GROW CONDOS, INC.
Form 10-Q
May 19, 2015

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

FORM 10-Q

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

For the quarterly period ended March 31, 2015

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from ____________ to____________

Commission File No. 000-53548

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

Nevada (State or Other Jurisdiction of incorporation or organization)	90-1075314 (I.R.S. Employer Identification No.)

722 W. Dutton Road
Eagle Point, OR 97524
(Address of Principal Executive Offices)

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

Indicate by check mark whether the Registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act). Yes [ ] No [X]

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant’s classes of common stock, as of the latest practicable date: May 15, 2015 – 41,698,479 shares of common stock.

		Page
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	14
Item 4.	Controls and Procedures	14
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	15
Item 1A	Risk Factors	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	15
Item 3.	Defaults Upon Senior Securities	15
Item 4.	Mine Safety Disclosures	15
Item 5.	Other Information	15
Item 6.	Exhibits	16
SIGNATURE PAGE		17

PART I – Financial Information

Item 1. Financial Statements

GROW CONDOS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2015 (Unaudited)	June 30, 2014
Current Assets		
Cash and cash equivalents	$9,467	$155,153
Lease receivables, net	908	-
Deferred rental income, current portion	400	950
Prepaid expenses	8,975	404
Total Current Assets	19,750	156,507
Property and equipment, net	1,220,101	1,201,850
Deferred rental income	2,322	-
Deposits	8,618	818
Total Assets	$1,250,791	$1,359,175

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2015 (Unaudited)	June 30, 2014
Current Liabilities		
Accounts payable, trade	$47,084	$35,851
Accrued liabilities	9,664	13,506
Short-term debt	15,000	-
Mortgage payable, current portion	30,905	29,841
Total Current Liabilities	102,653	79,198
Mortgages payble, less current portion	975,103	997,948
Customer deposits	4,900	3,600
Deferred revenue for purchase options	15,300	3,900
Total Liabilities	1,097,956	1,084,646
Stockholders' Equity		
Preferred stock, $.001 par value, 5,000,000 shares authorized, none issued or outstanding as of March 31, 2015 and June 30, 2014	-	-
Common stock, $.001 par value, 45,000,000 shares authorized, 41,698,479 and 41,435,709 are issued and outstanding as of March 31, 2015 and June 30, 2014, respectively	41,698	41,436
Additional paid-in capital	11,507,420	11,422,282
Accumulated deficit	(11,396,283)	(11,189,189)
Total Stockholders' Equity	152,835	274,529
Total Liabilities and Stockholders' Equity	$1,250,791	$1,359,175

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

GROW CONDOS, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the three months ended March 31,		For the nine months ended March 31,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Rental revenues	$ 11,322	$ 5,400	$ 36,023	$ 7,300
Total revenues	11,322	5,400	36,023	7,300
Operating expenses	45,705	-	203,688	3,287
Income (loss) from operations	(34,383)	5,400	(167,665)	4,013
Interest expense	13,022	-	39,429	
Income (loss) before provision for income taxes	(47,405)	5,400	(207,094)	4,013
Provision for income taxes	-	-	-	-
Net income (loss)	$ (47,405)	$ 5,400	$ (207,094)	$ 4,013
Net income (loss) per common share:				
Basic and diluted	$ (0.00)	$ 0.00	$ (0.01)	$ 0.00
Weighted average common shares; basic and diluted	41,698,479	20,410,000	41,669,023	20,410,000

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

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

	For the nine months ended March 31, 2015	March 31, 2014
Cash flows from operating activities:		
Net income (loss)	$ (207,094)	$ 4,013
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	18,283	-
Allowance for doubtful accounts	2,861	
Changes in assets and liabilities:		
Deposits	(7,800)	-
Lease receivables	(3,769)	-
Deferred rent revenue	(1,772)	
Prepaid expenses	(8,571)	(1,260)
Accounts payable, trade	11,233	-
Accrued liabilities	(3,842)	-
Customer deposits	1,300	900
Deferred revenue for purchase options	11,400	-
Net cash provided by (used in) operating activities	(187,771)	3,653
Cash flows from investing activities:		
Purchase of property and equipment	(36,534)	(85,892)
Net cash used in investing activities	(36,534)	(85,892)
Cash flows from financing activities:		
Proceeds from short-term debt	15,000	-
Repayments of mortgages	(21,781)	-
Proceeds from mortgages	-	-
Proceeds from partner contribution	-	75,057
Proceeds from partner loan	-	10,800
Proceeds from exercise of warrants	85,400	-
Net cash provided by financing activities	78,619	85,857
Net increase (decrease) in cash and cash equivalents	(145,686)	3,618

Cash and cash equivalents at beginning of period		155,153		-
Cash and cash equivalents at end of period	$	9,467	$	3,618
Supplemental disclosure of cash flow information:				
Cash paid during the period for:				
Interest	$	39,429	$	-
Taxes	$	4,987	$	3,287
Non-cash investing and financing activities, were as follows:				
Acquisition of a building through mortgage	$	-	$	1,032,868

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

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. ("GCI", "we", "us", "our" or "Company") without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited consolidated financial statements as of June 30, 2014. 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, 2015, and the results of our operations and cash flows for the periods presented. The June 30, 2014 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 seasonal variations and the results of operations for the nine months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year.

Nature of Corporation:

Grow Condos, Inc. (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 smartphone 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.

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. The results of operations of GCI (as it was f/k/a Fanatic Fans, Inc. and Calibrus, Inc.) are included in the condensed consolidated financial statements from the closing date of the acquisition.

Basis of Presentation:

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

Reclassification of Prior Year Amounts:

Certain prior year numbers have been reclassified to conform to the current year presentation. These reclassifications have not affected the net loss or net loss per share as previously reported.

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.

Fair Value of Financial Instruments:

The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts, using level 3 inputs, of receivables, accounts payable, accrued liabilities, and short term advances approximate fair value given their short term nature or, for long-term debt, based on borrowing rates currently available to the Company for loans with similar terms and maturity.

Earnings per Share:

Basic earnings per share is computed by dividing income (loss) 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, 2015, all potentially dilutive securities are anti-dilutive due to the Company’s losses from operations.

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

All dilutive common stock equivalents are reflected in our income (loss) per share calculations. Anti-dilutive common stock equivalents are not included in our income (loss) per share calculations. As of March 31, 2015 the Company had outstanding options to purchase 510,000 shares of common stock at a per share weighted average exercise price of $1.00 which were not included in the earnings per share calculation as they were anti-dilutive. As of March 31, 2015, the Company had no potentially dilutive warrants outstanding as all have expired during the current quarter. As of March 31, 2014, the company had no potentially dilutive shares outstanding.

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 prior to recognizing revenue.

Use of the Real Property or Services Have Been Performed – Tenants occupy our facility or we perform all services prior to recognizing revenue. Services are deemed to be performed when the services are complete.

The Fee for the Arrangement is Fixed or Determinable – Prior to recognizing revenue, a customer's fee is either fixed or determinable under the terms of the signed real property lease.

Collectability Is Reasonably Assured – We assess collectability on a customer by customer basis based on criteria outlined by management.

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.

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

Income Taxes:

The Company estimates the annual tax rate based on projected taxable income or loss for the full year and records a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income or loss as new information becomes available, including year-to-date financial results. This continual estimation process can result in a change to the expected effective tax rate for the year. When this occurs, the Company adjusts the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment may be required in determining the Company's effective tax rate and in evaluating our tax positions.

The effective income tax rate was nil for the three and nine months periods ended March 31, 2015 and differed from the statutory rate, due primarily to the full reserve of net operating losses incurred by the Company in those periods. For the nine month period ended March 31, 2015 a tax benefit of approximately $82,000 would have been generated. However, all benefits have been fully offset through an allowance account due to the uncertainty of the utilization of the net operating losses. As of March 31, 2015 the Company had net operating losses of approximately $7,600,000 resulting in a deferred tax asset of approximately $2,960,000. The Company has established a valuation allowance in the full amount of the deferred tax asset due to the uncertainty of the utilization of operating losses in future periods. Internal Revenue Code Section 382 limits the ability to utilize net operating losses if a 50% change in ownership occurs over a three year period. Given the acquisition of WCS, such limitation of the net operating losses has occurred, but the Company has not fully analyzed the effect at this time as the deferred tax asset is fully reserved.

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 14, 2014, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from date of inception (September 9, 2013) to June 30, 2014 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 $11,396,283 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.

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

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

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

2. Warrants

During the quarter ended March 31, 2015, 162,500 warrants have expired.

During the nine months ended March 31, 2015, the Company issued 262,770 shares of its common stock through the exercise of stock purchase warrants for total proceeds of $85,400.

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. The lease term has not begun as of March 31, 2015 and no revenue associated with this lease has been recorded in the accompanying condensed consolidated financial statements.

As outside investments are being raised, the Chairman of the Board and the CEO have lent the Company $15,000; $10,000 and $5,000, respectfully, during the three months ended March 31, 2015. This is an interim measure and these loans are considered short term with the intention of repaying them within 12 months.

4. Subsequent Events

The Company has executed a Purchase and Sale Agreement for purchase of property known as Pioneer Business Park Lot 26 located in Eugene, Oregon. The purchase price is $395,000. On April 9, 2015 a 10% deposit was due to the Seller. On April 9, 2015 $39,500 was paid to the Seller with the remainder of the purchase price due when ground is broken or one year from April 9, 2015, whichever comes first. The $39,500 is a short term loan from the Chairman of the Board. This location will allow the construction of three buildings. The plan is to build in three separate phases.

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

Forward-Looking Statements

We have made forward-looking statements, within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, 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,” “pla “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.

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 $7,460. The monthly fixed operating expenses are comprised of $665 for building security, $4,443 per month for the salaries of our CEO and CFO, approximately $565 in utilities, approximately $1,682 in property taxes and $104 for insurance. Accordingly, expenses associated with maintaining the building are approximately $8,000 per month without depreciation. 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 $5,000 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 $8,300 which will make the building self-sustaining since current expenses total $8,000 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 Consolidated Statements of Operations for the periods indicated:

	For the three months ended March 31, 2015 (Unaudited)	For the three months ended March 31, 2014 (Unaudited)
Revenue	$ 11,322	$ 5,400
Operating expenses	45,705	-
Income (loss) from operations	(34,383)	5,400
Interest expense	13,022	-
Net income (loss)	$ (47,405)	$ 5,400

Revenue – The Company generated $11,322 and $5,400 in revenue for the three months ended March 31, 2015 and 2014, respectively. All revenue was derived through our subsidiary and was comprised of monthly rental income from tenants, recognized on a straight-line basis over the term of the lease.

Operating Expenses – Operating expenses for the three months ended March 31, 2015 and 2014 totaled $45,705 and nil, respectively. The majority of our operating expenses were comprised of wages, professional fees, rent and travel expense. In the prior period the company was primarily undergoing construction and therefore all expenses were capitalized, except for organizational expenses.

Interest Expense – Interest expense for the three months ended March 31, 2015 and 2014 totaled $13,022 and nil, respectively. All interest expense for the quarter was related to the mortgages on the Company's rental property. Interest was capitalized during the construction period for the three months ended March 31, 2015.

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

	For the nine months ended March 31, 2015 (Unaudited)	For the nine months ended March 31, 2014 (Unaudited)
Revenue	$ 36,023	$ 7,300
Operating expenses	203,688	3,287
Income (loss) from operations	(167,665)	4,013
Interest expense	39,429	-
Net income (loss)	$ (207,094)	$ 4,013

Revenue – The Company generated $36,023 and $7,300 in revenue for the nine months ended March 31, 2015 and 2014, respectively. All revenue was derived through our subsidiary and was comprised primarily of monthly rental income from tenants, recognized on a straight-line basis over the term of the lease.

Operating Expenses – Operating expenses for the nine months ended March 31, 2015 and 2014 totaled $203,688 and $3,287, respectively. The majority of our operating expenses were comprised of wages, professional fees, rent and travel expense. In the prior period the company was undergoing construction and therefore all expenses were capitalized, except for organizational expenses.

Interest Expense – Interest expense for the nine months ended March 31, 2015 and 2014 totaled $39,429 and nil, respectively. All interest expense for the quarter was related to the mortgages on the Company's rental property. Interest was capitalized during the construction period for the nine months ended March 31, 2015.

Liquidity and Capital Resource; Going Concern

At March 31, 2015, the Company had cash on hand of $9,467. This 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, 2015, the Company has received $85,400 from the exercise of common stock purchase warrants.

Buildings the Company is seeking to purchase and retrofit 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 $4,000,000 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.

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 14, 2014, our independent registered public accounting firm included an emphasis-of-matter paragraph with respect to our financial statements for the period from date of inception

(September 9, 2013) to June 30, 2014 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.

Off Balance Sheet Arrangements

None.

Critical Accounting Policies

"Critical" accounting policies are defined to include those most important to the portrayal of a company's financial condition and results of operations, and they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.
An accounting estimate is "critical" if both (1) it requires management to make assumptions about matters that are highly uncertain at the time of the estimate, and (2) different estimates that the company reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the presentation of the company's financial condition, changes in financial condition or results of operations.
Valuation of Real Estate: 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 own, lease, sell and manage multi-tenant properties so as to reduce the risk of ownership and reduce costs to the tenants and owners. Our major asset is the building located in Eagle Point, Oregon with a book value of approximately $1.2 million.
We arrived at this valuation by capitalizing the costs of construction, including interest expense during the construction phase. We analyze the market for comparables in the Southern Oregon area. This is to ensure that our valuation is not materially above market. In the current Southern Oregon area the commercial real estate prices have consistently been increasing over the past year. We believe this is directly due to the legalization of recreational marijuana which will become effective July 1, 2015.
Valuation of Receivables. We are subject to tenant defaults and bankruptcies at our property that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit review and analysis on all commercial tenants and significant leases before they are executed. We evaluate the collectability of outstanding receivables and record allowances as appropriate.

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, 2015, 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.

- 14 -

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.

Accordingly, while we identified a material weakness in our system of internal control over financial reporting as of March 31, 2015, 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 November 2014, the Company instituted a Whistleblower hot line.

There has been no further 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.

As of and subsequent to March 31, 2015, the Company has not issued shares of its common stock.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

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

SIGNATURES

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

Grow Condos, Inc.

By:_Wayne A. Zallen______________ Date May 19, 2015
Wayne A. Zallen, CEO

By:_Joann Z. Cleckner_____________ Date: May 19, 2015
Joann Z. Cleckner, CFO

Exhibit 31