GROW CONDOS, INC.
Form 10-Q
May 16, 2016

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

FORM 10-Q

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

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

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

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

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

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

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

[X] Yes [ ] No

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

[X] Yes [ ] No

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

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

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

The number of shares of the issuer's Common Stock outstanding as of May 16, 2016 is 28,284,924.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

GROW CONDOS, INC. and Subsidiary
CONSOLIDATED BALANCE SHEET
as of March 31, 2016 and June 30, 2015
(Unaudited)

ASSETS

	March 31, 2016	June 30, 2015
Current Assets		
Cash and cash equivalents	$68,409	$42,747
Lease receivables	165	1,161
Prepaid expenses	12,746	5,450
Total Current Assets	81,320	49,358
Property and Equipment, net	1,257,840	1,257,368
Deposits	8,618	8,618
Total Assets	$1,347,778	$1,315,344
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable, trade	33,973	70,036
Accrued liabilities	240,633	112,058
Derivative Liability, net	129,930	-
Mortgages payable, current portion	8,397	31,304
Total Current Liabilities	412,933	213,398
Mortgages payable, less current portion	966,368	967,053
Customer deposits	4,900	4,900
Deferred option revenue	13,900	21,400
Total Liabilities	1,398,101	1,206,751
Shareholder's Equity		
Preferred stock, $.001par value, 5,000,000 shares authorized none issued or outstanding	-	-
Common stock, $.001 par value, 100,000,000 shares authorized 28,284,924 and 2,084,925 shares issued and outstanding	29,185	2,085
Additional paid-in capital	11,600,504	11,547,035
Accumulated deficit	(11,680,012)	(11,440,527)

Total Shareholder's Equity	(50,323)	108,593
Total Liabilities and Shockholder's Equity	$1,347,778	$1,315,344

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

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

	For the Three Months Ended March 31		For the Nine Months Ended March 31	
	2016	2015	2,016	2,015
Rental revenues	$29,084	$6,908	89,650	31,608
Total revenues	29,084	6,908	89,650	31,608
Operating expenses	70,691	46,731	240,260	204,778
Gain/(Loss) from operations	(41,607)	(39,823)	(150,610)	(173,170)
Interest expense	16,175	13,022	43,034	39,429
Derivative Liability Expense	45,840	-	45,840	-
Loss before provision for income taxes	(103,622)	(52,845)	(239,484)	(212,599)
Provision for income taxes	-	-	-	-
Net income/(loss)	$(103,622)	$(52,845)	(239,484)	(212,599)
Net loss per common share:				
Basic and diluted	$(0.00)	$(0.03)	$(0.02)	$(0.10)
Weighted average common shares; basic and diluted	28,284,924	2,073,772	9,705,689	2,073,772

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

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GROW CONDOS, INC. and Subsidary
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Nine Months Ended March 31, 2016 and 2015
(Unaudited)

	For the Nine Months Ended	
	2016	2015
Cash flows from operating activities:	(Umaudited)	
Net loss	$(239,484)	$(212,599)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	21,102	18,283
Stock issued for services		
Allowance for doubtful accounts		
Changes in assets and liabilities:		
Deposits	-	(7,800)
Lease receivable	994	42
Prepaids	(7,296)	(8,571)
Accounts payable, trade	(36,063)	12,023
Accrued expenses	128,575	(1,849)
Security deposit	-	1,300
Deferred options revenue	(7,500)	11,400
Net cash used by operating activities	(139,672)	(187,771)
Cash flows from investing activities:		
Purchase of property and improvements	(21,573)	(36,534)
Net cash used by investing activities	(21,573)	(36,534)
Cash flows from financing activities:		
Repayments of mortgage	(23,602)	(21,781)
Repayment of debt	80,579	
Proceeds from short-term debt	129,930	15,000
Proceeds from exercise of warrants		85,400
Net cash provided by financing activities	186,907	78,619
Net increase (decrease) in cash and cash equivalents	25,662	(145,686)
Cash and cash equivalents at beginning of period	42,747	155,153
Cash and cash equivalents at end of period	$68,409	$9,467
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		

Interest	$43,034	$39,429
Taxes	$-	$-

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

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

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

Presentation of Interim Information:

The condensed consolidated financial statements included herein have been prepared by Grow Condos, Inc. ("we", "us", "our" or "Company") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements as of March 31, 2016. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, as permitted by the SEC, although we believe the disclosures, which are made, are adequate to make the information presented not misleading. Further, the condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary to present fairly our financial position at March 31, 2016, and the results of our operations and cash flows for the periods presented. The June 30, 2015 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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

Nature of Corporation:

Grow Condos, Inc. ("GCI" or the "Company") (f/k/a Fanatic Fans Inc. and Calibrus, Inc.) was incorporated on October 22, 1999, in the State of Nevada. Recently, GCI, through Fanatic Fans Inc., had made a decision to focus on its Social Networking operations which includes Fanatic Fans, a mobile smart phone application centered around live sporting and entertainment events, and JabberMonkey, a social expression website centered around gathering public opinion on current events. Then Fanatic Fans Inc. management decided to combine operations with WCS Enterprises, LLC ("WCS").

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

On June 30, 2014, GCI entered into a definitive agreement (the "Agreement") with the members of WCS for the acquisition of all of the outstanding membership interests of WCS in exchange for 20,410,000 restricted shares of GCI's common stock. The shares were issued to a total of three persons pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act of 1933. In connection with the Agreement, one member of WCS gained control of GCI by virtue of his stock ownership in the Company received in the acquisition. This member acquired 18,369,000 shares of GCI common stock on June 30, 2014, in exchange for his ownership share of WCS. The shares received under the Agreement gave this member effective control of GCI by virtue of holding approximately 44% of GCI's voting stock. In addition, on June 30, 2014, the GCI CEO, President and CFO resigned and the WCS officers were appointed to fill these position by the board of directors of GCI. In total, the WCS members hold 51.67% of the post-acquisition common stock of GCI and GCI's officers are the former officers of WCS, making the transaction a reverse acquisition.

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

As of the consummation of the transaction on June 30, 2014, the financial statements of WCS are consolidated with the financial statements of GCI under the name of GCI but the financial statements are the continuation of WCS with the adjustment to reflect the legal capital of GCI. The assets and liabilities of WCS are measured at their pre-combination carrying amounts and the assets and liabilities of GCI are accounted for at fair value as required under the purchase method of accounting under a reverse acquisition.

Basis of Presentation:

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

Consolidation:

These condensed consolidated financial statements include the accounts of Grow Condos, Inc., and its wholly-owned subsidiary, WCS. 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. Significant estimates include, but are not limited to, the estimate of the allowance for doubtful accounts, equity compensation, allocation of purchase price for acquired assets, and depreciable lives of long lived assets.

Cash and Cash Equivalents:

For financial accounting purposes, cash and cash equivalents are considered to be all highly liquid investments purchased with an initial maturity of three (3) months or less.

Revenue Recognition:

The Company recognizes revenue from product sales or services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the selling price is fixed or determinable, and collectability is reasonably assured.

Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurements and Disclosure ("ASC 820"), defines fair value and establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to the inputs to the valuation techniques. Fair value is the price that would be received to sell an asset or amount paid to transfer a

liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

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

Fair Value Hierarchy

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs), or reflect the Company's own assumptions of market participant valuation (unobservable inputs). In accordance with FASB ASC 820, these two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

FASB ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

Measurement of Fair Value

The Company measures fair value as an exit price using the procedures described below for all assets and liabilities measured at fair value. When available, the Company uses unadjusted quoted market prices to measure fair value and classifies such items within Level 1. If quoted market prices are not available, fair value is based upon internally developed models that use whenever possible current market-based or independently-sourced market parameters such as interest rates and currency rates. Items valued using internally generated models are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be inputs that are readily observable. If quoted market prices are not available, the valuation model used generally depends on the specific asset or liability being valued. The determination of fair value considers various factors including interest rate yield curves and time value underlying the financial instruments.

Earnings per Share:

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

All dilutive common stock equivalents are reflected in our earnings (loss) per share calculations. Anti-dilutive common stock equivalents are not included in our earnings (loss) per share calculations. As of March 31, 2016 the Company had no outstanding options and no outstanding warrants.

Income Taxes:

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

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GROW CONDOS, INC. AND SUBSIDIARY
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Deferred income taxes are provided using the asset and liability method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Net deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the net deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates at the date of enactment.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Improvements are amortized using the straight-line method over the shorter of the estimated useful lives of the respective assets or the lease term. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5-15 years. Expenditures for renewals and betterments are capitalized. Expenditures for minor items, repairs, and maintenance are charged to operations as incurred. Gain or loss upon sale or retirement due to obsolescence is reflected in the operating results in the period the event takes place.

Valuation of Long-Lived Assets

The Company periodically evaluates its long-lived assets for potential impairment in accordance with ASC 360, Property, Plant and Equipment, and records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. There was no impairment charges during the period ended March 31, 2015.

Going Concern:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. In their report dated October 9, 2015, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from July 1, 2015 to March 31, 2016 concerning the Company's assumption that we will continue as a going concern. The Company operates within an industry that is illegal under federal law, has yet to achieve profitable operations, has a significant accumulated deficit and is dependent on our ability to raise capital from stockholders or other sources to sustain operations and ultimately achieve viable profitable operations. As reported in these condensed consolidated financial statements, the Company has not yet achieved profitable operations and has an accumulated deficit of $11,680,012, which we have determined raises substantial doubt about the Company's ability to continue as a going concern.

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

The ability of the Company to continue as a going concern is dependent on our ability to raise adequate capital to fund

operating losses until we are able to engage in profitable business operations and the continuation of the current regulatory and enforcement environment. To the extent financing is not available, the Company may not be able to, or may be delayed in, developing our services and meeting our obligations.

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

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

2. Warrants

As of March 31, 2016 the Company had no outstanding options and no outstanding warrants.

During the quarter ended March 31, 2016, the Company issued no shares of its common stock through the exercise of stock purchase warrants.

3. Related Party Transactions

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

Our CEO, through an entity that he controls, has entered into a lease for 7,500 square feet of space in our facility. The lease term begins once tenant improvements are completed and the premises are occupied, and continues for a period of 36 months. The lease agreement requires no rental payments for the first 12 months of the lease and rental payments of $54,000 per year for the second and third year of the lease. As of July 1, 2015, the lease term has begun on two of the five units. The lease term has not begun as of March 31, 2016 on the remaining three units and no revenue associated with these three units has been recorded in the accompanying financial statements.

The CEO had loaned the Company a net of $15,575 as of March 31, 2016. At this time there is no note in place with terms for re-payment.

4. Common and Preferred Stock

Increase in Authorized Shares of Capital Stock:

Our Board and the holder of a majority of our shares entitled to vote thereon authorized the increase of the number of shares of Common Stock the Company is authorized to issue from 45,000,000 to 100,000,000 shares and the number of authorized preferred shares the corporation may issue from 5,000,000 to 10,000,000 shares.

The additional shares of common stock available for issue would be part of the existing class of common stock, if and when issued. These shares would have the same rights and privileges as the shares of common stock currently outstanding. Holders of the Company's common stock do not have preemptive rights to subscribe for and purchase any new or additional issues of common stock or securities convertible into common stock.

At the present time there are no shares of preferred stock issued and outstanding and no rights and preferences for any series of preferred stock have been designated. Therefore, the increase in authorized shares of preferred stock will merely increase the number of preferred shares the corporation would have available if and when it should ever designate a series of preferred shares and designate rights and preferences therefore.

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

Management believes that an increase in the capital stock available for issuance is in the best interests of the Company and its stockholders. The purpose of increasing the number of authorized shares of capital stock is to have shares available for issuance for such corporate purposes as the Board may determine in its discretion, including, without limitation:

· conversion of convertible securities;
· future acquisitions;
· investment opportunities;
· stock dividends or distributions;
· increases pursuant to our stock plans; and
· future financings and other corporate purposes.

Although the Company is actively discussing financing alternatives which may result in the issuance of additional shares of common stock, the Company has no such plans, proposals, or arrangements, written or otherwise, at this time to issue any of the newly available authorized shares of common stock. Since 44,780,879 of our 45,000,000 authorized shares are currently outstanding, our ability to issue additional shares without the proposed amendment is clearly extremely limited.

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 number of shares issued and outstanding was decreased from 44,780,879 to 2,309,044 with all fractional shares rounded up.

Common stock issued during the period ended September 30, 2015:

During the period ended March 31, 2016, the Company issued 1,100,000 shares of pre-split common stock for Board of Director Services.

Common stock issued during the period ended December 31, 2015:

During the period, the Company issued 900,000 shares of common stock to extinguish debt in the amount of $71,469 and 1,000,000 shares of common stock for consulting services.

Common stock issued during the period ended March 31, 2016:

During the period, the Company did not issue any shares of common stock.

Preferred stock issued during the period ended March 31, 2016:

During the period, the Company issued 5,000,000 shares of preferred stock to the CEO. The shares were immediately converted to common shares at a ratio of 5:1.

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

5. Property and Equipment

A summary of property and equipment is as follows:

	Estimated Useful Life	2016	2015
Building improvements	39.5 years	$1,103,098	$1,103,098
Office furniture and other	5-7 years	4,338	2,285
Eagle Point - land	n/a	155,576	155,576
Pioneer Park - land	n/a	63,846	-
Less accumulated depreciation		(69,018)	(40,858)
		$1,257,840	$1,220,101
Current depreciation		$21,104	$7,057

6. Short-term convertible note

On March 30, 2016 the Company closed on a convertible note with Auctus Fund, LLC. The principal amount of the note being $83,750.00. The terms of the agreement are as follows:

- Security: Convertible Promissory Note
- Principal amount: $83,750.00
- Maturity Date: Nine (9) months following the issuance of the note
- Interest: 10%

The note has a conversion feature requiring the Black Scholles calculation for booking the instrument. The input variables as of March 30, 2016 are as follows:

Input variables:

- Stock price: 0.422
- Exercise price: 0.211
- Expected live (in years): 0.753
- Risk free rate: 0.61%
- Expected annual volatility: 224%
- Annual rate of dividends: 0.0%

Intermediate computations:

- Present value of stock: $0.42
- Cumulative volatility: 194.2%
- PV of exercise price: $0.210
- Normal distribution: 90.8%
- Normal distribution: 27.0%

At March 30, 2016:

- Option value: $.33
- Number of shares convertible: 396,919
- Total value: $129,590

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

7. Subsequent Events

Pioneer Business Park:

The Company has executed a Purchase and Sale Agreement for purchase of property known as Pioneer Business Park Lot 26 located in Eugene Oregon. On April 5, 2016 the escrow for the Pioneer property was closed, with a purchase price of $326,629. The seller is carrying a note in the amount of $267,129.00; the terms of the note are:

·Principal: $267,129.00
·Term: April 4, 2016 through October 1, 2017
·Interest: 6% per annum
·Payments: interest only in the amount of $1,347.65 due on the first day of each month beginning May 1, 2016
·Final Payment of $267,129.00 due on October 1, 2017

Tangiers Financing Agreement:

The Company entered into an investment agreement (IA) as of April 15, 2016 with Tangiers Global, LLC, a Wyoming limited liability company. The agreement requires the Company to file a registration statement for the common stock underlying the IA. Subject to various limitations set forth in the IA, Tangiers, after effectiveness of such registration statement, is required to purchase up to $5,000,000 worth of the Company's common stock at a price equal to 87.5% of the market price as determined under the IA (prior five trading days). Any funds realized through the IA will be used by the Company as working capital for its operations.

Lease Term to Begin on Two Units

Our CEO, through an entity that he controls, has entered into a lease for 7,500 square feet of space in our facility. The lease term begins once tenant improvements are completed and the premises are occupied, and continues for a period of 36 months. The lease agreement requires no rental payments for the first 12 months of the lease and rental payments of $54,000 per year for the second and third year of the lease. As of July 1, 2015, the lease term has begun on two of the five units. As of April 1, 2016 the lease term has begun on an additional two of the five units. The lease term has not begun as of March 31, 2016 on the remaining one unit and no revenue associated with these three units has been recorded in the accompanying financial statements.

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

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

Overview

On June 30, 2014, GCI entered into a definitive agreement (the "Agreement") with the members of WCS for the acquisition of all of the outstanding membership interests of WCS in exchange for 20,410,000 restricted shares of GCI's common stock. The shares were issued to a total of three persons pursuant to the exemption from registration set forth in Section 4(2) of the Securities Act of 1933. In connection with the Agreement, one member of WCS gained control of GCI by virtue of his stock ownership in the Company received in the acquisition. This member acquired 18,369,000 shares of GCI common stock on June 30, 2014, in exchange for his ownership share of WCS. The shares received under the Agreement gave this member effective control of GCI by virtue of holding approximately 44% of GCI's voting stock. In addition, on June 30, 2014, the GCI CEO, President and CFO resigned and the WCS officers were appointed to fill these position by the board of directors of GCI. In total, the WCS members hold 51.67% of the post-acquisition common stock of GCI and GCI's officers are the former officers of WCS, making the transaction a reverse acquisition.

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

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

At the present time the Company, which includes WCS, has fixed monthly operating costs of approximately $48,458. The monthly fixed operating expenses are comprised of $6,829 in monthly mortgage payments on our building, $665 for building security, $38,333 per month for the salaries of our CEO and CFO , approximately $565 in utilities, approximately $1,682 in property taxes and $384 for insurance. Accordingly, expenses associated with maintaining the building are $10,125 per month. The Company also has variable expenses relating to the development of its business plan and the payment of professional fees. The amount and extent of the variable expenses over the

next 12 months are unknown at this time.

The Company has fixed monthly income from rents and option payments of approximately $8,000 per month which are paid to the Company by the tenants in our building. It is projected that when the building is fully leased and all tenants are paying monthly lease payments assuming current market rates, monthly revenue will total $19,250 which will make the building self-sustaining since current expenses total $10,125 per month.

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

Results of Operations

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

	March 31 2016 (Unaudited	March 31 2015 (Unaudited)
Revenue	$ 89,650	$ 31,608
Operating Expenses	286,100	204,778
Loss from operations	(196,450)	(173,170)
Interest Expense	(43,034)	(39,429)
Net Loss	$ (239,484)	$ (212,599)

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Revenue – The Company generated $89,650 in revenue for the nine months ended March 31, 2016. All revenue was derived through our subsidiary and was comprised of monthly rental income from tenants and forfeit of $12,000 in option monies by one tenant who moved out.

Operating Expenses – Operating expenses for the nine months ended March 31, 2016 totaled $286,100. The majority of our operating expenses were comprised of accrued wages, professional fees, rent.

Interest Expense – Interest expense for the nine months ended March 31, 2016 totaled $43,034. All interest expense related to the mortgages on the Company's rental property.

Liquidity and Capital Resource; Going Concern

At March 31, 2016, the Company had cash on hand of $68,409. This plus the April 2016 rents due is sufficient to sustain the day to day operations of the Company for approximately 30 days. It is not likely that operating revenues will increase in the near future to a sufficient extent to cover the operating expenses of the Company. Therefore, it will be necessary to obtain additional capital from the sale of equity or debt securities to continue operations beyond 30 days.

For the nine months ending March 31, 2016, the Company has received no proceeds from the exercise of common stock purchase warrants.

Land the Company is seeking to purchase for building additional condos for use by the Company are expecting to cost approximately $1,000,000 each after improvements. The Company hopes to acquire four such properties during the coming 12 months. To do so, the Company will need to raise $5,000,000 through the sale of equity capital which it expects to do through a private placement of its common stock. If successful, the Company projects each building will bring positive net monthly cash flow to the Company of approximately $7,000 after acquisition, becoming fully leased and continuing thereafter.

The Company has executed a Purchase and Sale Agreement for purchase of property known as Pioneer Business Park Lot 26 located in Eugene Oregon. On April 5, 2016 the escrow for the Pioneer property was closed, with a purchase price of $326,629. The seller is carrying a note in the amount of $267,129.00; the terms of the note are:

·Principal: $267,129.00
·Term: April 4, 2016 through October 1, 2017
·Interest: 6% per annum
·Payments: interest only in the amount of $1,347.65 due on the first day of each month beginning May 1, 2016
·Final Payment of $267,129.00 due on October 1, 2017

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

In their report dated October 9, 2015, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from July 1, 2014 to June 30, 2015 concerning the Company's assumption that we will continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of the Company operating with an industry that is illegal under federal law, we have yet to achieve profitable operations, we have a significant accumulated deficit and are dependent on our ability to raise capital from stockholders or other sources to sustain operations and to ultimately achieve viable profitable operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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Forward-Looking Statements

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

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

Off Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

A material weakness is a deficiency, or combination of deficiencies, that creates a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner. The material weakness related to our company was due to not having the adequate personnel to address the reporting requirements of a public company and to fully analyze and account for our transactions. We do not believe that this material weakness has resulted in deficient financial reporting because we have worked through the reporting process to review our transactions to assure compliance with professional standards.

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

Changes in Internal Control Over Financial Reporting

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

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

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

Not required for smaller reporting companies.

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

Subsequent to March 31, 2016, the Company has not issued shares of its common stock.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

None.

Item 6. Exhibits.

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

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

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SIGNATURES

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

Grow Condos, Inc.

By :/s/ Wayne A. Zallen Wayne A. Zallen, CEO	Date: May 16, 2016
By: /s/ Joann Z. Cleckner Joann Z. Cleckner, CFO	Date: May 16, 2016