2016 and June 30, 2016

ASSETS

	December 31, 2016 (unaudited)	June 30, 2016
Current Assets		
Cash and cash equivalents	$10,793	$44,148
Lease receivables	(4,241)	79
Prepaid expenses	25,148	20,895
Total Current Assets	31,700	65,122
Property and Equipment, net	1,577,795	1,523,244
Deposits	2,323	5,381
Debt Discount, summary	31,881	104,983
Total Assets	$1,643,699	$1,698,730
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable, trade	20,380	3,000
Accrued liabilities	394,003	353,788
Derivatives, net	877,178	792,445
Mortgages payable, current portion	301,180	33,187
Total Current Liabilities	1,592,741	1,182,420
Mortgages payable, less current portion	917,273	1,203,054
Customer deposits	5,100	4,900
Deferred option revenue	30,400	15,400
Total Liabilities	2,545,514	2,405,774
Shareholder's Equity		
Preferred stock, $.001par value, 5,000,000 shares authorized none issued or outstanding	-	-
Common stock, $.001 par value, 100,000,000 shares authorized 28,284,924 and 2,084,925 shares issued and outstanding	29,924	2,085
Additional paid-in capital	12,821,677	12,227,854
Accumulated deficit	(13,753,416)	(12,936,983)

Total Shareholder's Equity	(901,815)	(707,044)
Total Liabilities and Shockholder's Equity	$1,643,699	$1,698,730

The Accompanying Notes are an Integral Part of the Consolidated Financial Statements

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GROW CONDOS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended December 31,		For the Six Months Ended December 31,	
	2016	2015	2,016	2,015
Rental revenues	$29,784	$23,783	59,167	60,566
Total revenues	29,784	23,783	59,167	60,566
Operating expenses	285,793	129,815	575,323	169,659
Gain/(Loss) from operations	(256,009)	(106,032)	(516,156)	(109,093)
Interest expense	20,775	10,162	40,078	26,859
Derivative liability expense	33,590		260,200	
Loss before provision for income taxes	(310,374)	(116,194)	(816,434)	(135,952)
Provision for income taxes	-	-	-	-
Net income/(loss)	$(310,374)	$(116,194)	(816,434)	(135,952)
Net loss per common share:				
Basic and diluted	$(0.01)	$(0.01)	$(0.03)	$(0.01)
Weighted average common shares; basic and diluted	29,541,474	16,056,663	29,541,474	9,705,689

The Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

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GROW CONDOS, INC. and Subsidary
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Six Months Ended December 31, 2016 and 2015

	For the Six Months Ended	
	2016	2015
Cash flows from operating activities:	(Unaudited)	
Net loss	$(816,434)	$(135,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,114	14,113
Stock issued for services		
Allowance for doubtful accounts		
Changes in assets and liabilities:		
Deposits	3,058	-
Lease receivable	4,320	
Prepaids	(4,252)	(11,866)
Accounts payable, trade	17,380	(42,742)
Accrued expenses	40,215	79,734
Security deposit	200	
Deferred options revenue	15,000	(9,000)
Net cash used by operating activities	(726,399)	(105,713)
Cash flows from investing activities:		
Purchase of property and improvements	(68,665)	-
Net cash used by investing activities	(68,665)	-
Cash flows from financing activities:		
Repayments of mortgage	(17,789)	(14,126)
Repayment of debt		
Proceeds from loan	157,836	80,579
Proceeds from exercise of warrants	621,662	
Net cash provided by financing activities	761,709	66,453
Net increase (decrease) in cash and cash equivalents	(33,355)	(39,260)
Cash and cash equivalents at beginning of period	44,148	42,747
Cash and cash equivalents at end of period	$10,793	$3,487
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$40,078	$10,162

Taxes	$-	$-

The Accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

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GROW CONDOS, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Summary of Significant Accounting Policies and Use of Estimates:

Presentation of Interim Information:

The condensed consolidated financial statements included herein have been prepared by Grow Condos, Inc. ("we", "us", "our" or "Company") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements as of June 30, 2016. 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 permitted by the SEC, although we believe the disclosures, which are made, are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to present fairly our financial position at December 31, 2016, and the results of our operations and cash flows for the periods presented. The June 30, 2016 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Interim results are subject to significant seasonal variations and the results of operations for the three months ended December 31, 2016 are not necessarily indicative of the results to be expected for the full year.

Nature of Corporation:

Grow Condos, Inc. ("GCI" or the "Company") (f/k/a Fanatic Fans Inc. and Calibrus, Inc.) was incorporated on October 22, 1999, in the State of Nevada.

Our subsidiary, WCS is an Oregon limited liability company which was formed on September 9, 2013 with operations beginning in October 2013. WCS is a real estate purchaser, developer and manager of specific use industrial properties providing "Condo" style turn-key aeroponic grow facilities to support cannabis farmers. WCS intends to own, lease, sell and manage multi- tenant properties so as to reduce the risk of ownership and reduce costs to tenants and owners.

As of the consummation of the transaction on June 30, 2014, the financial statements of WCS are consolidated with the financial statements of GCI under the name of GCI but the financial statements are the continuation of WCS with the adjustment to reflect the legal capital of GCI. The assets and liabilities of WCS are measured at their pre-combination carrying amounts and the assets and liabilities of GCI are accounted for at fair value as required under the purchase method of accounting under a reverse acquisition. The results of operations of GCI (as it was f/k/a Fanatic Fans, Inc. f/k/a Calibrus, Inc.) are included in the consolidated financial statements from the closing date of the acquisition.

Basis of Presentation:

The accompanying condensed consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States ("GAAP"), and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Consolidation:

These condensed consolidated financial statements include the accounts of Grow Condos, Inc., and its wholly-owned subsidiaries, WCS, Enterprises, LLC and Smoke on the Water,Inc which was incorporated in the State of Nevada on October 31, 2016. All significant intercompany accounting transactions have been eliminated as a result of consolidation.

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 revenues and expenses during the reporting period. We believe that it is at least reasonably possible that the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events and the effect of the change would be material to the financial statements.

GROW CONDOS, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Significant estimates include, but are not limited to, the estimate of the allowance for doubtful accounts, equity compensation, allocation of purchase price for acquired assets, and depreciable lives of long lived assets.

Fair Value of Financial Instruments:

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of accounts payable, accrued liabilities, mortgages payable and short term advances approximate fair value given their short term nature or effective interest rates, which represent level 3 inputs.

Earnings per Share:

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period and contains no dilutive securities. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. For the period ended December 31, 2016, all potentially dilutive securities are anti-dilutive due to the Company's losses from operations.

All dilutive common stock equivalents are reflected in our earnings (loss) per share calculations. Anti-dilutive common stock equivalents are not included in our earnings (loss) per share calculations.

Income Taxes:

The Company files income tax returns in the U.S. federal jurisdiction and the State of Oregon. The Company is subject to federal, state and local income tax examinations by tax authorities for approximately the past three years, or in some instances longer periods.

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". SFAS No. 109 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards. At June 30,2016, the Company has available unused operating loss carryforwards of approximately $1,497,116, which may be applied against future taxable income and which expire in various years through 2026.

The amount of and ultimate realization of the benefits from the operating loss carryforwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company, and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforwards, the Company has established a valuation allowance equal to the tax effect of the loss carryforwards and, therefore, no deferred tax asset has been recognized for the loss carryforwards. The net deferred tax assets are approximately $1,497,116, $63,042 and $377as of June 30, 2016, 2015 and 2014, respectively, with an offsetting valuation allowance of the same.

Going Concern:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. In their report dated September 6, 2016, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from July 1, 2015 to June 30, 2016 concerning the Company's assumption that we will continue as a going concern. The Company operates within an industry that is illegal under federal law, has yet to achieve profitable operations, has a significant accumulated deficit and is dependent on our ability to raise capital from stockholders or other sources to sustain operations and ultimately achieve viable profitable operations. As reported in these condensed consolidated financial statements, the Company has not yet achieved profitable operations and has an accumulated deficit of $13,753,416 which we have determined raises substantial doubt about the Company's ability to continue as a going concern.

Further, marijuana remains illegal under federal law as a schedule-I controlled substance, even in those jurisdictions in which the use of medical or recreational marijuana has been legalized at the state level. A change in the federal attitude towards enforcement could cripple the industry. The medical and recreational marijuana industry is our primary target market, and if this industry was unable to operate, we would be subject to all potential remedies under federal law and lose the majority of our potential clients, which would have a negative impact on our business, operations and financial condition.

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GROW CONDOS, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The ability of the Company to continue as a going concern is dependent on our ability to raise adequate capital to fund operating losses until we are able to engage in profitable business operations and the continuation of the current regulatory and enforcement environment. To the extent financing is not available, the Company may not be able to, or may be delayed in, developing our services and meeting our obligations.

Management's plans to address these matters include maintaining an awareness of the current regulatory and enforcement environment, controlling costs, evaluating our projected expenditures relative to our available cash and evaluating additional means of financing in order to satisfy our working capital and other cash requirements. The accompanying condensed consolidated financial statements do not reflect any adjustments that might result from the outcome of these uncertainties.

2. Warrants

On March 21, 2016 the Company entered into a transaction with Auctus Fund, LLC. In exchange for $75,000 cash net of fees, the Company issued a convertible promissory note in the amount of $83,750. The Note had a maturity date of nine (9) months from date of issue and interest at 10% per annum. At any time prior to the complete satisfaction of the Note, it was convertible into shares of the Company's common stock. On September 27, 2016 the Company received a Notice of Conversion. A total of 352,163 shares were issued to Auctus Fund, LLC in payment of the debt.

On March 28, 2016 the Company entered into a transaction with Tangiers Global, LLC. In exchange for $90,000 cash net of fees, the Company issued a convertible promissory note in the amount of $100,000. The Note had a maturity date of six (6) months from the date of issue and interest at 10% per annum. On October 11, 2016 the Company received a Notice of Conversion for $50,000. A total of 200,000 shares were Issued to Tangiers Global, LLC in payment of one half on the debt owed.

On April 4, 2016 the Company entered into a transaction with Tangiers Global, LLC. In exchange for $25,000 cash net of fees, The Company issued a convertible promissory note in the amount of $25,000. The Note had a maturity date of April 4, 2017 and an interest at 10% per annum.

The Company has entered into an Equity Incentive Plan with a grant date of April 15, 2016. The plan allows for immediate vesting. The total number of shares granted is two (2) million shares at an exercise price of $.40/share. The shares under this plan are to be utilized for non-related party compensation. On September 9, 2016 250,000 shares were issued in exchange for $100,000 under the Plan.

3. Related Party Transactions

The Chief Financial Officer, who is a sibling of the Chief Executive Officer, provides the use of her facilities to the Company at no costs to the Company since our inception.

The Company is currently leasing units located in Eagle Point Oregon. The building is an approximately 15,000 square foot building which has 10 units of approximately 1,500 square feet each available for use. Four units are currently under lease to three different companies. One unit is being used as the Grow Condos, Inc. offices, and five units are under lease to a company that the CEO controls. The agreement with the company controlled by the CEO was entered into prior to the incorporation of Grown Condos, Inc. The lease term begins once the tenant improvements are completed and the premises are occupies, and continues for a period of 36 months. The lease agreement requires no rental payments for the first 12 months of the lease and rental payments of $54,000 per year for the second and third year of the lease. As of July 1, 2016, the lease term has begun on two of the five units. The lease term has not begun as of December 31, 2016 on the remaining three units and no revenue associated with these three units has been recorded in the accompanying financial statements.

The CEO has loaned the Company a net of $15,575 the entire amount was re-paid on December 7, 2016.

The two employees of the Company, the CEO and the CFO had not been compensated since November 2015. The salaries owed them plus employer taxes, based on their employee agreements entered into in November 2015 have been accrued monthly. In December 2016 a partial payment of accrued salaries was paid. The total gross wages paid was $153,600 plus $13,753 for employer payroll taxes both to federal and state entities.

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GROW CONDOS, INC. AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In consideration for the contributions to the Company that have been made by the Board of Directors, the following compensation was approved and issued on October 18, 2016. For the fiscal year 2015-2016 members of the Board were issued a total of 13,334 shares at an average price of $1.42 per share. For the first quarter of the 2016-2017 fiscal year current board members were issues a total of 18,030 shares at an average price of $1.04 per share. For the second quarter of the 2016-2017 fiscal year current board members were issued a total of 14,412 shares at an average price of $1.31 per share.

4. Subsequent Events

On January 9, 2017, the Company entered into a Convertible Promissory Note with a face value of $175,000 at 10% interest with a conversion price of 50% of the lowest closing price for the 10 days prior to the conversion date.

On January 20, 2017 the Company entered into a transaction with Tangiers Global, LLC, issuing a $165,000, 10% fixed convertible promissory note. The Note is due July 20, 2017 and bears an interest rate of 10%, and is convertible into shares of the Company's common stock at $.85 per share. The Note was issued with a $15,000 original issue convertible issue discount. In connection with the issuance of the Note the Company also issued a warrant to purchase 150,000 shares at $.85 subject to adjustment for stock splits and the like. The warrant expires on January 20, 2018. Proceeds of the Note and any Warrant exercises will be used for working capital, $10,000 of the proceeds of the Note have been allocated to attorney fees.

On January 23, 2017 the Company entered into a transaction with Auctus Fund, LLC. In exchange for $160,000 cash net of fees, the Company issued a convertible promissory note in the amount of $175,000. The Note has a maturity date of October 23, 2017 and interest at 10% per annum with conversion price of 50% of the lowest closing price for the 10 days prior to the conversion date.

Smoke on the Water is under contract for the purchase of property located at 2700 Lake Shore Drive, Selma, Oregon in the County of Josephine. The agreed upon purchase price is $625,000 with the seller carrying the note at 5% per annum for the first twelve months and then 8% per annum for the next four years. Payment of $250,000 is scheduled to be paid at close of escrow. Payments are to be made monthly commencing April 1, 2017; the entire remaining balance to be due and payable in 2022. As of this date, the property had not closed.

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

The following is management's discussion and analysis of certain significant factors affecting the Company's financial position and operating results during the periods included in the accompanying condensed consolidated financial statements. Except for the historical information contained herein, the matters set forth in this discussion are forward-looking statements.

Overview

On June 30, 2015, GCI entered into a definitive agreement (the "Agreement") with the members of WCS for the acquisition of all of the outstanding membership interests of WCS in exchange for 20,410,000 restricted shares of GCI's common stock. The shares were issued to a total of three persons pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act of 1933. In connection with the Agreement, one member of WCS gained control of GCI by virtue of his stock ownership in the Company received in the acquisition. This member acquired 18,369,000 shares of GCI common stock on June 30, 2015, in exchange for his ownership share of WCS. The shares received under the Agreement gave this member effective control of GCI by virtue of holding approximately 44% of GCI's voting stock. In addition, on June 30, 2015, the GCI CEO, President and CFO resigned and the WCS officers were appointed to fill these position by the board of directors of GCI. In total, the WCS members hold 51.67% of the post-acquisition common stock of GCI and GCI's officers are the former officers of WCS, making the transaction a reverse acquisition.

Our wholly-owned subsidiary, WCS Enterprises, LLC ("WCS") is an Oregon limited liability company which was formed on September 9, 2013, began operations in October 2014, and was acquired by us in June 2014 in exchange for shares of our common stock. The acquisition of WCS resulted in a change of control of the Company and at or shortly after the closing of
such acquisition; the persons designated by WCS became the officers and directors of the Company. As a result of our acquisition of WCS in June 2014, we became engaged in the real estate purchaser, developer and manager of specific use industrial properties business and continue to develop and operate our social networking projects.

Through WCS, we are a real estate purchaser, developer and manager of specific use industrial properties providing "Condo" style turn-key grow facilities to support cannabis growers in the United States cannabis industry. We intend to own, lease, sell and manage multi-tenant properties so as to reduce the risk of ownership and reduce costs to the tenants and owners. We will offer tenants the option to lease, lease to purchase or buy their condo warehouse space that is divided into comparable 1,500- 2,500 square foot condominium units. Each Condo unit will be uniquely designed and have all necessary resources as an optimum stand-alone grow facility. We believe that Cannabis farmers will pay an above market rate to lease or buy our condo grow facility. We will purchase and develop buildings that are divisible into separate units to attract multiple farmers and reduce the risk of single tenant leases. In addition to our "Condo" turn-key growing facilities, we intend to provide marijuana grow consulting services and equipment and supplies as part of our turn-key offerings. We are aggressively looking for our next property in the western area of the United States where medical cannabis has been legalized and where recreational cannabis has been or is in the process of legalization. The Company is not directly involved in the growing, distribution or sale of Cannabis.

At the present time the Company, which includes WCS, has fixed monthly operating costs of approximately $14,460. The monthly fixed operating expenses are comprised of $6,829 in monthly mortgage payments on our building, $665 for building security, $4,443 per month for the salaries of our CEO and CFO (though it should be noted that for the calendar year 2016 to date, neither the CEO or the CFO have been paid any salary), approximately $565 in utilities, approximately $1,550 in property taxes and $408 for insurance. Accordingly, expenses associated with maintaining the building are approximately $10,000 per month. The Company also has variable expenses relating to the development of its business plan and the payment of professional fees. The amount and extent of the variable expenses over the next 12 months are unknown at this time.

The Company has fixed monthly income from rents and option payments of approximately $11,600 per month which are paid to the Company by the tenants in our building. It is projected that when the building is fully leased and all tenants are paying monthly lease payments assuming current market rates, monthly revenue will total $19,250 which will make the building self-sustaining since current expenses total $10,000 per month.

The Company is in the process of seeking additional properties to purchase, in addition to the Pioneer project which closed escrow in April 2016, after the model of our current building. However, it is the desire of management to purchase new properties outright with funds obtained by selling equity in the Company. If the Company is successful in raising working capital in this manner, it follows that new properties will eventually present the Company with positive cash flow.

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Results of Operations

The following table sets forth certain items derived from our Condensed Statements of Operations for the six months indicated:

	31-Dec 2016 (Unaudited)	31-Dec 2015
Revenue	$59,167	$60,566
Operating Expenses	575,323	169,659
Loss from operations	(516,156)	(109,093)
Interest Expense	(40,078)	(26,859)
Derivative Liability	(260,200)	-
Net Loss	$(816,434)	$(135,952)

Revenue – The Company generated $29,784 in revenue for the three months ended December 31, 2016. All revenue was derived through our subsidiary and was comprised of monthly rental income from tenants and $600 in late fees collected.

Operating Expenses – Operating expenses for the three months ended December 31, 2016 totaled $285,793. The majority of our operating expenses were comprised of accrued, but not paid wages, professional fees, and amortization of the Tangiers convertible notes.

Interest Expense – Interest expense for the three months ended December 31, 2016 totaled $20,775. All interest expense for the quarter was related to the either mortgages on the Company's rental property or interest on the Pioneer promissory note.

Liquidity and Capital Resource; Going Concern

At December 31, 2016, the Company had cash on hand of $10,793. This is sufficient to sustain the day to day operations of the Company for approximately 60 days. It is not likely that operating revenues will increase in the near future to a sufficient extent to cover the operating expenses of the Company. Therefore, it will be necessary to obtain additional capital from the sale of equity or debt securities to continue operations beyond 60 days.

Management believes in the future of the Company and in its ability to grow its business and to raise capital as needed until such time as the business operations of the Company become self-sustaining.

In their report dated September 6, 2016, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from July 1, 2015 to June 30, 2016 concerning the Company's assumption that we will continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of the Company operating with an industry that is illegal under federal law, we have yet to achieve profitable operations, we have a significant accumulated deficit and are dependent on our ability to raise capital from stockholders or other sources to sustain operations and to ultimately achieve viable profitable operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Forward-Looking Statements

We have made forward-looking statements in this quarterly report on Form 10-Q, including the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include the information concerning our possible or assumed search for new business opportunities and future costs of operations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in the forward-looking statements. You should understand that many important factors could cause our results to differ materially from those expressed in the forward-looking statements. These factors include, without limitation, the difficulty in locating new business opportunities, our regulatory environment, our limited operating history, our ability to implement our growth strategy, our obligations to pay professional fees, and other economic conditions and increases in corporate maintenance and reporting costs. Unless legally required, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Off Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d- 15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, our disclosure controls and procedures were not effective, for the reasons discussed below, to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

A material weakness is a deficiency, or combination of deficiencies, that creates a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner.

The material weakness related to our company was due to not having the adequate personnel to address the reporting requirements of a public company and to fully analyze and account for our transactions.

The CFO performs all accounting functions. Therefore, there is no segregation of duties. For any transactions that are not considered regular day to day transactions or are expense reimbursement transactions, approval is requested from the CEO.

We do not believe that this material weakness has resulted in deficient financial reporting because we have worked through the reporting process to review our transactions to assure compliance with professional standards.

Accordingly, while we identified a material weakness in our system of internal control over financial reporting as of December 31, 2016, we believe that we have taken reasonable steps to ascertain that the financial information contained in this report is in accordance with accounting principles generally accepted in the United States.

Changes in Internal Control Over Financial Reporting

In addition, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

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

Subsequent to December 31, 2016 the Company has issued 14,424 shares of stock in payment for services for second quarter of the 2016-2017 fiscal year to the Board of Directors; the average price per share was $1.31.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibit	Description
31	Certificate of Wayne A. Zallen and Joann Z. Cleckner pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as amended.
32	Certificate of Wayne A. Zallen and Joann Z. Cleckner pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934, as amended.
101	Interactive Data Files.

SIGNATURES

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

Grow Condos, Inc.

By:/s/ Wayne A. Zallen
Wayne A. Zallen, CEO

Date: February 7, 2017

By: /s/ Joann Z. Cleckner Date: February 7, 2017
Joann Z. Cleckner, CFO