

GROW CONDOS, INC.
Form 10-K
September 13, 2016

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

FORM 10-K

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

For the fiscal year ended: June 30, 2016

or

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

For the transition period from:

Commission File Number: 000-53548

GROW CONDOS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

86-0970023

(I.R.S. Employer Identification No.)

722 W. Dutton Road
Eagle Point, OR 97524

(Address of principal executive offices)

541-879-0504

(Registrant's telephone number, including area code)

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of 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. (1) Yes No (2) Yes

No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. Yes [X] No []

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Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company:

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]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second quarter.

The market value of the voting and non-voting common stock held by non-affiliates totaled \$4,870,728 based upon a valuation of \$1.40 per share, that being the closing price on June 30, 2016, the last business day of the registrant's most recently completed fourth fiscal quarter.

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

Not applicable.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

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

As of August 2, 2016, the registrant had 28,789,924 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

See Part IV, Item 15.

PART I

FORWARD LOOKING STATEMENTS

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

Statements made in this Form 10-K which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and business of Grow Condos. Such forward-looking statements include those that are preceded by, followed by or that

include the words "may", "would", "could", "should", "expects", "projects", "anticipates", "believes", "estimates", "plans", "intends", "targets" or similar expressions.

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

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

ITEM 1. BUSINESS

Item 1. Description of Business

History

Grow Condos, Inc. (the "Company") was incorporated on October 22, 1999 as Calibus, 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.

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Owned Properties

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

Sales & Leasing

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

Consulting

We will provide cannabis businesses with turnkey cultivation and processing management services, including facility design, licensing support, and the operational management required to produce premium cannabis and related products in an efficient manner to allow the user quicker access to market and professional-managed facilities.

Supplies and Equipment

We intend to provide operators state-of-the art equipment and methodology to provide efficient implementation for client to realize stabilized operations faster.

Financing

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

Marketing

Our initial marketing will be aimed at attracting customers through networking with real estate agencies, agents, commercial brokers and consulting groups that are involved in the cannabis industry. We will target specific trade shows, conferences and seminars associated with cannabis growers. As our capital for marketing is very limited we are reviewing the cost of advertising on the radio or in print or running ads on certain cannabis industry online websites.

Employees

We currently have two employees each of whom is an officer of the company. Our employees are not represented by unions and we consider our relationship with our employees to be good.

Facilities

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

Competition

The commercial real estate market is highly competitive. We believe finding properties that are zoned for the specific use of allowing cannabis growers may be limited as more competitors enter the market. Initially we will aggressively

target states in the western US that legally allow for medical and recreational cannabis to be grown. We have identified several competitors that appear to have offerings similar to ours. They are Zoned Properties, Inc. (ZDPY), MJ Holdings, Inc. (MJNE), and Home Treasure Finders, Inc. (HMTF)

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

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

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

Government Regulation

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

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

ITEM 1A. RISK FACTORS

Not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2: PROPERTIES

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

As of June 30, 2016, we had two mortgages on the property, both to the People's Bank of Commerce in Medford, Oregon, secured by the land, buildings and improvements at the Eagle Point location. The mortgages payable were comprised of the following:

1. Bank term loan, prime rate plus 1.75%, currently 5%, P&I payments of \$5,946 due monthly, and a balloon payment of \$802,294 due June 28, 2018; and
2. Bank term loan, prime rate plus 3.00%, currently 6.25%, P&I payments of \$883 due monthly, and a balloon payment of \$104,329 due October 15, 2018.

We maintain our corporate offices in the building.

During the fourth quarter, we closed escrow on our second development project located in Eugene, Oregon. We have filed development plans with the city of Eugene. The property is on 2.65 acres located in the Pioneer Business Park. The plan is for building 33-1500 square foot units or approximately 50,000 square feet of warehouse condominiums on the site.

The seller is carrying the note on the property. The note is in the amount of \$267,129.00 at 5% per annum. Interest is being paid at the amount of \$1,335.65 on the first of each month until October 1, 2017, or the date on which site work for construction begins, whichever occurs first, at which time the full principal balance and any accrued interest will be due and payable.

ITEM 3: LEGAL PROCEEDINGS

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

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our shares of common stock are quoted by the OTC Markets Group Inc. of the Financial Industry Regulatory Authority, Inc. ("FINRA") under the symbol "GRWC". Set forth below are the high and low closing bid prices for our common stock for each quarter of 2013 through 2015. These bid prices were obtained from OTC MarketsGroup Inc. All prices listed herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not represent actual transactions.

Period	High	Low
January 1, 2013 through March 31, 2013	\$ 0.25	\$ 0.15
April 1, 2013 through June 30, 2013	\$ 0.24	\$ 0.15
July 1, 2013 through September 30, 2013	\$ 0.48	\$ 0.11
October 1, 2013 through December 31, 2013	\$ 0.40	\$ 0.10

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January 1, 2014 through March 31, 2014	\$ 0.75	\$ 0.29
April 1, 2014 through June 30, 2014	\$ 0.75	\$ 0.40
July 1, 2014 through September 20, 2014	\$ 1.25	\$ 0.68
October 1, 2014 through December 31, 2014	\$ 0.95	\$ 0.52
January 1, 2015 through March 31, 2015	\$ 0.50	\$ 0.30
April 1, 2015 through June 30, 2015	\$ 0.26	\$ 0.09
July 1, 2015 through September 20, 2015	\$ 2.40	\$ 1.00
October 1, 2015 – December 31, 2015	\$ 2.20	\$ 0.62
January 1, 2016 through March 31, 2016	\$ 0.62	\$ 0.22
April 1, 2016 through June 30, 2016	\$ 2.30	\$ 0.55

Holders

The number of record holders of the Company's common stock as of the date of this Report is approximately 184 not including an indeterminate number who may hold shares in "street name."

Common Stock Dividends

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

Securities Authorized for Issuance Under Equity Compensation Plans

Options

The Company had adopted two Stock Option Plans, the 2001 Non-Qualified Stock Option Plan and the 2001 Incentive Stock Option Plan. During the year ended December 31, 2010 the Company increased the number of options available for grant under the 2001 Incentive Stock Option Plan by 550,000 options. Under the 2001 Non-Qualified Plan, the Company may grant options for up to 2,850,000 shares of common stock. The maximum term of the options was five years, and they vested at various times according to the Option Agreements. Under the 2001 Incentive Stock Option Plan, the Company may grant options for up to 2,000,000 shares of common stock. The maximum term of the options is five years and they vested at various times according to the Option Agreements.

In July 2012 the Board of Directors adopted the 2012 Stock Option and Restricted Stock Plan and the shareholders approved it in August 2012. Under such Plan, the Company has 3,000,000 shares available for future grants. The Company has made no grants under the Plan. Both of the above mentioned plans have expired and no further options are available for grant.

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

Recent Sales of Unregistered Securities

During the fiscal year ended June 30, 2015, the Company issued an aggregate of 245,170 common shares to a total of 15 persons. The securities were exempt from registration under Section 5 of the Act pursuant to section 4(2) of the Act since there was no public offering of the securities.

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

During the period ended September 30, 2015, the Company issued 3,100,000 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.

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

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.

Common stock issued during the period ended June 30, 2016:

During the period, the Company issued 505,000 shares in exchange for services.

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.

Use of Proceeds from Registered Securities

Proceeds from the sale of securities issued during the fiscal year ended June 30, 2015 has been used wholly for operations.

ITEM 6: SELECTED FINANCIAL DATA

Not required for smaller reporting companies.

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

Forward-looking Statements

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

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following: general economic or industry conditions nationally and/or in the communities in which we conduct business; legislation or regulatory requirements, including environmental requirements; conditions of the

securities markets; competition; our ability to raise capital; changes in accounting principles, policies or guidelines; financial or political instability; acts of war or terrorism; and other economic, competitive, governmental, regulatory and technical factors affecting our operations, products, services and prices.

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

Reverse Acquisition

On June 30, 2014, the Company entered into a definitive agreement with the members of WCS Enterprises LLC ("WCS") for the acquisition of all of the outstanding membership interests of WCS in exchange for 20,410,000 restricted shares of the Company'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 the Company by virtue of his stock ownership in the Company received in the acquisition. This member acquired 18,369,000 shares of the Company's 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 the Company by virtue of holding approximately 44% of the Company's voting stock. In addition, on June 30, 2014, the Company's CEO, President and CFO resigned and the WCS officers were appointed to fill these positions by the board of directors of the Company. In total, the WCS members hold 52.1% of the post-acquisition common stock of the Company and the Company's officers are the former officers of WCS, making the transaction a reverse acquisition.

Financial Statements

The financial statements which are a part of this Report are as of June 30, 2016, and for the period from July 1, 2015 through June 30, 2016 (the "Relevant Period"). The consolidated financial statements are those of WCS for the results of operations because of the reverse acquisition. Following is management's discussion and analysis of those financial statements.

Results of Operations

The consolidated financial statements demonstrate a loss from operations for the Relevant Period of \$1,496,455; and non-cash expense of \$28,228 in depreciation expense.

On June 30, 2014, the Company underwent the reverse acquisition as described above. Accordingly, all Company revenue from business operations for the foreseeable future will come from the business operations of WCS which is now a subsidiary of the Company.

At the present time the Company, which includes WCS, has fixed monthly operating costs of approximately \$10,508. The monthly, fixed operating expenses are comprised of \$6,829 in monthly mortgage payments on our building, \$665 for building security, and approximately \$1,508 in utilities and insurance. Salaries for our CEO and CFO have not been paid since November 2015 although they are being accrued. Accordingly, expenses associated with maintaining the building are \$9,000 per month. The Company also has variable expenses relating to the development of its business plan and the payment of professional fees. The amount and extent of the variable expenses over the next 12 months are unknown at this time.

The Company has fixed monthly income from rents and option payments of approximately \$8,900 per month which are paid to the Company by the tenants in our building. It is projected that in twelve months from now, if the building is fully leased, monthly revenue will total \$10,700 which will make the building self-sustaining since current expenses total \$10,508 per monthly.

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.

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Liquidity and Capital Resources; Going Concern

As of the date of this report, the Company had cash on hand of approximately \$43,600. This is sufficient to sustain the day to day operations of the Company for approximately 90 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.

The Company is seeking land on which to build warehouses. The Company has recently closed on the property in the Pioneer Business Park located in Eugene, Oregon. Grow Condos, Inc. plans to build approximately 60,000 square feet of industrial warehouse condominiums for the cannabis industry at this location. This project will be built out in 3 phases. Phase one consists of the infrastructure and the first building of about 20,000 square feet. Phase two will be for the second 20,000 square foot building and Phase three will be the final 20,000 square foot building. As soon as all the plans are approved by the City of Eugene and building permits are issued, Grow Condos, Inc. plans to begin taking reservations for the units. If the demand is as strong as indicated in the current market, Phase two and Phase three might be combined into building both 20,000 square foot buildings at the same time. With the legalization of recreational marijuana in Oregon having taken place in 2015, we believe there is a great deal of demand for growing space and that Eugene is an excellent location..

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 date of inception (September 9, 2013) to June 30, 2016 concerning the Company's assumption that we will continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of the Company operating with an industry that is illegal under federal law, we have yet to achieve profitable operations, we have a significant accumulated deficit and are dependent on our ability to raise capital from stockholders or other sources to sustain operations and to ultimately achieve viable profitable operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1 in the accompanying consolidated financial statements.

Off-Balance Sheet Arrangements

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

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Scrudato & Co., PA
CERTIFIED PUBLIC ACCOUNTING FIRM

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Grow Condos, Inc. and subsidiary (f/k/a Fanatic Fans Inc. and Calibrus, Inc.)

We have audited the accompanying consolidated balance sheet of Grow Condos, Inc. and subsidiary (f/k/a Fanatic Fans Inc. and Calibrus, Inc.) as of June 30, 2016 and 2015, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grow Condos, Inc. and subsidiary (f/k/a Fanatic Fans Inc. and Calibrus, Inc.) at June 30, 2016 and 2015, and the results of its operations, changes in stockholders' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company operates with an industry that is illegal under federal law, has yet to achieve profitable operations, has a significant accumulated deficit and is dependent on its 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. Management's plans in regard to these matters are described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ John Scrudato CPA

Califon, New Jersey

September 6, 2016

7 Valley View Drive Califon, New Jersey 07830

Registered Public Company Accounting Oversight Board Firm

GROW CONDOS, INC. and Subsidiary
 CONSOLIDATED BALANCE SHEET
 as of June 30, 2016 and June 30, 2015

ASSETS

	June 30, 2016	June 30, 2015
Current Assets		
Cash and cash equivalents	\$44,148	\$42,747
Lease receivables	79	1,161
Prepaid expenses	20,896	5,450
 Total Current Assets	 65,123	 49,358
Property and Equipment, net	1,523,244	1,257,368
Deposits	5,381	8,618
Debt Discount, summary	104,983	-
 Total Assets	 \$1,698,731	 \$1,315,344

LIABILITIES AND STOCKHOLDERS'
 EQUITY (DEFICIT)

Current Liabilities	
Accounts payable, trade	3,000