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SECURITIES & EXCHANGE COMMISSION EDGAR FILING

GROW CONDOS, INC.

Form: 10-Q

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Corporate Issuer CIK: 1448558

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

Form 10-Q

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

For the quarterly period ended **September 30, 2017**

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

For the transition period from __________ to __________

000-53548
Commission File Number

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 Pointe, Oregon	**97524**
(Address of principal executive offices)	*(Zip Code)*

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

(Former name, former address and former fiscal year, if changed since last report)

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

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Sec.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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[ ]	Accelerated filer [ ]
Non-accelerated filer[ ] (Do not check if a smaller reporting company)	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 7(a)(2)(B) of the Securities Act. [X]

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

Yes [ ] **No [X]**

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

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

88,926,057 shares of common stock outstanding as of April 18, 2018

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

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GROW CONDOS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

		September 30, 2017		June 30, 2017
ASSETS		(Unaudited)		*
CURRENT ASSETS:				
Cash	$	21,765	$	30,067
Lease receivable, net of allowance for bad debt		5,154		89
Prepaid expenses		8,277		16,790
Total current assets		35,196		46,946
Property, plant and equipment, net		2,084,897		2,092,320
Other assets		26,006		26,006
Deposits		2.823		2,823
TOTAL ASSETS	$	2,148,922	$	2,168,095
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	7,861	$	19,236
Accrued liabilities		649,784		588,903
Advances from related parties		130,000		100,000
Convertible note payable, net of discount		-		514,264
Short term mortgages		1,071,508		827,322
Current portion of mortgage loans payable		8,575		26,265
Total current liabilities		1,867,728		2,075,990
Mortgage loans payable, net of current portion		718,754		970,805
Other liabilities		66,000		52,500
Total Non-Current Liabilities		784,754		1,023,305
TOTAL LIABILITIES		2,652,482		3,099,295
Commitments and contingencies				-
STOCKHOLDERS' DEFICIT				
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued and outstanding	$	-	$	-
Common stock, $0.001 par value, 100,000,000 shares authorized, 74,805,365 and 30,795,375 issued, issuable and outstanding at September 30, 2017 and June 30, 2017 respectively.		74,805		30,795
Additional paid-in capital		43,039,271		41,891,602
Accumulated deficit		(43,617,636)		(42,853,597)
Total stockholders' deficit		(503,560)		(931,200)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	2,148,922	$	2,168,095

* Derived from audited information

The accompanying notes are an integral part of these unaudited consolidated financial statements.

GROW CONDOS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016 (as adjusted)
Net revenues	$ 87,105	$ 29,383
Operating expenses		
Cost of revenues	12,506	-
General and administrative	100,761	89,107
Sales and marketing	-	73,551
Professional fees	11,567	8,458
Depreciation, amortization and impairment	26,677	7,057
Total operating expenses	151,511	178,173
Income (Loss) from operations	(64,406)	(148,790)
Other income (expense):		
Interest expense	(699,633)	(66,800)
Total other income (expense), net	(699,633)	(66,800)
Net income (loss)	$ (764,039)	$ (215,590)
Basic and diluted net loss per common share	$ (0.02)	$ (0.01)
Weighted average shares used in completing basic and diluted net loss per common share	43,090,419	28,780,971

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GROW CONDOS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Three Months Ended September 30, 2017	2016 (as adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (764,039)	$ (215,590)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and impairment expense	26,677	7,057
Non cash interest	677,206	47,499
Stock based compensation	-	(32,017)
Changes in operating assets and liabilities:		
Lease receivable	(5,065)	(2,000)
Prepaid expenses and other assets	8,438	7,533
Accounts payable, trade	(11,093)	(3,000)
Accrued expenses	60,881	114,154
Net cash used (provided) in operating activities	$ (6,995)	$ (76,364)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from purchase option on property	13,500	7,500
Purchase of property, plant, and equipment	(19,254)	(44,544)
Net cash used in investing activities	$ (5,754)	$ (37,044)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of mortgages	(25,553)	(6,472)
Proceeds from related party advances	30,000	-
Proceeds from exercise of options	-	100,000
Net cash (used) provided by financing activities	$ 4,447	$ 93,528
Net increase (decrease) in cash	(8,302)	(19,880)
Cash at beginning of period	30,067	44,148
Cash at the end of the period	$ 21,765	$ 24,268
Supplemental Disclosure of Cash Flows Information:		
Cash paid for interest	$ 22,251	$ 14,015
Cash paid for income taxes	$ -	$ -
Non-cash Investing and Financing Activities:		
Conversion of debt and accrued interest into common stock	$ 594,596	$ -
Stock settled debt liability	$ 110,000	$ -

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Note 1 – Organization and Description of Business

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 wholly owned subsidiary, WCS Enterprises, Inc. ("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 aeroponics 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.

Our wholly owned subsidiary, Smoke on the Water, Inc. was incorporated on October 21, 2016, in the State of Nevada. Smoke on the Water is focused on acquiring properties in the RV and campground rental industry.

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 (see Note 3 below).

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation:

The interim unaudited financial information referred to above has been prepared and presented in conformity with accounting principles generally accepted in the United States applicable to interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. The interim financial information has been prepared on a condensed basis, such that certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted in accordance with rules and regulations of the Securities and Exchange Commission. These interim financial statements include all adjustments that, in the opinion of management, are necessary in order to make the financial statements not misleading.

This report on Form 10-Q should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended June 30, 2017 filed on April 24, 2018. Results of the three months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ended June 30, 2018 and any other future periods.

Consolidation

These consolidated 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 September 30, 2017. 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.

Note 2 – Summary of Significant Accounting Policies (cont'd)

Significant estimates include, but are not limited to, assumptions used in the valuation of equity compensation, allocation of purchase price for acquired assets and assumptions used in our impairment testing of long-lived assets.

Going Concern

During the three months period ended September 30, 2017 and 2016, the Company reported a net loss of $752,604 and $215,590, respectively. The Company believes that its existing capital resources are not adequate to enable it to execute its business plan. 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. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue and a decrease in certain operating expenses, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. 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.

Cash and Cash Equivalents

For financial accounting purposes, cash and cash equivalents are considered to be all highly liquid investments with a maturity of three (3) months or less at the time of purchase.

Lease Receivables

Lease receivables are recognized when rents are due, and for the straight-line adjustment to rents over the term of the lease less an allowance for expected uncollectible amounts. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates including, among others, the customer's willingness or ability to pay, the Company's compliance with lease terms, the effect of general economic conditions and the ongoing relationship with the customer. Accounts with outstanding balances longer than the payment terms are considered past due. We do not charge interest on past due balances. The Company writes off lease receivables when it determines that they have become uncollectible after all reasonable collection efforts have been made. If we record bad debt expense, the amount is reflected as a component of operating expenses in the statements of operations. As of June 30, 2017, and 2016, an allowance for doubtful accounts was recorded in the amount of $ 2,861. As of September 30, 2017 and June 30, 2017, the Company had recorded deferred rent for the straight-line value of rental income of $26,006 as part of other assets.

Investment In and Valuation of Real Estate Assets

Real estate assets are stated at cost, less accumulated depreciation and amortization. Amounts capitalized to real estate assets consist of the cost of acquisition (excluding acquisition related expenses), construction costs, and mortgage interest during the period the facilities are under construction and prior to readiness for occupancy, and any tenant improvements, major improvements and betterments that extend the useful life of the real estate assets and leasing costs. All repairs and maintenance are expensed as incurred.

Note 2 – Summary of Significant Accounting Policies (cont'd)

The Company is required to make subjective assessments as to the useful lives of its depreciable assets. The Company considers the period of future benefit of each respective asset to determine the appropriate useful life of the assets. Real estate assets, other than land, are depreciated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the Company's real estate assets by class are generally as follows:

Land	Indefinite
Buildings	40 years
Tenant improvements	Lesser of useful life or lease term
Intangible lease assets	Lease term

Revenue Recognition

We recognize revenue only when all of the following criteria have been met:

· persuasive evidence of an arrangement exists;

· use of the real property has taken place or services have been rendered;

· the fee for the arrangement is fixed or determinable; and

· collectability is reasonably assured.

Persuasive Evidence of an Arrangement – We document all terms of an arrangement in a real property lease signed by the tenant, for leases with a term greater than 30 days, prior to recognizing revenue.

Our real property lease agreements, which are governed by the laws of the state of Oregon, usually are non-cancellable and range from six to thirty-six months with a cash security deposit and personal guarantee required. We account for our leases in accordance with Accounting Standard Codification ("ASC") Topic 840, *Leases*, as operating leases. Leases may include escalating rental rates, an option to extend the term of the lease at a fixed rental rate, and an option to purchase the portion of the building being leased at the end of the lease term. Leases may be assigned with our approval. Common area maintenance and water are paid by the Company with the tenant responsible for maintenance, repairs and liability insurance associated with their specific unit within the building. Cash received for purchase options is recorded as deferred option revenue in the accompanying consolidated financial statements. These amounts are recorded to revenue upon the exercise of the option by the tenant or the expiration of the unused option.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $0 and $73,551 for the three months ended September 30, 2017 and 2016, respectively.

Fair Value of Financial Instruments:

The Company follows the fair value measurement rules, which provides guidance on the use of fair value in accounting and disclosure for assets and liabilities when such accounting and disclosure is called for by other accounting literature. These rules establish a fair value hierarchy for inputs to be used to measure fair value of financial assets and liabilities. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels: Level 1 (highest priority), Level 2, and Level 3 (lowest priority).

Note 2 – Summary of Significant Accounting Policies (cont'd)

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the balance sheet date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Inputs are unobservable and reflect the Company's assumptions as to what market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available.

Investments are reflected in the accompanying financial statements at fair value. The carrying amount of receivables and accounts payable and accrued expenses approximates fair value due to the short-term nature of those 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 lease receivables, accounts payable, accrued liabilities, and mortgages payable approximate fair value given their short-term nature or effective interest rates, which constitutes level three inputs

Share-based compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. Restricted stock awards are measured based on the fair market values of the underlying stock on the dates of grant. For service type awards, share-based compensation expense is recognized on a straight-line basis over the period during which the employee is required to provide service in exchange for the entire award. For awards that vest or begin vesting upon achievement of a performance condition, the Company estimates the likelihood of satisfaction of the performance condition and recognizes compensation expense when achievement of the performance condition is deemed probable using an accelerated attribution model.

The fair value of options is calculated using the Black-Scholes option pricing model to determine the fair value of stock options on the date of grant based on key assumptions such as expected volatility and expected term, so long as the option does not contain provisions that require a more complex model to be used.

Convertible debt and beneficial conversion features

The Company evaluates embedded conversion features within convertible debt under ASC 815 "Derivatives and Hedging" to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 "Debt with Conversion and Other Options" for consideration of any beneficial conversion features.

Note 2 – Summary of Significant Accounting Policies (cont'd)

Stock settled debt

In certain instances, the Company will issue convertible notes which contain a provision in which the price of the conversion feature is priced at a fixed discount to the trading price of the Company's common shares as traded in the over-the-counter market. In these instances, the Company records a liability, in addition to the principal amount of the convertible note, as stock-settled debt for the fixed value transferred to the convertible note holder from the fixed discount conversion feature. As of September 30, 2017, the Company had recorded additional $110,000 for the value of the stock settled debt for certain convertible notes (see Note 8).

Impairment of long-lived assets

The Company monitors its long-lived assets and finite-lived intangibles for indicators of impairment. If such indicators are present, the Company assesses the recoverability of affected assets by determining whether the carrying value of such assets is less than the sum of the undiscounted future cash flows of the assets. If such assets are found not to be recoverable, the Company measures the amount of such impairment by comparing the carrying value of the assets to the fair value of the assets, with the fair value generally determined based on the present value of the expected future cash flows associated with the assets.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and credit carryforwards. Deferred tax assets and liabilities are measured at rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period that includes the enactment date. A valuation allowance is recorded when it is not more likely than not that all or a portion of the net deferred tax assets will be realized.

Net (loss) income 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 three months ended September 30, 2017 and 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.

The following table sets forth the number of dilutive shares as of September 30, 2017.

Options	500,000
Warrants	300,000
Total diluted shares	800,000

Recent accounting pronouncements

Management has considered all recent accounting pronouncements issued and their potential effect on our financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's financial statements.

Note 3 – Acquisition of Lake Selmac Resort

On March 7, 2017, the Company, through its wholly-owned subsidiary Smoke on the Water, Inc. executed a Real Estate Purchase Agreement to acquire the Lake Selmac Resort located at 2700 Lakeshore Drive, Selma, Oregon. The Company agreed to acquire the property for a purchase price of $875,000 plus closing costs consisting of a seller financing note in the amount of $625,000 with the seller carrying the note at 5% per annum for the first twelve months and then 6% per annum for the next four years, $200,000 in cash plus closing costs, and 50,000 shares of the Company's common stock valued at $52,000 based on the closing price of the common stock at the close. Because all RV and campground rentals have contracts lengths for a maximum term of 30 days, no amounts were allocated to the small number of rentals acquired at acquisition.

Note 4 – Acquisition of Land in Pioneer Business Park

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. As part of the purchase, the Seller financed through a note payable $267,129 of the purchase price (see Note 7). The intent of the Company was to build an industrial condominium building on the parcel, akin to the WCS property. The Company was unable to secure additional funding via debt or equity and due to the hostility of the local county government towards the intended operations of the tenants, the Company in late calendar 2017 abandoned those plans. As part of the abandonment, the Company recorded an impairment charge in the amount of approximately $97,800 for the value of contractor deposits and other deposits on improvements in the fiscal year ended June 30, 2017. After September 30, 2017, the Company has made the determination, due to the hostility of the local government, to put the parcel up for sale (see Note 12).

Note 5 – Property and Equipment, Net

Property and improvements consisted of the following as of September 30, 2017 and June 30, 2017:

	September 30, 2017	June 30, 2017
Cost		
Buildings and improvements	$ 1,360,240	$ 1,360,240
Land	1,103,791	1,103,791
Furniture and Fixture	15,271	15,271
	2,479,302	2,479,302
Less: accumulated depreciation	(394,405)	(386,982)
	$ 2,084,897	$ 2,092,320

Depreciation expense (excluding impairment) amounted $12,191 and $7,057 for the three months ended September 30, 2017 and 2016, respectively.

Impairment of condo construction deposits and other assets in regards to the land purchased in Eugene during the three months ended September 30, 2017 was $14,486.

Note 6 – Accrued Liabilities

Accrued Liabilities at September 30, 2017 and June 30, 2016 consist of the following:

		September 30, 2017		June 30, 2017
Accrued salaries and wages	$	575,253	$	514,372
Accrued expenses		74,531		74,531
	$	649,784	$	588,903

Note 7 – Mortgages Payable

In 2013, upon the acquisition of the condominium property in Eagle Point, Oregon, WCS assumed the mortgage payable of the Seller to Peoples Bank of Commerce, NA. The original principal amount of the mortgage was $930,220, bears interest at the rate of the bank's prime rate plus 1.75%, and required 58 monthly payments of $5,946 and matures on June 28, 2018 with a balloon payment due at that time of $802,294. The mortgage is secured by liens against certain properties owned by the Seller. As of September 30, 2017 and June 30, 2017, the balance on the mortgage was $819,379 and $827,322, respectively.

In 2013, after acquisition, WCS entered into a second mortgage with Peoples Bank of Commerce, NA in the amount of $120,000. The mortgage bears interest at the rate of the bank's prime rate plus 3%, requires 56 monthly payments of $883 and matures on October 15, 2018 with a balloon payment due at maturity of $104,329. The mortgage is collateralized by a deed of trust and assignment of rents with the Seller and WCS in the amount of $120,000. As of September 30, 2017, and June 30, 2017, the balance on the mortgage was $106,754 and $107,139, respectively.

In April 2016, as more fully described in Note 4, the Company acquired a parcel of land and entered into a mortgage with the seller in the amount of $267,129. The mortgage bears an interest rate of 6% per annum and has a maturity date of the sooner of (a) October 1, 2017 or the date construction begins on the condominium building proposed to be built. As of June 30, 2017, and 2016, the balance on the mortgage was $267,129, respectively. In October 2017, the Company entered into an amended mortgage after making a principal payment of $15,000, in September 2017, and financing the remaining balance of $252,129. The amended mortgage bears interest at the rate of 6% per annum and requires interest only monthly payments of $1,261 from November 2017 through June 2018 with the remaining amount due on the note in the form of a final balloon payment will be due in July 2018. The note is unsecured.

In March 2017, as more fully described in Note 3, the Company acquired a RV and campground park in Selma, Oregon. Upon closing, the Company entered into mortgage payable with the Seller in the amount of $625,000 with a maturity date of March 6, 2022. The mortgage bears interest at the rate of 5% per annum covering the monthly payments of $3,355 for the following 12 months, then increases to 6% per annum for the monthly payments of $3,747 for the following 48 months. Upon maturity, the remaining balance due on the note is required to be paid through a balloon payment. As of September 30, 2017 and June 30, 2017, the balance on the mortgage was $620,577 and $622,802, respectively. The note is unsecured.

Depreciation expense (excluding impairment) amounted $12,191 and $7,057 for the three months ended September 30, 2017 and 2016, respectively.

Impairment of condo construction deposits and other assets in regards to the land purchased in Eugene during the three months ended September 30, 2017 was $14,486.

Note 8 – Convertible Notes Payable

At September 30, 2017 and June 30, 2017, convertible notes payable consisted of the following:

	September 30, 2017	June 30, 2017
Principal amount	$ -	$ 515,000
Liability on stock settled debt	-	350,000
Less: unamortized debt discount	-	(350,736)
Convertible notes payable, net	$ -	$ 514,264

Auctus Fund, LLC Agreement:

On January 23, 2017 the Company entered into a convertible promissory note with Auctus Fund, LLC, and received net proceeds of $150,000 in the gross amount of $175,000. The Company paid original issuance cost of $25,000 in connection with this note which will be amortized over the term of the note. The Note has a maturity date of October 23, 2017 and interest at 10% per annum with fixed conversion price of 50% of the lowest closing price for the 10 trading days prior to the conversion date. The Company recorded $175,000 as liability on stock settled debt associated with this convertible note. In connection with the issuance of the Note the Company also issued a one year warrant to purchase 150,000 of common stock of the Company at $0.85 subject to adjustment for standard anti-dilution events. The warrant has a term of 21 months. The Company has granted the holder piggy back rights for the common stock underlying the convertible debenture and warrants. Total beneficial conversion feature discount recognized was $325,000 which is being amortized over the terms of the convertible notes payable. During the fiscal year ended June 30, 2017 the Company recognized interest expense of $188,095 related to the amortization of the beneficial conversion feature discount and $14,469 related to the amortization of original issuance cost. During the three months ended September 30, 2017, the Company recognized interest expense of $136,905 related to the amortization of the beneficial conversion feature discount and $10,531 related to the amortization of original issuance cost. As of September 30, 2017, the unamortized balance of beneficial conversion feature was $nil (June 30, 2017 - $136,905) and the unamortized balance of original issuance cost was $nil (June 30, 2017 - $10,531). During the three months ended September 30, 2017, Auctus gave notice of conversion and the Company issued 13,403,839 shares of its common stock in full satisfaction of the entire principal and accrued interest balance under the note of $175,000.

Tangiers Financing Agreement:

On April 4, 2016 the Company entered into convertible promissory note in the amount of $25,000 and received zero proceeds. The Note had a maturity date of April 4, 2017 and an interest at 10% per annum. The note is convertible at any time at the option of the holder into the common stock of the Company at the rate of the lower of (a) $0.25 or (b) 60% of the lowest trading price of the Company's common stock during the 20 preceding trading days prior to the notice of conversion per $1 of principal. Total beneficial conversion feature discount recognized was zero. During the fiscal year ended June 30, 2017 and 2016, the Company recognized interest expense of $19,041 and $5,959 related to the amortization of issuance cost, respectively. As of June 30, 2017, and 2016, t he unamortized balance of issuance cost was $nil and $19,041, respectively. In February 2017, Tangiers gave notice to the Company and converted the entire principal and accrued interest under the note of $27,500 into 110,000 shares of common stock of the Company.

Note 8 – Convertible Notes Payable (cont'd)

On January 20, 2017 the Company entered into a convertible promissory note in the amount of $165,000. 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, unless the event of a default, at which time the conversion rate changes to a fixed 50% discount to the lowest prior 10 day trading price. 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 one year warrant to purchase 150,000 of common stock of the Company at $0.85 subject to adjustment for standard anti-dilution events. The warrant has a term of 1 year. The Company has granted the holder piggy back rights for the common stock underlying the convertible debenture and warrants. Total beneficial conversion feature discount recognized was $140,000 which being amortized over the terms of the convertible notes payable. During the fiscal year ended June 30, 2017, the Company recognized interest expense of $124,530 related to the amortization of the beneficial conversion feature discount and $22,238 related to the amortization of original issuance cost and legal fees. As of June 30, 2017, t he unamortized balance of beneficial conversion feature was $15,470 and the unamortized balance of original issuance cost and legal fee was $2,762, respectively. On July 20, 2017, the Company recognized additional beneficiary conversion feature in the amount of $110,000 upon default for non-payment. During the three months ended September 30, 2017, the Company recognized interest expense of $115,470 related to the amortization of the beneficial conversion feature discount and $2,762 related to the amortization of original issuance cost and legal fees. As of September 30, 2017, the unamortized balance of beneficial conversion feature was $nil (June 30, 2017 - $15,470) and the unamortized balance of original issuance cost was $nil (June 30, 2017 - $2,762). During the three months ended September 30, 2017, Tangiers gave notice to the Company and converted the entire principal and accrued interest under the note of $165,000 into 15,023,320 shares of common stock of the Company.
EMA Financing Agreement:

On January 9, 2017 the Company entered into a convertible promissory note with EMA Financial LLC and received net proceeds of $150,000 in the gross amount of $175,000. The Company paid original issuance cost of $25,000 in connection with this note which will be amortized over the term of the note. The Note has a maturity date of January 9, 2018 and interest at 10% per annum with fixed conversion price of 50% of the lowest closing price for the 10 trading days prior to the conversion date. The Company recorded $175,000 as liability on stock settled debt associated with this convertible note. Total beneficial conversion feature discount recognized was $325,000 which being amortized over the terms of the convertible notes payable. During the fiscal year ended June 30, 2017 the Company recognized interest expense of $153,151 related to the amortization of the beneficial conversion feature discount and $11,781 related to the amortization of original issuance cost. the Company recognized interest expense of $ 171,849 related to the amortization of the beneficial conversion feature discount and $13,219 related to the amortization of original issuance cost and legal fees. As of September 30, 2017, the unamortized balance of beneficial conversion feature was $nil (June 30, 2017 - $171,849) and the unamortized balance of original issuance cost was $nil (June 30, 2017 - $13,219). During the three months ended September 30, 2017, EMA gave notice to the Company and converted the entire principal and accrued interest under the note of $175,000 into 15,583,632 shares of common stock of the Company.

Note 9 – Capital Stock

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

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.

Note 9 – Capital Stock (cont'd)

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.

Common Stock

Share issuances during the three months ended September 30, 2017:

As described more fully above in Note 8, the Company issued 44,010,791 shares of common stock in full satisfaction of principal and accrued interest of convertible notes issued in the fiscal year ended June 30, 2017.

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.

Note 10 – Related Party Transactions

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 unrelated companies. One unit is being used as the Grow Condos, Inc. offices, and five units are under lease to a company that the CEO of Grow Condos, Inc. controls. The agreement to the lease the 4 condo units with the company controlled by the CEO was entered into the owner prior to its purchase by WCS in 2013. The lease term begins once the tenant improvements are completed and the premises are occupied and continues for a period of 36 months. Four-unit lease terms began in the fiscal year ended June 30, 2016, with cash payments commencing on all four unit leases in the fiscal year ended June 30, 2017.

As of September 30, 2017 and June 30, 2017, the Company had an advance outstanding from the CEO and Director of $100,000. In the three months ended September 30, 2017, a Director advanced the Company on an on demand, unsecured, non-interest bearing basis, $30,000.

Note 11 – Commitments and Contingencies

In 2013, WCS entered into multi-year option contracts with certain tenants of the Eagle Point condominium units. The option contracts gave the tenants the right to enter into a contract for the sale of the unit being rented by the tenant. As part of the option, the tenant is required to make a monthly or quarterly payment to the Company over the term of the agreement and in exchange, the tenant has the right to purchase the unit for a price as determined in the contract. Contract unit pricing ranges from a fixed $100,000 per unit to $150,000 multiplied by the usable space divided by the surveyed total condominium land area. The amounts paid on a monthly or quarterly basis are applied as down payments for the purchase of the unit if elected by the contract holder. In the event of non-payment or expiration of the contract without the option being exercised, any and all payments held by the Company are forfeit by the optionee. As of September 30, 2017 and June 30, 2017, and 2016, the Company held payments of $60,900 and $47,400 respectively. During the three months ended September 30, 2017 and 2016, the Company received payments under option contracts of $13,500 and $7,500 from related parties.

Note 12- Subsequent Events

Subsequent to September 30, 2017, a member of the board of directors of the Company has made unsecured advances to the Company in the amount of $15,000.

In the fourth quarter of 2017, the Company engaged a broker and listed the parcel of land purchased in March 2017 (see Note 4) for sale. The Company has listed the property for $399,000.

Subsequent to September 30, 2017, the Company issued a total of 13,870,692 shares of common stock to members of the Board of Directors, employees and consultants for compensation.

In April 2018, a Director of the Company purchased 500,000 shares of common stock in a private offering for $20,000 in cash.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This current report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

The management's discussion and analysis of our financial condition and results of operations are based upon our condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed financial statements for the three months ended September 30, 2017 and the notes thereto appearing elsewhere in this Report and the Company's audited financial statements for the fiscal year ended June 30, 2017, as filed with the Securities and Exchange Commission included in our Form 10-K as filed on April 24, 2018, along with the accompanying notes. As used in this quarterly report, the terms "we", "us", "our", and the "Company" means Grow Condos, Inc.

Overview

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 real 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 Water is 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.

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 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 to meet 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.

There is substantial doubt that we can continue as an on-going business after the next twelve months unless we obtain additional capital to pay our expenditures.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2017 compared to Three Months ended September 30, 2016

Revenue

During the three months ended September 30, 2017 and 2016 respectively we generated net revenues of $87,105 and $29,383. We do not yet have sufficient revenues to meet our ongoing operational overhead. The increase in revenue in 2017 was due to the commencement of the leases to a related party from our condominium property and from revenues from our Lake Selmac RV campground property.

Operating expenses

Our operating expenses for the three month periods ended September 30, 2017 and 2016 are as follows:

	For the three months ended September 30,	
	2017	2016
Operating expenses		
Cost of revenues	12,506	-
General and administrative	100,761	89,107
Sales and marketing	-	73,551
Professional fees	11,567	8,458
Depreciation, amortization and impairment	26,677	7,057
Total operating expenses	151,511	178,173

Three months ended September 30, 2017 and 2016

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

The Company experienced a slight increase in general and administrative expenses over the comparative periods from $89,107 in the three months ended September 30, 2016 to $100,761 during the three months ended September 30, 2017. Professional fees also increased from $8,458 during the three months ended September 30, 2016 compared to $11,567 in the three months ended September 30, 2017. Costs of revenues in the current period totaled $12,506 in the current three month period ended September 30, 2017 as compared to $Nil in the prior comparative three months ended September 30, 2016. The increase in costs of revenue were attributable to our acquisition of the RV campground near Lake Selmac, Oregon and were comprised of costs associated with concession items sold at the campground. Depreciation, amortization and impairment increased from $7,057 in the three months ended September 30, 2016 to $26,677 in the current three month period ended September 30, 2017 primarily due to our impairment of construction deposits and other costs associated with the land purchased in April 2017 near Eugene Oregon in the amount of $14,486, as we determined subsequent to quarter end to put the land up for sale due to hostility encountered from local government officials based on our intended use of the property. During the three months ended September 30, 2016 we recorded sales and marketing costs of $73,551 with no similar expenditure in the current three month period ended September 30, 2017. In the fiscal year end June 30, 2017, we attempted to raise awareness of our stock and brand through targeted advertising and promotion. We ended that program as of June 30, 2017.

Total operating expenses the three months ended September 30, 2017 totaled $151,511 as compared to $178,173 in 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 the three months ended September 30, 2017 and 2016 totaled interest expenses of $699,633 and $66,800 respectively. The substantial increase was a result of the costs of the convertible notes issued and their conversion through issuance of our common stock.

Net losses in the three months ended September 30, 2017 and 2016 totaled $764,039 and $215,590, respectively.

Liquidity and Financial Condition

Liquidity and Capital Resources

		At September 30, 2017		At June 30, 2017
Current Assets	$	35,196	$	49,946
Current Liabilities		1,867,728		2,075,990
Working Capital Deficit	$	(1,832,532)	$	(2,026,044)

As of September 30, 2017, the Company had total current assets of $35,196 and a working capital deficit of $1,832,532 compared to total current assets of $49,946 and a working capital deficit of $2,026,044 as of June 30, 2017. The decrease in our working capital deficit was due to the retirement of all outstanding convertible notes payable during the three month period ended September 30, 2017, offset by increases to accrued liabilities, advances from related parties and an increase to short term mortgages.

During the three months ended September 30, 2017, cash used by operating activities totaled $6,995, primarily as a result of a net loss from operations of $764,039, offset by non-cash interest of $677,206, and depreciation, amortization and impairment expenses of $26,677. In the three months ended September 30, 2016 cash used by operating activities totaled $73,364 with a net loss from operations of $215,590 offset by non-cash interest of $47,499, depreciation, amortization and impairment expenses of $7,057 and a gain of $32,017 from adjustments to stock based compensation in the period.

Net cash used in investing activities was $5,754 in the three months ended September 30, 2017 as compared to $37,044 in 2016 as a result of the purchase of certain property in the respective periods. In the three months ended September 30, 2017 we received $13,500 under option agreements for certain units at our Eagle Creek condominium compared to $7,500 received in the three months ended September 30, 2016.

Net cash provided by financing activities was $4,447 in the three months ended September 30 2017 as compared to $93,518 in 2016. During the current three month period ended September 30, 2017 the Company received proceeds from related party advances of $30,000 offset by certain mortgage repayments of $25,553. During the comparative period in 2016, the Company received proceeds from the exercise of options of $100,000, offset by mortgage repayments of $6,472.

Going Concern

During the three months period ended September 30, 2017 and 2016, the Company reported a net loss of $764,039 and $215,590, respectively. The Company believes that its existing capital resources are not adequate to enable it to execute its business plan. 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. The Company expects cash flows from operating activities to improve, primarily as a result of an increase in revenue and a decrease in certain operating expenses, although there can be no assurance thereof. The accompanying consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. 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.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in the Notes to our Financial Statements. Refer to Note 2 of the Unaudited Financial Statements included herein.

Recent Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company and are not required to provide this information.

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 September 30, 2017, 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.

Accordingly, while we identified a material weakness in our system of internal control over financial reporting as of September 30, 2017, we believe that we have taken reasonable steps to ascertain that the financial information contained in this report is in accordance with GAAP. We are committed to remediating the control deficiencies that constitute the material weaknesses by implementing changes to our internal control over financial reporting.

Management is responsible for implementing changes and improvements in the internal control over financial reporting and for remediating the control deficiencies that gave rise to the material weaknesses.

Going forward, we intend to evaluate our processes and procedures and, where practicable and resources permit, implement changes in order to have more effective controls over financial reporting.

Changes in Internal Control over Financial Reporting

During the period covered by this report, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

ITEM 1A. RISK FACTORS

The Company is a smaller reporting company and is not required to provide this information.

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

During the three months ended September 30, 2017, one of our noteholders as discussed more fully in Note 6 to the financial statements included herein gave notice of conversion and the Company issued 13,403,839 shares of its common stock in full satisfaction of the entire principal and accrued interest balance under the note of $175,000.

During the three months ended September 30, 2017, one of our noteholders as discussed more fully in Note 6 to the financial statements included herein gave notice to the Company and converted the entire principal and accrued interest under the note of $165,000 into 15,023,320 shares of common stock of the Company.

During the three months ended September 30, 2017, one of our noteholders as discussed more fully in Note 6 to the financial statements included herein gave notice to the Company and converted the entire principal and accrued interest under the note of $175,000 into 15,583,632 shares of common stock of the Company.

Subsequent to September 30, 2017 the Company issued a total of 13,870,692 shares of common stock to members of the Board, employees and consultants for compensation.

In April 2018, a Director of the Company purchased 500,000 shares of common stock in a private offering for $20,000 in cash.

All stock issuances 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 3. DEFAULTS UPON SENIOR SECURITIES

On January 20, 2017 the Company entered into a convertible promissory note in the amount of $165,000. The Note came 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, unless the event of a default, at which time the conversion rate changes to a fixed 50% discount to the lowest prior 10 day trading price. The Note was issued with a $15,000 original issue convertible issue discount. On July 20, 2017, the Company recognized additional beneficiary conversion feature in the amount of $110,000 upon default for non-payment, as the note was not retired on maturity. During the three months ended

September 30, 2017, the noteholder gave notice to the Company and converted the entire principal and accrued interest under the note of $165,000 into 15,023,320 shares of common stock of the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
31.1	Certification of the Principal Executive Officer and Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial Officer) pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)
101.INS	XBRL INSTANCE DOCUMENT
101.SCH	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE

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.

GROW CONDOS, INC.

Date: May 4, 2018

By: /s/ Wayne A. Zallen
Name: Wayne A. Zallen
Title: Chief Executive Officer, Chief Financial Officer, President and Director (Principal Executive Officer and Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wayne A. Zallen certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Grow Condos, Inc. (the "Registrant"), filed on May 4, 2018, to which this certification is attached;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions);

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 4, 2018 By: /s/ Wayne A. Zallen

Wayne A. Zallen, Chief Executive Officer and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Grow Condos, Inc. (the "Registrant") on Form 10-Q for the three months ended September 30, 2017, as filed with the Commission on May 4, 2018 (the "Annual Report"), I, Wayne A. Zallen, Chief Executive Officer and Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Annual Report as filed on May 4, 2018 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: May 4, 2018

/s/ Wayne A. Zallen
Wayne A. Zallen
Chief Executive Officer and Chief Financial Officer