
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: June 30, 2017

or

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

For the transition period from:

Commission File Number: 000-53548

GROW CONDOS, INC.

(Exact name of registrant as specified in its charter)

Nevada	86-0970023
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

722 W. Dutton Road

Eagle Point, OR 97524

(Address of principal executive offices)

541-879-0504

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.001

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 [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] 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 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. [ ]

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x
		Emerging growth company	x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes [ ] No [X]

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

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 quarter.

The market value of the voting and non-voting common stock held by non-affiliates totaled $60,433,762 based upon a valuation of $1.14 per share, that being the closing price onDecember 30, 2016the last business day of the registrant's most recently completed second fiscal quarter.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Not applicable.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

As of April 18, 2018, 2018, the registrant had 88,926,057 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

See Part IV, Item 15.

PART I

FORWARD LOOKING STATEMENTS

In this Annual Report, references to "Grow Condos," the "Company," "we," "us," "our" and words of similar import) refer to Grow Condos, Inc., a Nevada corporation, the registrant and, when appropriate, its subsidiary.

Statements made in this Form 10-K which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of Grow Condos. Such forward-looking statements include those that are preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, in addition to those contained in this Annual Report: general economic or industry conditions nationally and/or in the communities in which we conduct business; legislation or regulatory requirements, including environmental requirements; conditions of the securities markets; competition; our ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors affecting our operations, products, services and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. Grow Condos does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

ITEM 1. BUSINESS

Item 1. Description of Business

History

Grow Condos, Inc. (the "Company") was incorporated on October 22, 1999 as Calibrus, in the State of Nevada. From its inception, the Company was a call center that contracted out as a customer contact center for a variety of business clients throughout the United States. Over time our main business became a third party verification service. After making a sale on the telephone, a company would send the call to a Company operator to confirm the order. This process protected both the customer and the company selling services from telephone sales fraud.

While continuing to operate as a call center, in 2008 we expanded our business plan to include the development of a social networking site called JabberMonkey (Jabbermonkey.com) and the development of a location based social networking application for smart phones called Fanatic Fans.

WCS Enterprises

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

WCS Enterprises Business Operations

Through WCS Enterprises, 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 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 out 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. On April 1, 2016 we closed escrow on our second project located in the Pioneer Business Park in Eugene, Oregon. The Company is not directly involved in the growing, distribution or sale of cannabis.

Smoke on the Water, Inc.

Smoke on the Water, Inc., was incorporated on October 21, 2016, in the State of Nevada and is a wholly owned subsidiary.

Smoke on the Water Business Operations

Smoke on the Wateris designed to capitalize on the country's growing level of recreational marijuana acceptance. The company plans to engage in a roll up strategy for this highly-fragmented industry and provide turn-key solutions for Marijuana-friendly campgrounds and resorts. The company has strategized to initially develop the property through acquisition, subsequently rebranding the existing RV business to represent the Smoke on The Water brand. Upon project launch, the Company plans to provide fully functional vacationing solutions to campground operators and owners seeking to fill the growing demand for stress free and acceptable vacationing for the pro-personal choice and marijuana smoking community.

On March 7, 2017, Smoke on the Water, Inc. executed a Real Estate Purchase Agreement to acquire the Lake Selmac Resort located at 2700 Lakeshore Drive, Selma, Oregon.

Owned Properties

We have secured real estate in Eagle Point in Jackson County, Oregon representing our sole condominium operating location. The building is 15,000 square feet and zoned to meet the requirements for specific purpose industrial use and is divided into four 1,500 square feet condo style grow rooms which, is being leased to four tenants and one 7,500 square feet grow facility leased to one tenant, a related party.

Further we have acquired real estate located just 20 miles from Grants Pass, Oregon and 2.5 miles east of the Redwood Highway in Selma, Oregon known as the Lake Selmac Resort. The total property occupies approximately 5.85 acres, has 29 RV spaces (13 pull through spots), 2 cabins and a convenience store, boat dock, bath house and coin operated laundry facilities.The Resort facilities also include fishing, swimming, boating, and tent camping. This is our first cannabis friendly tourist destination. We also operate a full service country store.

We also own a parcel of land located within the Pioneer Business Park near Eugene OR, which is currently listed for sale.

Sales & Leasing

We develop, lease, own and provide investment sales opportunities for commercial industrial properties focused in the cannabis production arena. The company has relationships with tenants, brokers and investors across the cannabis industry to leverage successful transactions for both lease-to-own option as well as investors looking to purchase facilities with qualified tenants providing positive cash-flow backed by commercial property.

Tourist Recreation and site rentals

During fiscal 2017 we acquired our first cannabis friendly tourist destination with the purchase of Lake Selmac Resort where we offer facilities including fishing, swimming, boating, RV parking, tent camping & cabin accommodation.

Supplies and Equipment

We intend in the future, to provide operators state-of-the art equipment and methodology to provide efficient implementation to assistclients to realize stabilized operations faster.

Financing

We intend in the future, to assist tenants with financing for space build-out as well as acquisition of commercial property.

Marketing

Our initial marketing will be aimed at attracting customers through networking with real estate agencies, agents, commercial brokers and consulting groups that are involved in the cannabis industry. We will target specific trade shows, conferences and seminars associated with cannabis growers. As our capital for marketing is very limited we are reviewing the cost of advertising on the radio or in print or running ads on certain cannabis industry online websites. Further during 2017 we commenced marketing of our Smoke on the Water brand. With our Lake Selmac resort property we provide fully functional vacationing solutions to campground operators and owners seeking to fill the growing demand for stress free and acceptable vacationing for the pro-personal choice and marijuana smoking community.

Employees

We currently have four employees two of whom are officers of the Company and one of whom is employed part time. Our employees are not represented by unions and we consider our relationship with our employees to be good.

Facilities

Our office is located at 722 W. Dutton Rd, Eagle Point, Oregon 97524 and is in the building that we own. We currently pay no rent. We believe this facility will be adequate for our needs for the next twelve months.

Competition

Commercial real estate:

The commercial real estate market is highly competitive. We believe finding properties that are zoned for the specific use of allowing cannabis growers may be limited as more competitors enter the market. Initially we will aggressively target states in the western US that legally allow for medical and recreational cannabis to be grown. We have identified several competitors that appear to have offerings similar to ours. They are Zoned Properties, Inc. (ZDPY), MJ Holdings, Inc. (MJNE), and Home Treasure Finders, Inc. (HMTF)

Zoned Properties, Inc. - Zoned Properties, Inc., a real estate investment firm, focuses on acquiring free standing buildings, land parcels, and greenhouses in order to have them re-zoned to be able to carry out aeroponics agricultural grow operations. It plans to operate primarily in Arizona, Illinois, Nevada, and Colorado.

MJ Holdings, Inc. – MJ Holdings, Inc. acquires and leases real estate to licensed marijuana operators, including but not limited to providing complete turnkey growing space and related facilities to licensed marijuana growers and dispensary owners. Additionally, MJ Holdings plans to explore ancillary opportunities in the regulated marijuana industry.

Home Treasure Finders, Inc. – Home Treasure Finders, Inc. is engaged in a real estate lead referral business in Colorado. It focuses on buying and selling properties; and leasing its real estate properties to cannabis growers for cannabis cultivation. The company also manages 55 rental units. Home Treasure Finders, Inc. was founded in 2008 and is based in Denver, Colorado. Advanced Cannabis Solutions, Inc. – Advanced Cannabis Solutions, Inc. a development stage company, focuses on providing real estate leasing services to the regulated cannabis industry in the United States. It plans to purchase real estate assets; and lease growing space and related facilities to licensed marijuana growers and dispensary owners for their operations. The company was founded in 2013 and is headquartered in Colorado Springs, Colorado.

Cannabis friendly resort properties:

There are currently 29 states in the U.S. that have legalized medical marijuana and 8 states in the U.S. that permit adult cannabis usage and have adopted laws which govern and permit recreational usage of cannabis on private property and by adults over the age of 21. Oregon, Washington and Colorado are three such states.

The market for cannabis friendly resort properties in those states with recreational cannabis usage laws is small but growing. Presently we have identified only a handful of locations which we believe are competitive to our business model. Management believes there is substantial room for expansion in this particular field of operation with roll up of privately held resort and campground locations in this burgeoning leisure property space:

(1) Wilderness Bud and Breakfast San Juan National Forest, Pagosa Springs, CO
This property offers a wide variety of wilderness 420 friendly camping experiences featuring *420 Happy Hour*, served daily and featuring a selection of the finest organic flowers, cannabis-infused edibles and extracts from the sunny southwest of Colorado.Tipis and tent sites are located on the banks of the Rio Blanco. Camp kitchen, stoves, BBQ, outhouse, solar shower and campfire area are located on the campgrounds.

(2) CanyonSide Campground, Fort Collins, CO
Family owned and operated campground located in the Poudre Canyon, along the Cache La Poudre River. Property has five furnished cabins, ten RV sites with hook-ups and large tenting area. Property is located between Fort Collins and Walden, Colorado.

Further there are various locations in Washington and Colorado which have been identified by The Travel Joint http://thetraveljoint.com/cannabis-camping/ as being friendly to edibles as opposed to smoking cannabis, which have not been included in our competitive analysis.

Government Regulation

Currently, there are approximately twenty states plus the District of Columbia that have laws and/or regulations that recognize in one form or another legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Fifteen other states are considering legislation to similar effect. As of the date of this writing, the policy and regulations of the Federal government and its agencies is that cannabis has no medical benefit and a range of activities including cultivation and use of cannabis for personal use is prohibited on the basis of federal law and may or may not be permitted on the basis of state law.

The Department of Justice governs the use of cannabis under the Controlled Substances Act (CSA). Schedule 21 of the U.S. Code includes five established schedules of controlled substances known as schedules I, II, III, IV, and V. The Department of Justice has mandated that schedules established by this section shall be updated and republished on a semi-annual basis during the two-year period beginning one year after October 27, 1970, and shall be updated and republished on an annual basis thereafter. Schedule I includes cannabis in its listing. Substances included in Schedule I have the following characteristics:

(A) The drug or other substance has a high potential for abuse;

(B) The drug or other substance has no currently accepted medical use in treatment in the United States;

(C) There is a lack of accepted safety for use of the drug or other substance under medical supervision.

On January 4, 2018 the office of the Attorney General published a memo regarding Marijuana Enforcement that rescinds Obama-era directives easing federal enforcement. While marijuana has always been illegal under federal law, as noted above, certain states have legalized adult usage under various local laws which govern substance usage and limits. In the January 8, 2018 memo, Jefferson B. Sessions, Attorney General has indicated enforcement decisions will be left up to the U.S. Attorney's in the respective States clearly indicating that the burden is with *"federal prosecutors deciding which cases to prosecute by weighing all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of federal prosecution, and the cumulative impact of particular crimes on the community."*

The Company does not believe this directive will have a substantive impact on its planned operations.

On April 13, 2018 it was announced that President Donald Trump had promised Senate Republican Cory Gardner that he will support congressional efforts to protect states that have legalized marijuana, defusing a months-long standoff between Sen. Cory Gardner and the administration over Justice Department nominees. Trump told Gardner that despite the DOJ memo of January 4, 2018, the marijuana industry in Colorado will not be targeted. A bill has not been finalized, but discussion has commenced to find legislation that would, in effect, make clear the federal government cannot interfere with states that have voted to legalize marijuana.[1]

[1]https://www.washingtonpost.com/politics/trump-gardner-strike-deal-on-legalized-marijuana-ending-standoff-over-justice-no

We do not produce, market, or sell cannabis. We are limiting ourselves to states where the state law allows for the production of cannabis. Beyond the state law allowing for cannabis production our construction must comply with all state and local building requirements as well as zoning requirements. We work closely with the local authorities regarding zoning and work closely with the local building inspectors to comply in every way with building regulations.

ITEM 1A. RISK FACTORS

Not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2: PROPERTIES

(1) We own a building at 722 W. Dutton Road, Eagle Point, OR 97524 representing our first operating location for WCS Enterprises. The building is 15,000 square feet and zoned to meet the requirements for specific purpose industrial use and is divided into four 1,500 square feet condo style grow rooms which, is being leased to four tenants and one 7,500 square feet grow facility leased, for which the rent has yet begun, to one tenant that is a related party.

We maintain our corporate offices in the building. The Company occupies one 1,500 sq. ft. unit to use as an office space.

(2) In April 2016, the Company purchased a parcel of land near Eugene, Oregon within the Pioneer Business Park from a private seller in the amount of $326,629 plus closing costs. The property is on 2.65 acres located in the Pioneer Business Park. The original plans were for building 33-1500 square foot units or approximately 50,000 square feet of warehouse condominiums on the site.

In late 2017, the Company engaged a broker and listed the parcel of land for sale.

(3) In March 2017, the Company acquired a RV and campground park in Selma, Oregon. The property is located just 20 miles of Grants Pass, Oregon and 2.5 miles east of the Redwood Highway in Selma, Oregonand is known as the Lake Selmac Resort. The Resort facilities include fishing, swimming, boating, and in addition to RV parking, has tent camping & cabin locations established for accommodation.

ITEM 3: LEGAL PROCEEDINGS

The Company is not the subject of any pending legal proceedings and, to the knowledge of management, no proceedings are presently contemplated.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our shares of common stock are quoted by the OTC Markets Group Inc. of the Financial Industry Regulatory Authority, Inc. ("FINRA") under the symbol "GRWC". Set forth below are the high and low closing bid prices for our common stock for each quarter of the last two fiscal years ended June 30, 2017 and 2016. These bid prices were obtained from OTC MarketsGroup Inc. All prices listed herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions.

Period	High	Low
July 1, 2015 through September 30, 2015	$ 2.40	$ 1.00
October 1, 2015– December 31, 2015	$ 2.20	$ 0.62
January 1, 2016 through March 31, 2016	$ 0.62	$ 0.22
April 1, 2016 through June 30, 2016	$ 2.30	$ 0.55
July 1, 2016 through September 30, 2016	$ 1.55	$ 0.70
October 1, 2016 through December 31, 2016	$ 1.92	$ 0.61
January 1, 2017 through March 31, 2017	$ 1.35	$ 0.89
April 1, 2017 through June 30, 2017	$ 1.12	$ 0.55

Holders

The number of record holders of the Company's common stock as of April 18, 2018 is approximately 183not including an indeterminate number who may hold shares in "street name."

Common Stock Dividends

The Company has not declared any cash dividends with respect to its common stock and does not intend to declare dividends in the foreseeable future. There are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

Options

Equity Incentive Plan

In December 2015, the Company adopted the 2015 Equity Incentive Plan (“Incentive Plan”) with a term of 10 years. The Incentive Plan allows for the issuance up to a maximum of 2 million shares of common stock, options exercisable into common stock of the Company or stock purchase rights exercisable into shares of common stock of the Company. The plan is administered by the board of directors unless a separate delegation to an administrator is made by the board of directors. Options granted under the plan carry a maximum term of 10 years, except to a grantee who is also a 10% beneficial owner at the time of grant, in which case the maximum term is 5 years. In addition, exercise prices of options granted must be within a certain percentage of the closing price on date of grant depending on the level of beneficial ownership of common stock of the Company by the grantee. All vesting conditions are set by the board or administrator. In December 2015, the Company filed a registration statement on Form S-8 covering all shares issued or issuable under the Incentive Plan.

Stock Plan

In December 2015, the Company adopted the 2015 Stock Plan (“Stock Plan”). As a condition of adoption of the Stock Plan, the Company entered into a registration statement on Form S-8 and covered the shares issued under the plan, which registration statement was filed in December 2015. The Stock Plan allows for the issuance up to a maximum of 2 million shares of common stock of the Company. The plan is administered by the board of directors unless a separate delegation to an administrator is made by the board of directors. The Stock Plan shall continue in effect until such time as is terminated by the Board or all shares are issued pursuant to the Stock Plan.

The 2015 Equity Incentive Plan is designed to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Non-Qualified Stock Options, as determined by the Administrator at the time of grant. Stock purchase rights may also be granted under the Plan. The maximum aggregate number of shares which may be issued upon exercise of such Options or Stock Purchase Rights is two million (2,000,000) shares of Common Stock. The term of the option is five (5) years from the grant date of such shorter term as may be provided in the Option Agreement. The Plan become effective upon initial Board adoption and continues until terminated but in no case longer than ten (10) years. The Company had granted an option for the purchase of two million shares to date of which 1,500,000 have been exercised.

Common and Preferred Stock

The Company's authorized common stock consists of 100,000,000 common shares with par value of $0.001 and 5,000,000 shares of preferred stock with par value of $0.001 per share.

Reverse Stock Split:

Our board of directors and the holders of a majority of the shares of Common Stock entitled to vote thereon have adopted a resolution authorizing, but not requiring, a reverse split of our common stock at a ratio of 1-for-20. As a result of such reverse stock split, which was affected on November 16, 2015, the stock split has been recognized retroactively in the stockholders' equity accounts as of October 22, 1999, the date of our inception, and in all shares and per share data in the financial statements included herein.

Recent Sales of Unregistered Securities

Common Stock

Share issuances subsequent to the year ended June 30, 2017.

Subsequent to June 30, 2017 the Company issued a total of 44,010,791 shares of common stock upon conversion of the principal and unpaid interest accrued on its convertible notes and issued a total of 13,870,692 shares of common stock to members of the Board, employees and consultants for compensation.

In April 2018, the Company sold 500,000 shares of its common stock to a director for cash in the amount of $20,000.

Share issuances during the fiscal year ended June 30, 2017:

During the year ended June 30, 2017, the Company issued 21,924 shares to employees, board members and consultants for services rendered. The Company valued those issuances on the closing price of the Company's stock as traded in the other-the-counter market on the date of grant.

The Company issued 902,163 shares of common stock in full satisfaction of principal and accrued interest of convertible notes issued in the fiscal year ended June 30, 2016.

The Company issued 50,000 shares of common stock as partial payment of the purchase price for the RV and Campground in Selma, Oregon.

In the year ended June 30, 2017, a holder exercised options (see below) and acquired 1,000,000 shares of common stock of the Company and remitted cash in the amount of $400,000 to the Company.

Share issuances during the fiscal year ended June 30, 2016:

During the year ended June 30, 2016, the Company issued 1,191,364 shares to employees, board members and consultants for services rendered. The Company valued those issuances on the closing price of the Company's stock as traded in the other-the-counter market on the date of grant.

In September 2015, the Company and its former attorneys entered into a settlement of outstanding invoices due, in which the attorneys agreed to accept 45,000 shares of the Company's common stock in full satisfaction of the $71,469 owed as of that date.

Preferred Stock

The Company has designated a Series A Convertible Preferred Stock (the "Series A Preferred"). The number of authorized shares totals 5,000,000 and the par value is $.001 per share. The Series A Preferred shareholders vote together with the common stock as a single class. The holders of Series A Preferred are entitled to receive all notices relating to voting as are required to be given to the holders of the Common Stock. The holders of shares of Series A Preferred shall be entitled to 5 votes per share and have a conversion right granted to the holder to allow to convert into 5 common shares of the Company for each Series A Preferred Share held.

In December 2015, the board of directors of the Company granted the CEO and board member 5,000,000 shares of Series A preferred stock, which upon receipt were immediately converted by the holders into 25,000,000 shares of common stock of the Company. The Company valued this issuance at $25 million, based upon the closing price of the common stock on date of grant of the Series A Preferred Shares.

All stockissuances discussed in this section under the heading Recent Sales of Unregistered Securities, were exempt from the registration requirements of Section 5 of the Securities Act of 1933 pursuant to Section 4(2) of the same Act since the issuances of the shares were to persons well known to the Company and did not involve any public offerings.

ITEM 6: SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Forward-looking Statements

Statements made in this Form 10-K which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of Grow Condos. Such forward-looking statements include those that are preceded by, followed by or that include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following: general economic or industry conditions nationally and/or in the communities in which we conduct business; legislation or regulatory requirements, including environmental requirements; conditions of the securities markets; competition; our ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors affecting our operations, products, services and prices.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. Grow Condos does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Financial Statements

Theconsolidated financial statements which are a part of this Report are as of June 30, 2017 and 2016.Theconsolidated financial statements include the accounts of Grow Condos, Inc., and its wholly-owned subsidiaries, WCS Enterprises, LLC and Smoke on the Water, Inc. as of June 30, 2017. All significant intercompany accounting transactions have been eliminated as a result of consolidation.

Following is management's discussion and analysis of those financial statements. This discussion and analysis should be read in conjunction with our financial statements and notes thereto included elsewhere in Report on Form 10-K for the fiscal years ended June 30, 2017 and 2016.

Plan of Operations

The Company believes that its existing capital resources may not be adequate to satisfy its cash requirements for the next twelve months and further funding will be required to fully execute our business plans. Through the date of this report we have been able to rely on bank and non-bank financing in the form of mortgages, convertible notes with third parties, sales of common stock, and advances from related parties to continue to fund shortfalls in our operations. The Company estimates that it will require additional cash resources during fiscal 2018 and beyond based on its current operating plan and condition. The Company expects cash flows from operating activities to improve, primarily as a result of increased revenues from our current and proposed operating activities, however we do not presently have enough revenue tomeet our overhead. We will continue to rely on funding from our officers, directors and third parties to meet our operational shortfalls. While we expect to continue to have these resources available to us, there is no guarantee we will be able to continue to meet our obligations in the normal course. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans.

Results of Operations

Revenues

During the fiscal years ended June 30, 2017 and 2016, respectively we have recorded net revenues of $143,441 and $106,533 respectively.

Operating Expenses

Our consolidated operating expenses for the fiscal years ended June 30, 2017 and 2016 were as follows:

Operating expenses		
Cost of revenues	12,755	-
General and administrative	494,156	29,220,657
Sales and marketing	226,087	205,035
Professional fees	137,214	70,372
Depreciation, amortization and impairment	125,991	310,840
Total operating expenses	996,203	29,806,904

Our general and administrative expenses include rent, telephone, internet services, banking charges, salaries, stock based compensation, consulting fees and miscellaneous office costs.

During the comparative fiscal years ended June 30, 2017 and 2016, The Company experienced a substantial decrease in general and administrative expenses as a result of stock based compensation expense recorded in fiscal 2016 of $28,862,140 as compared to ($5,936) during the current fiscal year. Included in stock based compensation in the fiscal year ended June 30, 2016 was $25,000,000 in compensation associated with the issuance of 5,000,000 preferred shares to directors as compensation, as well as an additional $3,862,140 in expenses recorded relative to shares issued for non-employee services, common shares issued to directors as compensation, and certain stock options granted. During fiscal 2017, stock based compensation includes shares issued for non-employee services and certain shares issued to directors valued at $26,081 offset by the revaluation at time of vesting of an option issued to a consultant recorded in the prior fiscal year totaling $32,017, resulting in a gain of $5,936. Professional fees increased from $70,372 during fiscal 2016 to $137,214 in fiscal 2017 as the Company was required to re-audit its fiscal 2016 results, and also reported increased legal fees year over year. Depreciation, amortization and impairment declined from $310,840 in fiscal 2016 to only $125,991 in fiscal 2017 as a result of management’s impairment testing of certain land

and condominium tenant building operations of WCS at the close of fiscal 2016, resulting in a one time write down of $282,600, with an impairment recorded for Grow Condos for construction deposits and other costs related to the land purchased in March 2017in the amount of approximately $97,800.

Total operating expenses during fiscal 2017 totaled $996,203 as compared to $29,806,904 in fiscal 2016.

We expect operating expenses to increase in future periods as we continue to expand our holdings and our revenue base.

Other Expenses

Other expenses recorded in fiscal 2017 and 2016 totaled $762,093 and $97,844 respectively. The substantial increase to other expenses in fiscal 2017 is directly related to amortization of debt discount of $639,107 in the current fiscal year as compared to only $49,937 in the prior comparative fiscal year.

Net losses in the fiscal years ended June 30, 2017 and 2016 totaled $1,614,855 and $29,798,215 respectively.

Liquidity and Capital Resources

	At June 30, 2017	At June 30, 2016
Current Assets	$ 46,946	$ 59,551
Current Liabilities	2,075,990	535,709
Working Capital Deficit	$ (2,029,044)	$ (476,158)

As of June 30, 2017, the Company had total current assets of $46,946 and a working capital deficit of $2,029,044 compared to total current assets of $59,551 and a working capital deficit of $476,158 as of June 30, 2016. The increase in our working capital deficit was due to a substantial increase in our accrued liabilities of $291,301 which allowed us to continue ongoing operations, as well as a substantive increase to short term mortgages of $827,322 as we acquired additional property during the current year and one of our mortgages is now due within the 12 months following June 30, 2017. The Company also entered in certain convertible loan agreements during the most recent fiscal year which further increased our current liabilities.

During the fiscal year ended June 30, 2017, cash used by operating activities totaled $533,550, primarily as a result of a net loss from operations of $1,614,855, offset by certain non cash adjustments including non-cash interest of $655,898, and depreciation, amortization and impairment expenses of $125,991. In fiscal 2016 cash used by operating activities totaled $316,357 with a net loss from operations of $29,798,215 offset by non cash adjustments including stock based compensation of $28,862,140, non-cash interest of $49,937 and depreciation, amortization and impairment expenses of $310,840.

Net cash used in investing activities was $268,107 in fiscal 2017 as compared to $22,322 in fiscal 2016, primarilyas a result of the purchase of certain property in fiscal 2017.

Net cash provided by financing activities was $787,576 in fiscal 2017 as compared to $340,080 in fiscal 2016. During fiscal 2017 the Company received proceeds from convertible notes of $440,000 and proceeds from the exercise of options totaling $400,000, offset by certain mortgage repayments and repayments to related parties. During fiscal 2016, the Company received proceeds from convertible notes of $158,750, proceeds from the exercise of options of $200,000 and $10,575 from advances of related parties, offset by mortgage repayments.

Going Concern

At June 30, 2017 and June 30, 2016, the Company reported a net loss of $1,614,855 and $29,798,215, respectively. The Company believes that its existing capital resources are not adequate to enable it to execute its business plan. As of June 30, 2017, we had a net working capital deficit of approximately $2,029,000. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. The Company estimates that it will require additional cash resources during fiscal year 2018 and beyond based on its current operating plan and condition. Through October 2018, three of the four mortgages on the properties of the Company mature, which will require approximately $1.2 million to satisfy those mortgages. The Company expects cash flows from operating activities to improve marginally in the short term, primarily as a result of an increase in cash received from tenants and a decrease in certain operating expenses, although there can be no assurance thereof. In addition, there can be no assurance that new tenants will become available after 2019 when the remaining leases expire for the Eagle Point condominium. If we fail to generate positive cash flow or obtain additional financing, when required, we may have to modify, delay, or abandon some or all of our business and expansion plans, and potentially cease operations altogether.The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements of any kind for the period ended June 30, 2017 and 2016.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Grow Condos, Inc.:

We have audited the accompanying consolidated balance sheets of Grow Condos, Inc. as of June 30, 2017 and 2016, and the related consolidated statements of operations, stockholders' deficit and cash flows for 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 audit.

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 the 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 aforementioned financial statements present fairly, in all material respects, the financial position of Stem Holdings, Inc. as of June 30, 2017 and 2016 and the results of its operations and its cash flows for the year ended September 30, 2017 and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred losses from operations since inception and is dependent upon access to additional external financing. These conditions raise substantial doubt concerning its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ L J Soldinger Associates, LLC

Deer Park, Illinois

April 24, 2018

GROW CONDOS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

ASSETS	June 30, 2017	June 30, 2016
CURRENT ASSETS:		
Cash	$ 30,067	$ 44,148
Lease receivable, net of allowance for doubtful accounts	89	79
Prepaid expenses	16,790	15,324
Total current assets	46,946	59,551
Property, plant and equipment, net	2,092,320	1,241,204
Other assets	26,006	22,539
Deposits	2,823	5,381
TOTAL ASSETS	$ 2,168,095	$ 1,328,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 19,236	$ 3,000
Accrued liabilities	588,903	297,602
Advances from related parties	100,000	115,575
Convertible notes payable, net of discount	514,264	83,907
Short term mortgages	827,322	-
Current portion of mortgage loans payable	26,265	