GROWLIFE, INC.
Form 10-Q
August 11, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017
OR

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

For the transition period from _______ to _______

Commission file number 000-50385

GrowLife, Inc.
(Exact name of registrant as specified in its charter)

Delaware	90-0821083
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5400 Carillon Point
Kirkland, WA 98033
(Address of principal executive offices and zip code)

(866) 781-5559
(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. 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 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). Yes No

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

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of August 11, 2017, there were 2,064,907,125 shares of the issuer's common stock, $0.0001 par value per share, outstanding.

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ITEM 1. FINANCIAL STATEMENTS

GROWLIFE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2017	December 31, 2016
ASSETS		(Audited)
CURRENT ASSETS:		
Cash and cash equivalents	$78,023	$103,070
Inventory, net	415,742	418,453
Deposits	11,163	11,163
Total current assets	504,928	532,686
EQUIPMENT, NET	-	1,890
TOTAL ASSETS	$504,928	$534,576
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable - trade	$1,191,119	$1,529,919
Accounts payable - related parties	-	10,952
Accrued expenses	121,488	132,656
Accrued expenses - related parties	18,608	19,605
Derivative liability	537,698	2,701,559
Current portion of convertible notes payable	1,993,825	2,798,800
Deferred revenue	20,000	47,995
Total current liabilities	3,882,738	7,241,486
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock - $0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Series B Convertible Preferred stock - $0.0001 par value, 150,000 shares authorized, no shares issued and outstanding	-	-
Series C Convertible Preferred stock - $0.0001 par value, 51 shares authorized, no shares		

and 51 shares issued and outstanding at 6/30/2017 and 12/31/2016, respectively	-	-
Common stock - $0.0001 par value, 3,000,000,000 shares authorized, 2,028,277,088 and 1,656,120,083 shares issued and outstanding at 6/30/2017 and 12/31/2016, respectively	202,816	165,600
Additional paid in capital	121,254,414	117,537,822
Accumulated deficit	(124,835,040)	(124,410,332)
Total stockholders' deficit	(3,377,810)	(6,706,910)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$504,928	$534,576

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

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GROWLIFE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended,		Six Months Ended,	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
NET REVENUE	$521,358	$261,853	$988,923	$729,348
COST OF GOODS SOLD	427,017	381,257	879,099	713,817
GROSS PROFIT	94,341	(119,404)	109,824	15,531
GENERAL AND ADMINISTRATIVE EXPENSES	499,693	541,293	912,955	913,941
OPERATING LOSS	(405,352)	(660,697)	(803,131)	(898,410)
OTHER INCOME (EXPENSE):				
Change in fair value of derivative	373,047	2,090,113	2,163,861	(378,179)
Interest expense, net	(112,809)	(72,054)	(315,593)	(238,230)
Other income (expense)	-	279,222	-	250,057
Loss on debt conversions	(102,445)	-	(1,469,845)	-
Total other (expense)	157,793	2,297,281	378,423	(366,352)
(LOSS) BEFORE INCOME TAXES	(247,559)	1,636,584	(424,708)	(1,264,762)
Income taxes - current benefit	-	-	-	-
NET (LOSS)	$(247,559)	$1,636,584	$(424,708)	$(1,264,762)
Basic and diluted (loss) per share	$(0.00)	$0.00	$(0.00)	$(0.00)
Weighted average shares of common stock outstanding- basic and diluted	1,999,108,089	1,110,821,354	1,912,895,786	1,025,436,645

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

GROWLIFE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended,	
	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(424,708)	$(1,264,762)
Adjustments to reconcile net loss to net cash (used in) operating activities		
Depreciation and amortization	1,890	4,707
Amortization of intangible assets	-	53,274
Stock based compensation	104,874	65,640
Common stock issued for services	51,000	65,000
Amortization of debt discount	121,395	(208,439)
Change in fair value of derivative liability	(2,163,861)	378,179
Accrued interest on convertible notes payable	166,071	84,292
Interest converted on convertible notes payable	-	-
Loss on debt conversions	1,469,845	-
Changes in operating assets and liabilities:		
Inventory	2,711	78,613
Accounts payable	(222,604)	132,128
Accrued expenses	(12,165)	(5,748)
Deferred revenue	(27,995)	(418)
CASH (USED IN) OPERATING ACTIVITIES	(933,547)	(617,534)
CASH FLOWS FROM INVESTING ACTIVITIES:		
	-	-
	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES:	-	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash provided from Convertible Promissory Note with Chicago Venture Partners, L.P.	2,424,401	577,748
Cash payoff to TCA Global Credit Master Fund, LP	(1,515,901)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	908,500	577,748
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,047)	(39,786)
CASH AND CASH EQUIVALENTS, beginning of period	103,070	60,362

CASH AND CASH EQUIVALENTS, end of period	$78,023	$20,576
Supplemental disclosures of cash flow information:		
Interest paid	$-	$-
Taxes paid	$-	$-
Non-cash investing and financing activities:		
Shares issued for convertible note and interest conversion	$1,950,923	$1,008,020
Shares issued for debt conversion	$-	$65,640
Shares issued for class action settlements	$-	$2,000,000
Shares issued for mezzanine equity	$-	$300,000
Series B Convertible Preferred Stock converted into convertible notes payable	$-	$(1,500,000)
Series B Convertible Preferred Stock converted into convertible notes payable debt discount	$-	$315,669
Common shares issued for accounts payable	$127,148	$-

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

GROWLIFE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF BUSINESS AND ORGANIZATION

The accompanying unaudited consolidated condensed financial statements have been prepared by GrowLife, Inc. “us,” “we,” or “our”) in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of our management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows for the fiscal periods presented have been included.

These financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended December 31, 2016. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results expected for the full fiscal year, or for any other fiscal period.

GrowLife, Inc. (“GrowLife” or the “Company”) is incorporated under the laws of the State of Delaware and is headquartered in Kirkland, Washington. The Company was founded in 2012 with the Closing of the Agreement and Plan of Merger with SGT Merger Corporation.

The Company’s goal of becoming the nation’s largest cultivation facility service provider for the production of organics, herbs and greens and plant-based medicines has not changed. The Company’s mission is to best serve more cultivators in the design, build-out, expansion and maintenance of their facilities with products of high quality, exceptional value and competitive price. Through a nationwide network of knowledgeable representatives, regional centers and its e-commerce website, GrowLife provides essential and hard-to-find goods including media (i.e., farming soil), industry-leading hydroponics equipment, organic plant nutrients, and thousands more products to specialty grow operations across the United States.

The Company primarily sells through its wholly owned subsidiary, GrowLife Hydroponics, Inc. GrowLife companies distribute and sell over 15,000 products through its e-commerce distribution channel, GrowLifeEco.com, and through our regional retail storefronts. GrowLife and its business units are organized and directed to operate strictly in accordance with all applicable state and federal laws.

On June 7, 2013, GrowLife Hydroponics completed the purchase of Rocky Mountain Hydroponics, LLC, a Colorado limited liability company (“RMC”), and Evergreen Garden Center, LLC, a Maine limited liability company (“EGC”). The effective date of the purchase was June 7, 2013. The Company purchased all of the assets and liabilities of the RMH and EGC Companies, and their retail hydroponics stores, which are located in Vail and Boulder, Colorado and Portland, Maine. The Company purchased RMC and EGC from Rob Hunt, who was appointed to the then Company’s Board of Directors and President of GrowLife Hydroponics, Inc.

On February 18, 2016, the Company’s common stock resumed unsolicited quotation on the OTC Bulletin Board after receiving clearance from the Financial Industry Regulatory Authority (“FINRA”) on our Form 15c2-11. The Company is currently taking the appropriate steps to uplist to the OTCQB Exchange and resume priced quotations with market makers as soon as it is able.

NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of $(424,708), $7,694,684 and $5,688,845 for the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, respectively. Our net cash used in operating activities was $933,547, $1,212,192 and $1,375,891 for the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, respectively.

The Company anticipates that it will record losses from operations for the foreseeable future. As of June 30, 2017, our accumulated deficit was $124,835,040. The Company has experienced recurring operating losses and negative operating cash flows since inception, and has financed its working capital requirements during this period primarily through the recurring issuance of convertible notes payable and advances from a related party. The audit report prepared by our independent registered public accounting firm relating to our financial statements for the year ended December 31, 2016 and 2015 filed with the SEC on March 31, 2017 includes an explanatory paragraph expressing the substantial doubt about our ability to continue as a going concern.

Continuation of the Company as a going concern is dependent upon obtaining additional working capital. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES: ADOPTION OF ACCOUNTING STANDARDS

Basis of Presentation - The accompanying unaudited consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. The preparation of these unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”).

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. Inter-Company items and transactions have been eliminated in consolidation.

Cash and Cash Equivalents - The Company classifies highly liquid temporary investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash balances at various financial institutions. Balances at US banks are insured by the Federal Deposit Insurance Corporation up to $250,000. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk for cash on deposit.

Accounts Receivable and Revenue - Revenue is recognized on the sale of a product when the product is shipped, which is when the risk of loss transfers to our customers, the fee is fixed and determinable, and collection of the sale is reasonably assured. A product is not shipped without an order from the customer and the completion of credit acceptance procedures. The majority of our sales are cash or credit card; however, we occasionally extend terms to our customers. Accounts receivable are reviewed periodically for collectability.

Inventories - Inventories are recorded on a first in first out basis. Inventory consists of raw materials, purchased finished goods and components held for resale. Inventory is valued at the lower of cost or market. The reserve for inventory was $20,000 as of June 30, 2017 and December 31, 2016, respectively.

Long Lived Assets – The Company reviews its long-lived assets for impairment annually or when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets under certain circumstances are reported at the lower of carrying amount or fair value. Assets to be disposed of and assets not expected to provide any future service potential to the Company are recorded at the lower of carrying amount or fair value (less the projected cost associated with selling the asset). To the extent carrying values exceed fair values, an impairment loss is recognized in operating results.

Fair Value Measurements and Financial Instruments - ASC Topic 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying value of cash, accounts receivable, investment in a related party, accounts payables, accrued expenses, due to related party, notes payable, and convertible notes approximates their fair values due to their short-term maturities.

Derivative financial instruments -The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. For stock-based derivative financial instruments, the Company uses a weighted average Black-Scholes-Merton option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Sales Returns - We allow customers to return defective products when they meet certain established criteria as outlined in our sales terms and conditions. It is our practice to regularly review and revise, when deemed necessary, our estimates of sales returns, which are based primarily on actual historical return rates. We record estimated sales returns as reductions to sales, cost of goods sold, and accounts receivable and an increase to inventory. Returned products which are recorded as inventory are valued based upon the amount we expect to realize upon its subsequent disposition. As of June 30, 2017 and December 31, 2016, there was no reserve for sales returns, which are minimal based upon our historical experience.

Stock Based Compensation - The Company has share-based compensation plans under which employees, consultants, suppliers and directors may be granted restricted stock, as well as options and warrants to purchase shares of Company common stock at the fair market value at the time of grant. Stock-based compensation cost to employees is measured by the Company at the grant date, based on the fair value of the award, over the requisite service period under ASC 718. For options issued to employees, the Company recognizes stock compensation costs utilizing the fair value methodology over the related period of benefit. Grants of stock to non-employees and other parties are accounted for in accordance with the ASC 505.

Net (Loss) Per Share - Under the provisions of ASC 260, "Earnings per Share," basic loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted net loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the Company, subject to anti-dilution limitations. The common stock equivalents have not been included as they are anti-dilutive. As of June 30, 2017, there are also (i) stock option grants outstanding for the purchase of 14,010,000 common shares at a $0.010 average exercise price; (ii) warrants for the purchase of 595 million common shares at a $0.031 average exercise price; and (iii) 134,424,444 shares related to convertible debt that can be converted at $0.0036 per share. In addition, we have an unknown number of common shares to be issued under the Chicago Venture Partners, L.P. financing agreements. As of June 30, 2016, there are also (i) stock option grants outstanding for the purchase of 24,010,000 common shares at a $0.023 average exercise price; (ii) warrants for the purchase of 565.0 million common shares at a $0.032 average exercise price; (iii) 167,766,143 shares related to convertible debt that can be converted at $0.007 per share; and (iv) 6.0 million shares that may be issued to a former executive related to a severance agreement. In addition, we have an unknown number of common shares to be issued under the TCA Global Credit Master Fund LP and Chicago Venture Partners, L.P. financing agreements.

Dividend Policy - The Company has never paid any cash dividends and intends, for the foreseeable future, to retain any future earnings for the development of our business. Our future dividend policy will be determined by the board of directors on the basis of various factors, including our results of operations, financial condition, capital requirements and investment opportunities.

Use of Estimates - In preparing these unaudited interim consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Significant estimates and assumptions included in our consolidated financial statements relate to the valuation of long-lived assets, estimates of sales returns, inventory reserves and accruals for potential liabilities, and valuation assumptions related to derivative liability, equity instruments and share based compensation.

Recent Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard setting organizations and various regulatory agencies. Due to the tentative and preliminary nature of those proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

NOTE 4 – TRANSACTIONS WITH CANX USA, LLC AND LOGIC WORKS LLC

Transactions with CANX, LLC and Logic Works LLC

On November 19, 2013, the Company entered into a Joint Venture Agreement with CANX, a Nevada limited liability company. Under the terms of the Joint Venture Agreement, the Company and CANX formed Organic Growth International, LLC ("OGI"), a Nevada limited liability company, for the purpose of expanding the Company's operations in its current retail hydroponic businesses and in other synergistic business verticals and facilitating additional funding for commercially financeable transactions of up to $40,000,000.

The Company initially owned a non-dilutive 45% share of OGI and the Company could acquire a controlling share of OGI as provided in the Joint Venture Agreement. In accordance with the Joint Venture Agreement, the Company and CANX entered into a Warrant Agreement whereby the Company delivered to CANX a warrant to purchase 140,000,000 shares of the Company common stock that is convertible at $0.033 per share, subject to adjustment as provided in the warrant. The five-year warrant expires November 18, 2018. Also, in accordance with the Joint Venture Agreement, on February 7, 2014 the Company issued an additional warrant to purchase 100,000,000 shares of our common stock that is convertible at $0.033 per share, subject to adjustment as provided in the warrant. The five-year warrant expires February 6, 2019.

GrowLife received the $1 million as a convertible note in December 2013, received the $1.3 million commitment but not executed and by January 2014 OGI had Letters of Intent with four investment and acquisition transactions valued at $96 million. Before the deals could close, the SEC put a trading halt on our stock on April 10, 2014, which resulted in the withdrawal of all transactions. The business disruption from the trading halt and the resulting class action and derivative lawsuits ceased further investments with the OGI joint venture. The Convertible Note was converted into GrowLife, Inc. common stock as of the year ended December 31, 2016.

On July 10, 2014, the Company closed a Waiver and Modification Agreement, Amended and Restated Joint Venture Agreement, Secured Credit Facility and Secured Convertible Note with CANX and Logic Works LLC, a lender and shareholder of the Company.

The Amended and Restated Joint Venture Agreement with CANX modified the Joint Venture Agreement dated November 19, 2013 to provide for (i) up to $12,000,000 in conditional financing subject to review by GrowLife and approval by OGI for business growth development opportunities in the legal cannabis industry for up to nine months, subject to extension; (ii) up to $10,000,000 in working capital loans, with each loan requiring approval in advance by CANX; (iii) confirmed that the five year warrants, subject to adjustment, at $0.033 per share for the purchase of 140,000,000 and 100,000,000 were fully earned and were not considered compensation for tax purposes by the Company; (iv) granted CANX five year warrants, subject to adjustment, to purchase 300,000,000 shares of common stock at the fair market price of $0.033 per share as determined by an independent appraisal; (v) warrants as defined in the Agreement related to the achievement of OGI milestones; and (vi) a four year term, subject to adjustment.

The Company entered into a Secured Convertible Note and Secured Credit Facility dated June 25, 2014 with Logic Works whereby Logic Works agreed to provide up to $500,000 in funding. Each funding required approval in advance by Logic Works, provided interest at 6% with a default interest of 24% per annum and requires repayment by June 26, 2016. The Note is convertible into common stock of the Company at the lesser of $0.0070 or (B) twenty percent (20%) of the average of the three (3) lowest daily VWAPs occurring during the twenty (20) consecutive Trading Days immediately preceding the applicable conversion date on which Logic Works elects to convert all or part of this 6% Convertible Note, subject to adjustment as provided in the Note. The 6% Convertible Note is collateralized by the assets of the Company. As of June 30, 2017, the outstanding balance on the Convertible Note was $39,251.

OGI was incorporated on January 7, 2014 in the State of Nevada and had no business activities as of December 31, 2016.

NOTE 5 – INVENTORY

Inventory as of June 30, 2017 and December 31, 2016 consists of the following:

	June 30, 2017	December 31, 2016
Finished goods	$435,742	$438,453
Inventory reserve	(20,000)	(20,000)
Total	$415,742	$418,453

Finished goods inventory relates to product at the Company's retail stores, which is product purchased from distributors, and in some cases directly from the manufacturer, and resold at our stores.

The Company reviews its inventory on a periodic basis to identify products that are slow moving and/or obsolete, and if such products are identified, the Company records the appropriate inventory impairment charge at such time.

NOTE 6 – CONVERTIBLE NOTES PAYABLE, NET

Convertible notes payable as of June 30, 2017 consisted of the following:

	Principal	Accrued Interest	Debt Discount	Balance As of June 30, 2017
6% Secured convertible note (2014)	$39,251	$787	$-	$40,038
7% Convertible note ($850,000)	250,000	193,890	-	443,890
10% OID Convertible Promissory Note with Chicago Venture Partners, L.P.	1,497,184	12,713	-	1,509,897
	$1,786,435	$207,390	$-	$1,993,825

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Convertible notes payable as of December 31, 2016 consisted of the following:

	Principal	Accrued Interest	Debt Discount	Balance As of December 31, 2016
6% Secured convertible note (2014)	$330,295	$3,692	$-	$333,987
7% Convertible note ($850,000)	250,000	164,137	-	414,137
Replacement debenture with TCA ($2,830,210)	1,468,009	18,350	-	1,486,359
10% OID Convertible Promissory Note with Chicago Venture Partners, L.P.	683,042	2,670	(121,395)	564,317
	$2,731,346	$188,849	$(121,395)	$2,798,800

Several of the Company's convertible promissory notes remain outstanding beyond their respective maturity dates. This may trigger an event of default under the respective agreements. The Company is working with these noteholders to convert their notes into common stock and intends to resolve these outstanding issues as soon as practicable. As a result, the Company accrued interest on these notes at the default rates. Furthermore, as a result of being in default on these notes, the Holders could, at their sole discretion, have called these notes. Although no such action has been taken by the Holders, the Company classified these notes as a current liability as of June 30, 2017 and December 31, 2016.

6% Secured Convertible Note and Secured Credit Facility (2014)

The Company entered into a Secured Convertible Note and Secured Credit Facility dated June 25, 2014 with Logic Works whereby Logic Works agreed to provide up to $500,000 in funding. Logic Works funded $350,000. The funding provided for interest at 6% with a default interest of 24% per annum and required repayment by June 26, 2016. The Note is convertible into common stock of the Company at the lesser of $0.007 or (B) twenty percent (20%) of the average of the three (3) lowest daily VWAPs occurring during the twenty (20) consecutive Trading Days immediately preceding the applicable conversion date on which Logic Works elects to convert all or part of this 6% Convertible Note, subject to adjustment as provided in the Note. On February 28, 2017, Logic Works converted principal and interest of $291,044 into 82,640,392 shares of our common stock at a per share conversion price of $.004. As of June 30, 2017, the outstanding principal on this 6% convertible note was $39,251 and accrued interest was $787, which results in a total liability of $40,038.

7% Convertible Notes Payable

On October 11, 2013, the Company issued 7% Convertible Notes in the aggregate amount of $850,000 to investors, including $250,000 to Forglen LLC. The Note was due September 30, 2015. All other Notes were converted in 2014. On July 14, 2014, the Board of Directors approved a Settlement Agreement and Waiver of Default dated June 19, 2014 with Forglen related to the 7% Convertible Note. The current annual rate of interest was increased to 24% per annum. The conversion price was $0.007 per share, subject to adjustment as provided in the Note. As of June 30, 2017, the outstanding principal on this 7% convertible note was $250,000 and accrued interest was $193,890, which results in a total liability of $443,890.

Funding from Chicago Venture Partners, L.P. (“Chicago Venture”)

The Company has the following funding transactions with Chicago Venture:

Securities Purchase Agreement with Chicago Venture Partners, L.P. As of April 4, 2016, the Company entered into a Securities Purchase Agreement and Convertible Promissory Note (the “Chicago Venture Note”) with Chicago Venture, whereby we agreed to sell, and Chicago Venture agreed to purchase an unsecured convertible promissory note in the original principal amount of $2,755,000. In connection with the transaction, the Company received $350,000 in cash as well as a series of twelve Secured Investor Notes for a total Purchase Price of $2,500,000. The Note carries an Original Issue Discount (“OID”) of $250,000 and we agreed to pay $5,000 to cover Purchaser’s legal fees, accounting costs and other transaction expenses.

Debt Purchase Agreement and First Amendment to Debt Purchase Agreement and Note Assignment Agreement. On August 24, 2016, the Company closed a Debt Purchase Agreement and a First Amendment to Debt Purchase Agreement and related agreements with Chicago Venture and TCA.

On August 24, 2016, TCA closed an Assignment of Note Agreement and related agreements with Chicago Venture. The referenced agreements relate to the assignment of Company debt, in the form of debentures, by TCA to Chicago Venture. The Company was a party to the agreements between TCA and Chicago Venture because the Company is the “borrower” under the TCA held debentures.

Exchange Agreement, Convertible Promissory Note and related Agreements with Chicago Venture. On August 17, 2016, the Company closed an Exchange Agreement and a Convertible Promissory Note and related agreements with Chicago Venture whereby the Company agreed to the assignment of debentures representing debt between the Company, on the one hand, and with TCA, on the other hand. Specifically, the Company agreed that TCA could assign a portion of the Company’s debt held by TCA to Chicago Venture.

On January 10, 2017, Chicago Venture, at the Company's instruction, remitted funds of $1,495,901 to TCA in order to satisfy all debts to TCA. On or around January 11, 2017, the Company was notified by TCA that $13,540 were due to TCA in order for TCA to release its security interest in the Company's assets. On February 1, 2017, TCA notified the Company that all funds were received and TCA would release its security interest in Company's assets. TCA has confirmed that it is paid in full and the Company is not aware of any other obligations that the Company has as to TCA. The funds received under the Chicago Venture Agreements and previous Chicago Venture Agreements were used to pay-off TCA.

Debt Purchase Agreement and First Amendment to Debt Purchase Agreement and Note Assignment Agreement. On August 24, 2016, the Company closed a Debt Purchase Agreement and a First Amendment to Debt Purchase Agreement and related agreements with Chicago Venture and TCA.

On February 1, 2017, the Company closed the transactions described below with Chicago Venture:

Securities Purchase Agreement, Secured Promissory Notes, Membership Interest Pledge Agreement and Security Agreement

On January 9, 2017, the Company executed the following agreements with Chicago Venture: (i) Securities Purchase Agreement; (ii) Secured Promissory Notes; (iii) Membership Interest Pledge Agreement; and (iv) Security Agreement (collectively the "Chicago Venture Agreements"). The Company entered into the Chicago Venture Agreements with the intent of paying its debt, in full, to TCA Global Credit Master Fund, LP ("TCA").

The total amount of funding under the Chicago Venture Agreements is $1,105,000. Each Convertible Promissory Note carries an original issue discount of $100,000 and a transaction expense amount of $5,000, for total debt of $1,105,000. The Company agreed to reserve 500,000,000 of its shares of common stock for issuance upon conversion of the Debt, if that occurs in the future. If not converted sooner, the Debt is due on or before January 9, 2018. The Debt carries an interest rate of 10%. The Debt is convertible, at Chicago Venture's option, into the Company's common stock at $0.009 per share subject to adjustment as provided for in the Secured Promissory Notes attached hereto and incorporated herein by this reference.

Chicago Venture's obligation to fund the Debt was secured by Chicago Venture's 60% interest in Typenex Medical, LLC, an Illinois corporation, as provided for in the Membership Pledge Agreement.

The Company's obligation to pay the Debt, or any portion thereof, is secured by all Company's assets.

Payment of All TCA Obligations

On January 10, 2017, Chicago Venture, at the Company's instruction, remitted funds of $1,495,901 to TCA in order to satisfy all debts to TCA. On or around January 11, 2017, the Company was notified by TCA that $13,540 were due to TCA in order for TCA to release its security interest in the Company's assets. On February 1, 2017, TCA notified the Company that all funds were received and TCA released its security interest in Company's assets. TCA has confirmed that it is paid in full and the Company is not aware of any other obligations that the Company has as to TCA.

As of June 30, 2017, the outstanding principal balance due to Chicago Venture is $1,497,184, accrued interest was $12,713, net of the OID of $0, which results in a total amount of $1,509,897. The OID has been recorded as a discount to debt and $121,395 was amortized to interest expense during the six months ended June 30, 2017.

During the six months ended June 30, 2017, Chicago Venture converted principal and accrued interest of $1,709,889 into 286,623,113 shares of the Company's common stock at a per share conversion price of $0.0063.

The Company recognized $1,469,845 of loss on debt conversions during the three months ended June 30, 2017.

NOTE 7 – DERIVATIVE LIABILITY

In April 2008, the FASB issued a pronouncement that provides guidance on determining what types of instruments or embedded features in an instrument held by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. This pronouncement was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of these requirements can affect the accounting for warrants and many convertible instruments with provisions that protect holders from a decline in the stock price (or "down-round" provisions). For example, warrants or conversion features with such provisions are no longer recorded in equity. Down-round provisions reduce the exercise price of a warrant or convertible instrument if a company either issues equity shares for a price that is lower than the exercise price of those instruments or issues new warrants or convertible instruments that have a lower exercise price.

Derivative liability as of June 30, 2017 is as follows:

				Carrying Amount at
	Fair Value Measurements Using Inputs			June 30,
Financial Instruments	Level 1	Level 2	Level 3	2017
Liabilities:				
Derivative Instruments	$-	$537,698	$-	$537,698
Total	$-	$537,698	$-	$537,698

For the six months ended June 30, 2017, the Company recorded non-cash income of $2,163,861 related to the “change in fair value of derivative” expense related to its 6% and 7% convertible notes.

Derivative liability as of December 31, 2016 was as follows:

				Carrying Amount at
	Fair Value Measurements Using Inputs			December 31,
Financial Instruments	Level 1	Level 2	Level 3	2017
Liabilities:				

Derivative Instruments	$-	$2,701,559	$-	$2,701,559
Total	$-	$2,701,559	$-	$2,701,559

For the year ended December 31, 2016, the Company recorded non-cash income of $1,324,384 related to the “change in fair value of derivative” expense related to its 6%, 7% and 18% convertible notes

The risk-free rate of return reflects the interest rate for the United States Treasury Note with similar time-to-maturity to that of the warrants.

7% Convertible Notes

As of December 31, 2016, the Company had outstanding 7% convertible notes with a remaining balance of $250,000 that the Company determined had an embedded derivative liability due to the “reset” clause associated with the note’s conversion price. The Company valued the derivative liability of these notes at $1,495,495 using the Black-Scholes-Merton option pricing model, which approximates the Monte Carlo and other binomial valuation techniques, with the following assumptions (i) dividend yield of 0%; (ii) expected volatility of 160.0%; (iii) risk free rate of .001%, (iv) stock price of $0.017, (v) per share conversion price of $0.0036, and (vi) expected term of .25 years, as the Company estimated that the balance of these notes will be converted during the year ended December 31, 2017.

As of June 30, 2017, the Company had outstanding 7% convertible notes with a remaining balance of $250,000 that the Company determined had an embedded derivative liability due to the “reset” clause associated with the note’s conversion price. The Company valued the derivative liability of these notes at $493,211 using the Black-Scholes-Merton option pricing model, which approximates the Monte Carlo and other binomial valuation techniques, with the following assumptions (i) dividend yield of 0%; (ii) expected volatility of 132.3%; (iii) risk free rate of .001%, (iv) stock price of $0.0075, (v) per share conversion price of $0.0036, and (vi) expected term of .25 years, as the Company estimates that the balance of these notes will be converted by September 30, 2017.

6% Convertible Notes

As of December 31, 2016, the Company had outstanding unsecured 6% convertible notes for $330,295 that the Company determined had an embedded derivative liability due to the “reset” clause associated with the note’s conversion price. The Company valued the derivative liability of these notes at $1,206,064 using the Black-Scholes-Merton option pricing model, which approximates the Monte Carlo and other binomial valuation techniques, with the following assumptions (i) dividend yield of 0%; (ii) expected volatility of 160.0%; (iii) risk free rate of .001%, (iv) stock price of $0.017, (v) per share conversion price of $0.0036, and (vi) expected term of .25 years, as the Company estimates that these notes would be converted during the year ended December 31,, 2017.

As of June 30, 2017, the Company had outstanding unsecured 6% convertible notes for $39,251 that the Company determined had an embedded derivative liability due to the "reset" clause associated with the note's conversion price. The Company valued the derivative liability of these notes at $44,487 using the Black-Scholes-Merton option pricing model, which approximates the Monte Carlo and other binomial valuation techniques, with the following assumptions assumptions (i) dividend yield of 0%; (ii) expected volatility of 132.3%; (iii) risk free rate of .001%, (iv) stock price of $0.0075, (v) per share conversion price of $0.0036, and (vi) expected term of .25 years, as the Company estimates that the balance of these notes will be converted by September 30, 2017.

NOTE 8 – RELATED PARTY TRANSACTIONS AND CERTAIN RELATIONSHIPS

Since January 1, 2017, the Company engaged in the reportable transaction below with the Company's directors, executive officers, holders of more than 5% of our voting securities, and affiliates or immediately family members of our directors, executive officers and holders of more than 5% of our voting securities.

On February 4, 2017, the Company issued 1,000,000 shares of the Company's common stock to Michael E. Fasci, a Board Director, pursuant to a service award for $15,000. The shares were valued at the fair market price of $0.015 per share.

On April 27, 2017, the Company issued 1,000,000 shares of the Company's to Michael E. Fasci, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, the Company issued 2,000,000 shares of the Company's to Michael E. Fasci, a Board Director, pursuant to a consulting agreement for $18,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, the Company issued 1,000,000 shares of the Company's to Katherine McLain, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

Certain Relationships

Please see the transactions with CANX, LLC and Logic Works in Note 5, TCA Global Credit Master Fund LP and Chicago Venture Partners, L.P. discussed in Note 4, 6, 7, 9 and 12.

NOTE 9 – EQUITY

Authorized Capital Stock

The Company has authorized 3,010,000,000 shares of capital stock, of which 3,000,000,000 are shares of voting common stock, par value $0.0001 per share, and 10,000,000 are shares of preferred stock, par value $0.0001 per share.

Non-Voting Preferred Stock

Under the terms of our articles of incorporation, the Company's board of directors is authorized to issue shares of non-voting preferred stock in one or more series without stockholder approval. The Company's board of directors has the discretion to determine the rights, preferences, privileges and restrictions, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of non-voting preferred stock.

The purpose of authorizing the Company's board of directors to issue non-voting preferred stock and determine the Company's rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of non-voting preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. Other than the Series B and C Preferred Stock discussed below, there are no shares of non-voting preferred stock presently outstanding and we have no present plans to issue any shares of preferred stock.

Series C Preferred Stock Designation

In connection with the Amended and Restated Securities Purchase Agreement with TCA, the Board of Directors, on October 21, 2015, approved the authorization of a Series C Preferred Stock as provided in the Company's Certificate of Incorporation, as amended, and the issuance of 51 shares of Series C Preferred Stock. These shares only have voting rights in the event of a default by us under the Amended and Restated Transaction Documents. The Series C Preferred Stock is cancelled with the repayment of the TCA debt.

The Series C Preferred Stock Designation authorizes 51 shares of Series C Preferred Stock. Series C Preferred Stock is not entitled to dividend or liquidation rights and is not convertible into our common stock.

In connection with the closing of the Chicago Venture transactions which closed on February 1, 2017, TCA surrendered the Series C Preferred Stock.

Common Stock

Unless otherwise indicated, all of the following sales or issuances of Company securities were conducted under the exemption from registration as provided under Section 4(2) of the Securities Act of 1933 (and also qualified for exemption under 4(5), formerly 4(6) of the Securities Act of 1933, except as noted below). All of the shares issued were issued in transactions not involving a public offering, are considered to be restricted stock as defined in Rule 144 promulgated under the Securities Act of 1933 and stock certificates issued with respect thereto bear legends to that effect.

The Company has compensated consultants and service providers with restricted common stock during the development of our business and when our capital resources were not adequate to provide payment in cash.

During the six months ended June 30, 2017, the Company had had the following sales of unregistered of equity securities to accredited investors unless otherwise indicated:

On January 2, 2017, Brighton Capital LLC converted debt of $127,148 into 15,893,500 shares of our common stock at a per share conversion price of $0.008.

On February 4, 2017, the Company issued 1,000,000 shares of the Company's common stock to Michael E. Fasci, a Board Director, pursuant to a service award for $15,000. The shares were valued at the fair market price of $0.015 per share.

On February 28, 2017, Logic Works converted principal and interest of $291,044 into 82,640,392 shares of the Company's common stock at a per share conversion price of $.004.

On April 27, 2017, the Company issued 1,000,000 shares of the Company's common stock to Michael E. Fasci, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, the Company issued 2,000,000 shares of the Company's common stock to Michael E. Fasci, a Board Director, pursuant to a consulting agreement for $18,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, the Company issued 1,000,000 shares of the Company's common stock to Katherine McLain, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

During the six months ended June 30, 2017, Chicago Venture converted principal and accrued interest of $1,709,889 into 286,623,113 shares of the Company's common stock at a per share conversion price of $0.0063.

Warrants

The Company did not issue any warrants during the six months ended June 30, 2017.

A summary of the warrants issued as of June 30, 2017 is as follows:

June 30, 2017

	Shares	Weighted Average Exercise Price
Outstanding at beginning of period	595,000,000	$0.031
Issued	-	-
Exercised	-	-
Forfeited	-	-
Expired	-	-
Outstanding at end of period	595,000,000	$0.031
Exerciseable at end of period	595,000,000	

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A summary of the status of the warrants outstanding as of June 30, 2017 is presented below:

	June 30, 2017			
	Weighted	Weighted		Weighted
	Average	Average		Average
Number of	Remaining	Exercise	Shares	Exercise
Warrants	Life	Price	Exerciseable	Price
540,000,000	1.78	$0.033	540,000,000	$0.033
55,000,000	3.05	0.010	35,000,000	0.010
595,000,000	1.82	$0.031	575,000,000	$0.032

Warrants totaling 575,000,000 shares of common stock had no intrinsic value as of June 30, 2017.

NOTE 10– STOCK OPTIONS

Description of Stock Option Plan

In fiscal year 2011, the Company authorized a Stock Incentive Plan whereby a maximum of 18,870,184 shares of the Company’s common stock could be granted in the form of Non-Qualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, and Other Stock-Based Awards. On April 18, 2013, the Company’s Board of Directors voted to increase to 35,000,000 the maximum allowable shares of the Company’s common stock allocated to the 2011 Stock Incentive Plan. The Company has outstanding unexercised stock option grants totaling 14,010,000 shares as of June 30, 2017. All grants are non-qualified as the plan was not approved by the shareholders within one year of its adoption.

Determining Fair Value under ASC 505

The Company records compensation expense associated with stock options and other equity-based compensation using the Black-Scholes-Merton option valuation model for estimating fair value of stock options granted under our plan. The Company amortizes the fair value of stock options on a ratable basis over the requisite service periods, which are generally the vesting periods. The expected life of awards granted represents the period of time that they are expected to be outstanding. The Company estimates the volatility of our common stock based on the historical volatility of its own common stock over the most recent period corresponding with the estimated expected life of the award. The Company bases the risk-free interest rate used in the Black Scholes-Merton option valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term equal to the expected life of the award. The Company has not paid any cash dividends on our common stock and does not anticipate paying any cash dividends in the foreseeable future. Consequently, the Company uses an expected dividend yield of zero in the Black-Scholes-Merton option valuation model and adjusts share-based compensation for changes to the estimate of expected equity award forfeitures based on actual forfeiture experience. The effect of adjusting the forfeiture rate is recognized in the period the forfeiture estimate is changed.

Stock Option Activity

During the six months ended June 30, 2017, the Company had the following stock option activity:

On June 28, 2017, the Company’s Compensation Committee granted four advisory committee members each an option to purchase 500,000 shares of the Company’s common stock under the Company’s 2011 Stock Incentive Plan at an exercise price of $0.009 per share, the fair market price on June 28, 2017.

As of June 30, 2017, there are 14,010,000 options to purchase common stock at an average exercise price of $0.010 per share outstanding under the 2011 Stock Incentive Plan. The Company recorded $15,081 and $65,650 of compensation expense, net of related tax effects, relative to stock options for the six months ended June 30, 2017 and 2016 in accordance with ASC 505. Net loss per share (basic and diluted) associated with this expense was approximately ($0.00). As of June 30, 2017, there is $16,320 of total unrecognized costs related to employee granted stock options that are not vested. These costs are expected to be recognized over a period of approximately 2.47 years.

Stock option activity for the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015 is as follows:

		Weighted Average	
	Options	Exercise Price	$
Outstanding as of December 31, 2014	40,720,000	$0.058	$2,356,000
Granted	-	-	(960,000)
Exercised	-	-	-
Forfeitures	(11,700,000)	(0.050)	(585,000)
Outstanding as of December 31, 2015	29,020,000	0.028	811,000
Granted	-	-	-
Exercised	-	-	-
Forfeitures	(17,010,000)	(0.041)	(690,500)
Outstanding as of December 31, 2016	12,010,000	$0.010	$120,500
Granted	2,000,000	0.009	18,000
Exercised	-	-	-
Forfeitures	-	-	-
Outstanding as of June 30, 2017	14,010,000	$0.010	$138,500

The following table summarizes information about stock options outstanding and exercisable as of June 30, 2017:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life In Years	Weighted Average Exercise Price Exerciseable	Number Exerciseable	Weighted Average Exercise Price Exerciseable
$0.009	2,000,000	3.00	$0.009	-	$0.009
0.010	12,000,000	2.38	0.010	9,500,000	0.010
0.050	10,000	-	0.050	8,333	0.050
	14,010,000	2.47	$0.010	9,508,333	$0.010

Stock option grants totaling 9,508,333 shares of common stock had no intrinsic value as of June 30, 2017.

NOTE 11 – COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

From time to time, the Company may become subject to various legal proceedings that are incidental to the ordinary conduct of its business. Although the Company cannot accurately predict the amount of any liability that may ultimately arise with respect to any of these matters, it makes provision for potential liabilities when it deems them probable and reasonably estimable. These provisions are based on current information and may be adjusted from time to time according to developments.

Other than those certain legal proceedings as reported in our annual report on Form 10-K filed with the SEC on June 30, 2017, the Companies knows of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Operating Leases

On December 7, 2016, the Company entered into entered into a Consent to Judgement and Settlement Agreement related to its retail hydroponics store located in Portland, Maine. This Agreement provides for a monthly lease payment of $5,373 through May 1, 2020. The Company also agreed to a repayment schedule for past due rent and owes $37,340 as of June 30, 2017. The Company is past due on the repayment schedule by $14,004 as of June 30, 2017. The Company does not have an option to extend the lease after May 1, 2020.

On October 21, 2013, the Company entered into a lease agreement for retail space for its hydroponics store in Avon (Vail), Colorado. The lease expires on September 30, 2018. Monthly rent for year one of the lease is $2,792 and increases 3.5% per year thereafter through the end of the lease. The Company does not have an option to extend the lease. The Company may exit this retail space during the three months ended September 30, 2017.

On May 31, 2017, the Company rented space at 5400 Carillon Point, Kirkland, Washington 98033 for $499 per month for the Company's corporate office and use of space in the Regus network, including California. The Company's agreement expires May 31, 2018 and can be extended.

The aggregate future minimum lease payments under operating leases, to the extent the leases have early cancellation options and excluding escalation charges, are as follows:

Years Ended June 30,	Total
2018	$141,982
2019	125,414
2020	-
2021	-
2022	-
Beyond	-
Total	$267,396

NOTE 12 – SUBSEQUENT EVENTS

The Company evaluates subsequent events, for the purpose of adjustment or disclosure, up through the date the financial statements are available.

Subsequent to June 30, 2017, the following material transactions occurred:

Equity Issuances

Subsequent to June 30, 2017, Chicago Venture converted principal and interest of $150,000 into 36,630,037 shares of our common stock at a per share conversion price of $0.0041.

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

Forward-looking statements in this report reflect the good-faith judgment of our management and the statements are based on facts and factors as we currently know them. Forward-looking statements are subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, but are not limited to, those discussed below as well as those discussed elsewhere in this report (including in Part II, Item 1A (Risk Factors)). Readers are urged not to place undue reliance on these forward-looking statements because they speak only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report.

THE COMPANY AND OUR BUSINESS

GrowLife, Inc. (“GrowLife” or the “Company”) is incorporated under the laws of the State of Delaware and is headquartered in Kirkland, Washington. We were founded in 2012 with the Closing of the Agreement and Plan of Merger with SGT Merger Corporation.

Our goal of becoming the nation’s largest cultivation facility service provider for the production of organics, herbs and greens and plant-based medicines continues to guide our decisions. Our mission is to best serve more cultivators in the design, build-out, expansion and maintenance of their facilities with products of high quality, exceptional value and competitive price. Through knowledgeable representatives, regional centers and its e-commerce website, GrowLife provides essential and hard-to-find goods including growing media, industry-leading hydroponics equipment, organic plant nutrients, and thousands more products to specialty grow operations across the United States.

We primarily sell through our wholly owned subsidiary, GrowLife Hydroponics, Inc. GrowLife companies distribute and sell over 15,000 products through its e-commerce distribution channel, GrowLifeEco.com, and through our regional retail storefronts. GrowLife and its business units are organized and directed to operate strictly in accordance with all applicable state and federal laws.

We are focusing on future success. In that regard, we believe that the hydroponics supply industry will experience significant growth and, as a result, operating in this industry has become highly competitive, cash intensive and customer centric. However, we have plans to address these challenges.

First, the opportunity to sell both infrastructure equipment and recurring supplies to the indoor cultivation industry is constantly increasing as demand for indoor cultivation grows across the United States. GrowLife believes the demand will continue to grow and more and more states and municipalities, including California enact rules and regulations allowing for more indoor cultivation activities. GrowLife continues with its multi-faceted distribution strategy, which we believe serves customers in the following manner: Direct sales to large commercial customers, retail in some markets for local convenience, and e-commerce via GrowLifeEco.com to fulfill orders across the nation from customers of all sizes.

Second, serving what GrowLife sees as an increasing number of cultivators has become cash intensive because of the need for large inventory levels at retail, extensive e-commerce online marketing, and supporting payment terms to large accounts. Currently, GrowLifeEco.com offers over 15,000 products, far beyond the 3,000 found in Greners.com, its former online store. This on-line website was expanded by the fall of 2016.

Third, GrowLife’s customers come in different stages from caregiver cultivators to 80,000+ square foot commercial operations. With the use of e-commerce, GrowLife endeavors to reach as many customers as possible in areas where we do not have stores or a direct sales presence. Last year GrowLife built GrowLifeEco.com, our new e-commerce website, that is optimized for mobile devices. GrowLife put web marketing in place to increase awareness, traffic and conversions.

GrowLife started the expansion of sales and store personnel and marketing efforts with the new funding vehicle with Chicago Venture Partners, L.P. Chicago Venture is supportive in the expansion of the sales and marketing teams in a growing market. GrowLife is expecting growth in several markets, including California. GrowLife received funding twice a month for such costs. As the personnel were hired late in the December 2016 quarter, the impact started in the March 2017 quarter.

GrowLife also considered the lack of capital access since 2014 and the new funding vehicles with Chicago Venture Partners, L.P. Operations were significantly impacted during 2014- 2016 as a result of the lack of access to capital. GrowLife did not have cash to ship orders. With the addition of GrowLife's new partners, we have access to capital and are growing our sales again.

Also, we recognize demand is increasing from small, aspiring cultivation consumers across the country seeking to learn and use a complete indoor growing solution. To address this demand, we packaged GrowLife Cube, an entry-level offering for consumers to get hands-on experience with indoor growing. Although many still buy the components separately, we are working on developing videos and supplier tools to attract them to this one-stop shop program. Given the election results in California GrowLife Cube is expected to provide greater value and specialty services.

Resumed Trading of our Common Stock

On February 18, 2016, our common stock resumed unsolicited quotation on the OTC Bulletin Board after receiving clearance from the Financial Industry Regulatory Authority ("FINRA") on our Form 15c2-11. We are currently taking the appropriate steps to uplist to the OTCQB Exchange and resume priced quotations with market makers as soon as it is able.

Market Size and Growth

While there is a great deal of purchasing of indoor cultivation equipment for non-Cannabis cultivation, many of our investors have a high-interest in the direction of the Cannabis industry as it may directly affect GrowLife's growth. Therefore, the following market information is provided.

Currently twenty eight states and the District of Columbia currently have laws legalizing marijuana in some form. Three other states will soon join them after recently passing measures permitting use of medical marijuana.

Seven states and the District of Columbia have adopted more expansive laws legalizing marijuana for recreational use. Most recently, California, Massachusetts, Maine and Nevada all passed measures in November legalizing recreational marijuana. California's Prop. 64 measure allows adults 21 and older to possess up to one ounce of marijuana and grow up to six plants in their homes. Other tax and licensing provisions of the law will not take effect until January 2018.

Several legislatures in states recently passing legalization measures are debating regulatory proposals around the use and sale of marijuana. Massachusetts lawmakers are weighing bills that would lower the amount that residents can legally possess or place restrictions on retails stores. In Nevada, one proposal calls for businesses to obtain permits allowing for the public use of marijuana.

A number of states have also decriminalized the possession of small amounts of marijuana. Other states have passed medical marijuana laws allowing for limited use of cannabis. Some medical marijuana laws are broader than others, with types of medical conditions that allow for treatment varying from state to state. Other states (not shown on the map below) have passed laws allowing residents to possess cannabis oil if they suffer from certain medical illnesses.

Our map shows current state laws and recently-approved ballot measures legalizing marijuana for medical or recreational purposes. Medical marijuana laws recently passing in Arkansas, Florida and North Dakota have yet to become effective.

Information is current as of January 30, 2017.

Source: www.governing.com/gov-data/state-marijuana-laws-map-medical-recreational.html

GrowLife serves a new, yet sophisticated community of commercial and urban cultivators growing specialty crops including organics, greens and plant-based medicines. Unlike the traditional agricultural industry, these cultivators use innovative indoor growing techniques to produce specialty crops in highly controlled environments. This enables them to produce crops at higher yields without having to compromise quality - regardless of the season or weather and drought conditions.

Indoor growing is commonly used for plant-based medicines because they often require high-degree of regulation and controls including government compliance, security, and crop consistency. This makes indoor growing a preferred method. Cultivators of plant-based medicines often make a significant investment to design and build-out their facilities. They look to work with companies such as GrowLife who understand their specific needs, and can help mitigate risks that could jeopardize their crops.

Indoor growing techniques, however, are not limited to plant-based medicines. Vertical farms producing organic fruits and vegetables are beginning to emerge in the market due to a rising shortage of farmland, and environmental vulnerabilities including drought, other severe weather conditions and insect pests. Indoor growing techniques enables cultivators to grow crops all-year-round in urban areas, and take up less ground while minimizing environmental risks. Indoor growing techniques typically require a more significant upfront investment to design and build-out these facilities, than traditional farmlands. If new innovations lower the costs for indoor growing, and the costs to operate traditional farmlands continue to rise, then indoor growing techniques may be a compelling alternative for the broader agricultural industry.

State	Year Passed How Passed (Yes Vote) Possession Limit
1.Alaska	1998 Ballot Measure 8 (58%) 1 oz usable; 6 plants (3 mature, 3 immature)
2.Arizona	2010 Proposition 203 (50.13%) 2.5 oz usable; 12 plants
3.Arkansas	2016 Ballot Measure Issue 6 (53.2%) 3 oz usable per 14-day period
4.California	1996 Proposition 215 (56%) 8 oz usable; 6 mature or 12 immature plants
5.Colorado	2000 Ballot Amendment 20 (54%) 2 oz usable; 6 plants (3 mature, 3 immature)
6.Connecticut	2012 House Bill 5389 (96-51 H, 21-13 S) 2.5 oz usable
7.Delaware	2011 Senate Bill 17 (27-14 H, 17-4 S) 6 oz usable
8.Florida	2016Ballot Amendment 2 (71.3%) Amount to be determined
9.Hawaii	2000 Senate Bill 862 (32-18 H; 13-12 S) 4 oz usable; 7 plants
10.Illinois	2013 House Bill 1 (61-57 H; 35-21 S) 2.5 ounces of usable cannabis during a period of 14 days
11.Maine	1999 Ballot Question 2 (61%) 2.5 oz usable; 6 plants
12.Maryland	2014 House Bill 881 (125-11 H; 44-2 S) 30-day supply, amount to be determined
13.Massachusetts	2012 Ballot Question 3 (63%) 60-day supply for personal medical use (10 oz)
14.Michigan	2008 Proposal 1 (63%) 2.5 oz usable; 12 plants
15.Minnesota	2014 Senate Bill 2470 (46-16 S; 89-40 H) 30-day supply of non-smokable marijuana
16.Montana	2004 Initiative 148 (62%) 1 oz usable; 4 plants (mature); 12 seedlings
17.Nevada	2000 Ballot Question 9 (65%) 2.5 oz usable; 12 plants
18.New Hampshire	2013 House Bill 573 (284-66 H; 18-6 S) Two ounces of usable cannabis during a 10-day period
19.New Jersey	2010 Senate Bill 119 (48-14 H; 25-13 S) 2 oz usable
20.New Mexico	2007 Senate Bill 523 (36-31 H; 32-3 S)

	6 oz usable; 16 plants (4 mature, 12 immature)
21.New York	2014 Assembly Bill 6357 (117-13 A; 49-10 S) 30-day supply non-smokable marijuana
22.North Dakota	2016 Ballot Measure 5 (63.7%) 3 oz per 14-day period
23.Ohio	2016 House Bill 523 (71-26 H; 18-15 S) Maximum of a 90-day supply, amount to be determined
24.Oregon	1998 Ballot Measure 67 (55%) 24 oz usable; 24 plants (6 mature, 18 immature)
25.Pennsylvania	2016 Senate Bill 3 (149-46 H; 42-7 S) 30-day supply
26.Rhode Island	2006 Senate Bill 0710 (52-10 H; 33-1 S) 2.5 oz usable; 12 plants
27.Vermont	2004 Senate Bill 76 (22-7) HB 645 (82-59) 2 oz usable; 9 plants (2 mature, 7 immature)
28.Washington	1998 Initiative 692 (59%) 8 oz usable; 6 plants
Washington, DC	2010 Amendment Act B18-622 (13-0 vote) 2 oz dried; limits on other forms to be determined

Source: Marijuana State Laws – Summary Chart from ProCon.org

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Strategy

Our long-term strategy revolves around three premises: First, the indoor growing market for fruits, vegetables and medical plants is here to stay. We see an opportunity for it to double for several years, especially after last year's election raising the number of states that support Cannabis; Second, GrowLife will continue to establish itself as a national brand to provide the much-needed advisory services and sell lighting, nutrients, mediums and other equipment, supplies and services to cultivators across the country; And third, the demand for more healthy, safer and economical ways to run indoor growing operations will dramatically increase and require innovative products to intelligently drive down costs without compromising quality. These are critical premises for the Company's growth.

Our growth plan consists of adding more knowledgeable, talented and committed people, creating greater access to equipment and supplies, and offering more and better choices. We must sequence our steps in a timely and deliberate manner.

Our Base business provides GrowLife with a solid high-growth foundation, especially as we see interest increase for the GrowLife Retail License Program that was announced at the end of 2016. This License Program creates financial and operating efficiencies for GrowLife. We are shifting our retail store business from a fixed to variable cost structure, which allows us to apply our indoor cultivation competency to other retail partners, and reach more cultivators in markets across the US faster. The License Program offerings range from a Store-within-the-store, such as the one in place in Philadelphia at Fairmount Hardware, an Ace Hardware franchisee, located at 2011 Fairmount Ave, Philadelphia, PA, to partnering with retail investors who seek to set up new GrowLife-licensed hydroponic stores. We are pleased with the initial response and lessons learned from the License Program, which have helped refine our offerings, customer engagement and operating process.

The other two channels for our Base business, Online e-commerce and Direct Sales, continue to be refined as we apply more talent to them. We plan to serve the Base business with these channels by helping those price-sensitive customers drive down their equipment and supply costs. While this puts great price pressure on our manufacturers, we closely watch metrics move to the lowest cost per gram. One of the largest cultivators recently shifted their lights from a popular 1,000W to 315W where the electricity savings alone drove down their production cost by 35% and production increased by 20%.

In addition, our Expansion business efforts are equally capable of revenue growth. However, Expansion investments come with great risk not too different than building a start-up. Our Expansion efforts are intended to be game-changers.

The Cannabis industry itself is a game-changer. Many people are discovering great benefits with the plant that are far beyond its commercial growth. Even with all the government challenges we believe that both business and consumer will persevere because the demand and benefit of the plant are genuine based on scientific research conducted throughout the world. Consistent safety measures and standards are on their way. Therefore, we see the greatest opportunities and challenges to be in helping to address the mainstream acceptance and management of the plant…the game-changers.

GrowLife will therefore be pursuing such game-changers to help propel the industry forward on several fronts. Acquisitions may range from innovations that significantly drive down the operating costs for commercial cultivators to the desperately needed cloud-based tools for the government to extensively coordinate its policies with the industry in a safe and responsible manner. We expect to see some of these Expansion game-changers come to market in 2017. The caveat is that there are many moving parts and these game-changers may or may not come to pass.

GrowLife's greatest growth may come from a business that is not a significant contributor today. We see three key areas that may be game-changers for us in 2017: Mergers & Acquisitions and Partnerships (MAP); Consumer with

GrowLife Cube; and plant-related services. Each of these areas will require us to add the right people at the right time. Many talented individuals are ready to join GrowLife.

MAP in our Base business with Retail Licensing Program has quickly taught us to invest in new procedures and people. Growth from M&A is the most obvious expansion move. Over the last year, we explored a half-a-dozen acquisition opportunities. However, we found that they were all over-priced. Even after factoring in the possible valuation lift to the PHOT share price, the risk/reward did not make sense.

The most visible example was Go Green Hydroponics, where we had entered into a non-binding letter of intent last year. In February 2017, we announced in an SEC 8-K/A filing that the non-binding letter of intent had expired and GrowLife does not expect to close the acquisition of Go Green Hydroponics. We will therefore not be pursuing this acquisition since our retail strategy has shifted to the GrowLife Retail Licensing Program.

Another area we are continuing to develop is demand from new consumers entering the industry, where they seek to learn how to build indoor operations. We have tested GrowLife Cube, an entry-level growing package that provides the basic set-up for an indoor farming operation. GrowLife provides all the necessary growing equipment and supplies. We have determined that there are many consumers without growing experience, knowledge and local access to hydroponic equipment and supplies. Therefore, we are tuning GrowLife Cube to more effectively reach and satisfy these new consumers.

Finally, in January we spent a few days at the Seed to Sale Show in Denver to explore the plant and seed business. Our conclusion is that it is an attractive business that needs to be further explored but in an indirect manner. GrowLife is not ready to directly touch the plant due to Federal interstate laws. We are instead considering how to legally support it through state based-partners.

We see the indoor cultivation industry as growing faster than other industries due to increasing demand for and legalization of non-toxic pain relief medicines. For years GrowLife has built its brand through experience with leading commercial cultivators. We continue to assemble the best team in the industry to create a great opportunity. Our investors and shareholders have shown strong loyalty and support even through difficult times.

Overall, GrowLife is in a stronger position than it has been for some time. With continued work and support, we are encouraged with the prospect of bringing growth back to the company and increase shareholder value.

Key Market Priorities

Our goal of becoming the nation's largest cultivation facility service provider for the production of organics, herbs and greens and plant-based medicines requires GrowLife to (i) expand our nationwide, multi-channel sales network presence, (ii) offer the best terms for the full range of build-out equipment and consumable supplies, and (iii) deliver superior, innovative products.

First, we provide distribution through retail, e-commerce and direct sales to have national coverage and serve cultivators of all sizes. Each channel offers varying pricing for differing benefits. Retail sells at list price by offering inventory convenience, e-commerce provides lower prices without requiring local inventory, and direct sales delivers the best bid price for high-volume purchasers. Additional points of service may be added through existing distribution locations and services. This may be done in several manners and programs that may incorporate cultivator-centric locations with other retailer store owners.

Second, we serve the needs of all size cultivators and each one's unique formulation, or 'recipe'. We provide thousands of varieties of supplies from dozens of vendors and distributors. More importantly is our experience of knowing which products to recommend under each customer's circumstance.

And third, our experience with hundreds of customers allows us to determine specific product needs and sources to test new designs. Lights, pesticides, nutrients, extraction and growing systems are some examples of products that GrowLife can provide. Popular name branded products are seeking to be part of the GrowLife company in many forms. In exchange, we can market their products in a unique manner over generic products.

Our company can expand with these strategies until it serves more indoor cultivators throughout the country. Once a customer is engaged, we can gradually expand their purchasing market share by providing greater economic benefit to the customers who buy more products from GrowLife than from other suppliers.

Employees

As of June 30, 2017, we had one full-time employee and one consultant at our Seattle, Washington office. Marco Hegyi, our Chief Executive Officer, is based in Kirkland, Washington. Mark E. Scott, our consulting CFO, is based primarily in Seattle, Washington. In addition, we have 10 part and employees located throughout the United States who operate our e-commerce, direct sales and retail businesses. None of our employees is subject to a collective bargaining agreement or represented by a trade or labor union. We believe that we have a good relationship with our employees.

Key Partners

Our key customers vary by state and are expected to be more defined as the company moves from its retail walk-in purchasing sales strategy to serving cultivation facilities directly and under predictable purchasing contracts.

Our key suppliers include distributors such as HydroFarm, Urban Horticultural Supply and Sunlight Supply to product-specific suppliers. All the products purchased and resold are applicable to indoor growing for organics, greens, and plant-based medicines.

Competition

Certain large commercial cultivators have found themselves willing to assume their own equipment support by buying large volume purchased directly from certain suppliers and distributors such as Sunlight Supplies and HydroFarm. Other key competitors on the retail side consist of local and regional hydroponic resellers of indoor growing equipment. On the e-commerce business, GrowersHouse.com, Hydrobuilder.com, HorticultureSource.com and smaller online resellers using Amazon and eBay e-commerce market systems.

Intellectual Property and Proprietary Rights

Our intellectual property consists of brands and their related trademarks and websites, customer lists and affiliations, product know-how and technology, and marketing intangibles.

Our other intellectual property is primarily in the form of trademarks and domain names. We also hold rights to several website addresses related to our business including websites that are actively used in our day-to-day business such as www.growlifeinc.com, www.growlifeeco.com and www.greners.com.

We have a policy of entering into confidentiality and non-disclosure agreements with our employees and some of our vendors and customers as necessary.

Government Regulation

Currently, there are twenty eight states plus the District of Columbia that have laws and/or regulation that recognize in one form or another legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. There are currently seven states that allow recreational use of cannabis. 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. Active enforcement of the current federal regulatory position on cannabis on a regional or national basis may directly and adversely affect the willingness of customers of GrowLife to invest in or buy products from GrowLife. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect revenues and profits of the GrowLife companies.

All this being said, many reports show that the majority of the American public is in favor of making medical cannabis available as a controlled substance to those patients who need it. The need and consumption will then require cultivators to continue to provide safe and compliant crops to consumers. The cultivators will then need to build facilities and use consumable products, which GrowLife provides.

THE COMPANY’S COMMON STOCK

Our common stock traded on the grey market under the symbol “PHOT” through February 17, 2016. While the company was without a market maker, its stock does trade directly between buyers and sellers on the grey sheets. The quotations reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions. Consequently, the information provided below was not be indicative of our common stock price under different conditions.

On February 18, 2016, our common stock resumed unsolicited quotation on the OTC Bulletin Board after receiving clearance from the Financial Industry Regulatory Authority (“FINRA”) on our Form 15c2-11. We are currently taking the appropriate steps to uplist to the OTCQB Exchange and resume priced quotations with market makers as soon as it is able.

PRIMARY RISKS AND UNCERTAINTIES

We are exposed to various risks related to legal proceedings, our need for additional financing, the sale of significant numbers of our shares, the potential adjustment in the exercise price of our convertible debentures and a volatile market price for our common stock. These risks and uncertainties are discussed in more detail below in Part II, Item 1A.

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RESULTS OF OPERATIONS

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from period-to-period.

(dollars in thousands)

	Three Months Ended June 30,			
	2017	2016	$ Variance	% Variance
Net revenue	$521	$262	$259	98.9%
Cost of goods sold	427	381	46	-12.1%
Gross profit (loss)	94	(119)	213	179.0%
General and administrative expenses	500	541	(41)	7.6%
Operating loss	(406)	(660)	254	38.5%
Other income (expense):				
Change in fair value of derivative	373	2,090	(1,717)	-82.2%
Interest expense, net	(113)	(72)	(41)	-56.9%
Other income	-	279	(279)	-100.0%
Loss on debt conversions	(102)	-	(102)	-100.0%
Total other income	158	2,297	(2,139)	-93.1%
(Loss) before income taxes	(248)	1,637	(1,885)	-115.1%
Income taxes - current benefit	-	-	-	0.0%
Net (loss) profit	$(248)	$1,637	$(1,885)	-115.1%

THREE MONTHS ENDED JUNE 30, 2017 AS COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2016

Revenue

Net revenue for the three months ended June 30, 2017 increased $259,000 to $521,000 as compared to $262,000 for the three months ended June 30, 2016. The increase resulted from increased sales personnel and channels of distribution.

Cost of Goods Sold

Cost of sales for the three months ended June 30, 2017 increased $46,000 to $427,000 as compared to $381,000 for the three months ended June 30, 2016. The increase was due increased sales, offset by lower cost of sales related to favorable product mix and increased supplier discounts.

Gross profit was $94,000 for the three months ended June 30, 2017 as compared to a gross profit loss of ($119,000) for the three months ended June 30, 2016. The gross profit percentage was 18.1% for the three months ended June 30, 2017 as compared to (45.8%) for the three months ended June 30, 2016. The gross profit increase was due increased sales, offset by lower cost of sales related to favorable product mix and increased supplier discounts.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2017 decreased $41,000 to $500,000 as compared to $541,000 for the three months ended June 30, 2016.

The decrease was due to (i) reduced auditing expenses of $47,000; (ii) reduced rent expenses of $61,000; (iii) reduced other expenses of $13,000, offset by (iv) increased salaries of $54,000. As part of the general and administrative expenses for the three months ended June 30, 2017, we did not record any public relation, investor relation or business development expenses.

Non-cash general and administrative expenses for the three months ended June 30, 2017 were $92,000 including (i) stock based compensation of $56,000 related to stock option grants and warrants; and (ii) common stock issued for services of $36,000.

Non-cash general and administrative expenses for the three months ended June 30, 2016 was $112,000, with (i) depreciation and amortization of $29,000; (ii) stock based compensation of $33,000 related to stock option grants; and (iii) common stock issued for services of $50,000.

Other Income/ Expense

Other income for the three months ended June 30, 2017 was $158,000 as compared to other income of $2,297,000 for the three months ended June 30, 2016. The other income for the six months ended June 30, 2017 included (i) change in derivative liability of $373,000; offset by (ii) interest expense of $113,000; and (iii) loss on debt conversions of $102,000. The change in derivative liability is the non-cash change in the fair value and relates to our derivative instruments. The non-cash interest related to the amortization of the debt discount associated with our convertible notes and accrued interest expense related to our notes payable. The loss on debt conversions related to the conversion of our notes payable at prices below the market price.

The other expense for the three months ended June 30, 2016 included change in derivative liability of $2,090,000 and other income of $279,000, offset by interest expense of $72,000. The change in derivative liability is the non-cash change in the fair value and relates to our derivative instruments. The non-cash interest related to the amortization of the debt discount associated with our convertible notes, accrued interest expense related to our notes payable.

Net (Loss)

Net loss for the three months ended June 30, 2017 was $248,000 as compared to net profit of $1,637,000 for the three months ended June 30, 2016 for the reasons discussed above.

Net loss for the three months ended June 30, 2017 included non-cash expenses of $66,000 including (i) stock based compensation of $56,000 related to stock option grants and warrants; (ii) common stock issued for services of $36,000; (iii) accrued interest and amortization of debt discount on convertible notes payable of $113,000; (iv) loss on debt conversions of $102,000, offset by (v) change in derivative liability of $373,000.

Net profit for the three months ended June 30, 2016 included non-cash income of $2,312,000, including (i) depreciation and amortization of $29,000; (ii) stock based compensation of $33,000; (iii) common stock issued for services of $50,000; (iv) interest expense of $110,000; and (v) change in derivative liability of $2,090,000.

We expect losses to continue as we implement our business plan.

SIX MONTHS ENDED JUNE 30, 2017 AS COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2016

The following table presents certain consolidated statement of operations information and presentation of that data as a percentage of change from period-to-period.

(dollars in thousands)

	Six Months Ended June 30,			
	2017	2016	$ Variance	% Variance
Net revenue	$989	$729	$260	35.7%
Cost of goods sold	879	714	165	-23.1%
Gross profit	110	15	95	633.3%
General and administrative expenses	913	913	-	0.0%
Operating loss	(803)	(898)	95	10.6%
Other income (expense):				
Change in fair value of derivative	2,164	(378)	2,542	672.5%
Interest expense, net	(316)	(238)	(78)	-32.8%
Other income	-	249	(249)	-100.0%
Loss on debt conversions	(1,470)	-	(1,470)	-100.0%
Total other income (expense)	378	(367)	745	203.0%
(Loss) before income taxes	(425)	(1,265)	840	66.4%
Income taxes - current benefit	-	-	-	0.0%
Net (loss)	$(425)	$(1,265)	$840	66.4%

Revenue

Net revenue for the six months ended June 30, 2017 increased $260,000 to $989,000 as compared to $729,000 for the six months June 30, 2016. The increase resulted from increased sales personnel and channels of distribution.

Cost of Goods Sold

Cost of sales for the six months ended June 30, 2017 increased $165,000 to $879,000 as compared to $714,000 for the six months ended June 30, 2016. The increase was due increased sales, offset by lower cost of sales related to favorable product mix and increased supplier discounts.

Gross profit was $110,000 for the six months ended June 30, 2017 as compared to $15,000 for the six months ended June 30, 2016. The gross profit percentage was 11.1% for the six months ended June 30, 2017 as compared to 2.1% for the six months ended June 30, 2016. The gross profit increase was due increased sales, offset by lower cost of sales related to favorable product mix and increased supplier discounts.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2017 were $913,000 as compared to $913,000 for the six months ended June 30, 2016. The variances were as follows: (i) an increase in insurance of $23,000; (ii) an increase in stock based compensation of $25,000; and (iii) and an increase in other expenses of $81,000; offset by (iv) a decrease in legal expense of $71,000; and (v) a decrease in rent of $58,000. As part of the general and administrative expenses for the six months ended June 30, 2017, we did not record any public relation, investor relation or business development expenses.

Non-cash general and administrative expenses for the six months ended June 30, 2017 were $158,000 including (i) depreciation and amortization of $2,000; (ii) stock based compensation of $105,000 related to stock option grants and warrants; and (iii) common stock issued for services of $51,000

Non-cash general and administrative expenses for the six months ended June 30, 2016 was $189,000, with (i) depreciation and amortization of $29,000; (ii) stock based compensation of $33,000 related to stock option grants; and (iii) common stock issued for services of $50,000.

Other Income/ Expense

Other income for the six months ended June 30, 2017 was $378,000 as compared to other expense of $367,000 for the six months ended June 30, 2016. The other income for the six months ended June 30, 2017 included (i) change in derivative liability of $2,164,000; offset by (ii) interest expense of $316,000; and (iii) loss on debt conversions of $1,470,000. The change in derivative liability is the non-cash change in the fair value and relates to our derivative instruments. The non-cash interest related to the amortization of the debt discount associated with our convertible notes and accrued interest expense related to our notes payable. The loss on debt conversions related to the conversion of our notes payable at prices below the market price.

The other expense for the six months ended June 30, 2016 included change in derivative liability of $378,000, interest expense of $238,000, offset by other income of $249,000. The change in derivative liability is the non-cash change in the fair value and relates to our derivative instruments. The non-cash interest related to the amortization of the debt discount associated with our convertible notes, accrued interest expense related to our notes payable.

Net (Loss)

Net loss for the six months ended June 30, 2017 was $425,000 as compared to $1,265,000 for the six months ended June 30, 2016 for the reasons discussed above.

Net loss for the six months ended June 30, 2017 included non-cash expenses of $249,000 including (i) depreciation and amortization of $2,000; (ii) stock based compensation of $105,000 related to stock option grants and warrants; (iii) common stock issued for services of $51,000; (iv) accrued interest and amortization of debt discount on convertible notes payable of $287,000; (v) loss on debt conversions of $1,470,000, offset by (vi) change in derivative liability of $2,164,000.

Net loss for the six months ended June 30, 2016 included non-cash expense of $443,000, including (i) depreciation and amortization of $58,000; (ii) stock based compensation of $66,000 related to stock option grants; (iii) common stock issued for services of $65,000; (iv) change in derivative liability of $378,000; and offset by (v) interest expense of $124,000.

We expect losses to continue as we implement our business plan.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of $78,000 and a net working capital deficit of approximately $2,840,000 (excluding the derivative liability- warrants of $538,000 as of June 30, 2017. We expect losses to continue as we grow our business. Our cash used in operations for the three months ended June 30, 2017 and the years ended December 31, 2016 and 2015 was $934,000, $1,212,000 and $1,376,000, respectively.

Shortly after the SEC suspended trading of our securities on April 10, 2014, some of our primary suppliers rescinded our credit terms and required us to pay cash for our product purchases and pay down our outstanding balance with these suppliers.

We will need to obtain additional financing in the future. There can be no assurance that we will be able to secure funding, or that if such funding is available, the terms or conditions would be acceptable to us. If we are unable to obtain additional financing, we may need to restructure our operations, divest all or a portion of our business or file for bankruptcy.

We have financed our operations through the issuance of convertible debentures and the sale of common stock.

February 1, 2017 Funding Agreements with Chicago Venture Partners, L.P.

On February 1, 2017, we closed the transactions described below with Chicago Venture Partners, L.P. ("Chicago Venture").

Securities Purchase Agreement, Secured Promissory Notes, Membership Interest Pledge Agreement and Security Agreement

On January 9, 2017, the Company executed the following agreements with Chicago Venture: (i) Securities Purchase Agreement; (ii) Secured Promissory Notes; (iii) Membership Interest Pledge Agreement; and (iv) Security Agreement (collectively the "Chicago Venture Agreements"). The Chicago Venture Agreements are attached hereto, collectively, filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on February 7, 2017, and incorporated herein by reference. The Company entered into the Chicago Venture Agreements with the intent of paying its debt, in full, to TCA Global Credit Master Fund, LP ("TCA"), which included any TCA affiliates.

The total amount of funding under the Chicago Venture Agreements is $1,105,000 (the "Debt"). Each Convertible Promissory Note carries an original issue discount of $100,000 and a transaction expense amount of $5,000, for total debt of $1,105,000. The Company agreed to reserve 500,000,000 of its shares of common stock for issuance upon conversion of the Debt, if that occurs in the future. If not converted sooner, the Debt is due on or before January 9, 2018. The Debt carries an interest rate of ten percent (10%). The Debt is convertible, at Chicago Venture's option, into the Company's common stock at $0.009 per share subject to adjustment as provided for in the Secured Promissory Notes attached hereto and incorporated herein by this reference. As of the date of this report, Chicago Venture has funded the entire amount of the Debt.

Chicago Venture's obligation to fund the Debt was secured by Chicago Venture's 60% interest in Typenex Medical, LLC, an Illinois corporation, as provided for in the Membership Pledge Agreement attached hereto and incorporated herein by this reference.

Payment of All TCA Obligations

On January 10, 2017, Chicago Venture, at the Company's instruction, remitted funds of $1,495,901 to TCA in order to satisfy all debts to TCA. On or around January 11, 2017, the Company was notified by TCA that $13,540 were due to TCA in order for TCA to release its security interest in the Company's assets. On February 1, 2017, TCA notified the Company that all funds were received and TCA would release its security interest in Company's assets. TCA has confirmed that it is paid in full and the Company is not aware of any other obligations that the Company has as to TCA. The funds received under the Chicago Venture Agreements and previous Chicago Venture Agreements were used to pay-off TCA.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2017 was $934,000. This amount was primarily related to a net loss of $425,000, (i) a decrease in accounts payable and accrued expenses of $235,000; (ii) a reduction in deferred revenue of $28,000; offset by an increase in inventory of $3,000 and (iv) non-cash expenses of $249,000 including (i) depreciation and amortization of $2,000; (ii) stock based compensation of $105,000 related to stock option grants and warrants; (iii) common stock issued for services of $51,000; (iv) accrued interest and amortization of debt discount on convertible notes payable of $287,000; (v) loss on debt conversions of $1,470,000, offset by (vi) change in derivative liability of $2,164,000.

Financing Activities

Net cash provided by financing activities for the six months ended June 30, 2017 was $909,000. The amount related to funding provided of $2,425,000 by Chicago Venture to us and $1,516,000 paid to TCA to in order to satisfy all debts to TCA.

Our contractual cash obligations as of June 30, 2017 are summarized in the table below:

		Less Than			Greater Than
Contractual Cash Obligations	Total	1 Year	1-3 Years	3-5 Years	5 Years
Operating leases	$267,396	$141,982	$125,414	$-	$-
Convertible notes payable	1,993,825	1,993,825	-	-	-
Capital expenditures	25,000	25,000	-	-	-
	$2,286,221	$2,160,807	$125,414	$-	$-

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

This item is not applicable.

ITEM 4. CONTROLS AND PROCEDURES

a) Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive and principal financial officers concluded as of June 30, 2017, that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in our internal controls over financial reporting discussed immediately below.

Identified Material Weakness

A material weakness in our internal control over financial reporting is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Management identified the following material weakness during its assessment of internal controls over financial reporting:

Audit Committee:

On June 3, 2014, we formed an Audit Committee and appointed an audit committee financial expert as defined by SEC and as adopted under the Sarbanes-Oxley Act of 2002. Prior to this, we did not have an Audit Committee to oversee financial reporting and used external service providers to ensure compliance with the SEC requirements. The current Audit Committee has one independent director. We expect to expand this committee during 2017.

Other Weaknesses:

Our information systems lack sufficient controls limiting access to key applications and data.
Our inventory system lacked standardized product descriptions and effective controls to ensure the accuracy, valuation, and timeliness of the financial accounting process around inventory, including a lack of accuracy and basis for valuation resulting in adjustments to the amount of cost of revenues and the carrying amount of inventory.

b) Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2017, there were no changes in our internal controls over financial reporting during this fiscal quarter, which were identified in connection with our management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that materially affected, or is reasonably likely to have a materially affect, on our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become subject to various legal proceedings that are incidental to the ordinary conduct of its business. Although we cannot accurately predict the amount of any liability that may ultimately arise with respect to any of these matters, it makes provision for potential liabilities when it deems them probable and reasonably estimable. These provisions are based on current information and may be adjusted from time to time according to developments.

Other than those certain legal proceedings as reported in our annual report on Form 10-K filed with the SEC on March 31, 2017, we know of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors.

There are certain inherent risks which will have an effect on the Company's development in the future and the most significant risks and uncertainties known and identified by our management are described below.

Risks Related to Our Business

Risks Associated with Securities Purchase Agreement with Chicago Venture

The Securities Purchase Agreement with Chicago Venture will terminate if we file protection from its creditors, a Registration Statement on Form S-1 is not effective, and our market capitalization or the trading volume of our common stock does not reach certain levels. If terminated, we will be unable to draw down all or substantially all of our $2,500,000 Chicago Venture Note.

Our ability to require Chicago Venture to fund the Chicago Venture Note is at our discretion, subject to certain limitations. Chicago Venture is obligated to fund if each of the following conditions are met; (i) the average and median daily dollar volumes of our common stock for the twenty (20) and sixty (60) trading days immediately preceding the funding date are greater than $100,000; (ii) our market capitalization on the funding date is greater than $17,000,000; (iii) we are not in default with respect to share delivery obligations under the note as of the funding date; and (iv) we are current in its reporting obligations.

There is no guarantee that we will be able to meet the foregoing conditions or any other conditions under the Securities Purchase Agreement and/or Chicago Venture Note or that we will be able to draw down any portion of the amounts available under the Securities Purchase Agreement and/or Chicago Venture Note.

If we not able to draw down all $2,500,000 available under the Securities Purchase Agreement or if the Securities Purchase Agreement is terminated, we may be forced to curtail the scope of our operations or alter our business plan if other financing is not available to us.

Suspension of trading of the Company's securities.

On April 10, 2014, we received notice from the SEC that trading of our common stock on the OTCBB was to be suspended from April 10, 2014 through April 24, 2014. The SEC issued its order pursuant to Section 12(k) of the

Securities Exchange Act of 1934. According to the notice received by us from the SEC: “It appears to the Securities and Exchange Commission that the public interest and the protection of investors require a suspension of trading in the securities of GrowLife, Inc. because of concerns regarding the accuracy and adequacy of information in the marketplace and potentially manipulative transactions in GrowLife’s common stock.” To date, we have not received notice from the SEC that it is being formally investigated.

On February 18, 2016, our common stock resumed unsolicited quotation on the OTC Bulletin Board after receiving clearance from the Financial Industry Regulatory Authority (“FINRA”) on our Form 15c2-11. We are currently taking the appropriate steps to uplist to the OTCQB Exchange and resume priced quotations with market makers as soon as it is able.

The suspension of trading eliminated our market makers, resulted in our trading on the grey sheets, resulted in legal proceedings and restricted our access to capital. This action had a material adverse effect on our business, financial condition and results of operations. If we are unable to obtain additional financing when it is needed, we will need to restructure our operations, and divest all or a portion of our business.

We are involved in Legal Proceedings.

We are involved in the disputes and legal proceedings as discussed in our annual report on Form 10-K filed March 31, 2017. In addition, as a public company, we are also potentially susceptible to litigation, such as claims asserting violations of securities laws. Any such claims, with or without merit, if not resolved, could be time-consuming and result in costly litigation. There can be no assurance that an adverse result in any future proceeding would not have a potentially material adverse on our business, results of operations or financial condition.

Our Joint Venture Agreement with CANX USA, LLC may be important to our operations.

On November 19, 2013, we entered into a Joint Venture Agreement with CANX, a Nevada limited liability company. Under the terms of the Joint Venture Agreement, the Company and CANX formed Organic Growth International, LLC (“OGI”), a Nevada limited liability company, for the purpose of expanding our operations in its current retail hydroponic businesses and in other synergistic business verticals and facilitating additional funding for commercially financeable transactions of up to $40,000,000.

We initially owned a non-dilutive 45% share of OGI and the Company could acquire a controlling share of OGI as provided in the Joint Venture Agreement. In accordance with the Joint Venture Agreement, the Company and CANX entered into a Warrant Agreement whereby the we delivered to CANX a warrant to purchase 140,000,000 shares of our common stock that is convertible at $0.033 per share, subject to adjustment as provided in the warrant. The five-year warrant expires November 18, 2018. Also in accordance with the Joint Venture Agreement, on February 7, 2014, the Company issued an additional warrant to purchase 100,000,000 shares of our common stock that is convertible at $0.033 per share, subject to adjustment as provided in the warrant. The five-year warrant expires February 6, 2019.

GrowLife received the $1 million as a convertible note in December 2013, received the $1.3 million commitment but not executed and by January 2014 OGI had Letters of Intent with four investment and acquisition transactions valued at $96 million. Before the deals could close, the SEC put a trading halt on our stock on April 10, 2014, which resulted in the withdrawal of all transactions. The business disruption from the trading halt and the resulting class action and derivative lawsuits ceased further investments with the OGI joint venture. The Convertible Note was converted into our common stock as of the year ended December 31, 2016.

On July 10, 2014, we closed a Waiver and Modification Agreement, Amended and Restated Joint Venture Agreement, Secured Credit Facility and Secured Convertible Note with CANX and Logic Works LLC, a lender and shareholder of the Company.

The Amended and Restated Joint Venture Agreement with CANX modified the Joint Venture Agreement dated November 19, 2013 to provide for (i) up to $12,000,000 in conditional financing subject to review by GrowLife and approval by OGI for business growth development opportunities in the legal cannabis industry for up to nine months, subject to extension; (ii) up to $10,000,000 in working capital loans with each loaning requiring approval in advance by CANX; (iii) confirmed that the five year warrants, subject to adjustment, at $0.033 per share for the purchase of 140,000,000 and 100,000,000 were fully earned and were not considered compensation for tax purposes by the Company; (iv) granted CANX five year warrants, subject to adjustment, to purchase 300,000,000 shares of common stock at the fair market price of $0.033 per share as determined by an independent appraisal; (v) warrants as defined in the Agreement related to the achievement of OGI milestones; and (vi) a four year term, subject to adjustment.

We entered into a Secured Convertible Note and Secured Credit Facility dated June 25, 2014 with Logic Works whereby Logic Works agreed to provide up to $500,000 in funding. Each funding required approval in advance by Logic Works, provides for interest at 6% with a default interest of 24% per annum and required repayment by June 26, 2016. The Note is convertible into common stock of the Company at the lesser of $0.0070 or (B) twenty percent (20%) of the average of the three (3) lowest daily VWAPs occurring during the twenty (20) consecutive Trading Days immediately preceding the applicable conversion date on which Logic Works elects to convert all or part of this 6% Convertible Note, subject to adjustment as provided in the Note. The 6% Convertible Note is collateralized by the assets of the Company. As of June 30, 2017, the outstanding balance on the Convertible Note was $39,251.

Failure to operate in accordance with the Agreements with CANX could result in the cancellation of these agreements, result in foreclosure on our assets in event of default and would have a material adverse effect on our business, results of operations or financial condition.

Our proposed business is dependent on laws pertaining to the marijuana industry.

Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

Currently, twenty eight states and the District of Columbia allow its citizens to use medical marijuana. Additionally, seven states have legalized cannabis for adult use. The state laws are in conflict with the federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The Obama administration previously effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. The Trump administration position is unknown. However, there is no guarantee that the Trump administration will not change current policy regarding the low-priority enforcement of federal laws. Additionally, any new administration that follows could change this policy and decide to enforce the federal laws strongly. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to us and its shareholders.

Further, while we do not harvest, distribute or sell marijuana, by supplying products to growers of marijuana, we could be deemed to be participating in marijuana cultivation, which remains illegal under federal law, and exposes us to potential criminal liability, with the additional risk that our business could be subject to civil forfeiture proceedings.

The marijuana industry faces strong opposition.

It is believed by many that large, well-funded businesses may have a strong economic opposition to the marijuana industry. We believe that the pharmaceutical industry clearly does not want to cede control of any product that could generate significant revenue. For example, medical marijuana will likely adversely impact the existing market for the current “marijuana pill” sold by mainstream pharmaceutical companies. Further, the medical marijuana industry could face a material threat from the pharmaceutical industry, should marijuana displace other drugs or encroach upon the pharmaceutical industry’s products. The pharmaceutical industry is well funded with a strong and experienced lobby that eclipses the funding of the medical marijuana movement. Any inroads the pharmaceutical industry could make in halting or impeding the marijuana industry harm our business, prospects, results of operation and financial condition.

Marijuana remains illegal under Federal law.

Marijuana is a Schedule-I controlled substance and is illegal under federal law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana preempts state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm our business, prospects, results of operation and financial condition.

Raising additional capital to implement our business plan and pay our debts will cause dilution to our existing stockholders, require us to restructure our operations, and divest all or a portion of our business.

We need additional financing to implement our business plan and to service our ongoing operations and pay our current debts. There can be no assurance that we will be able to secure any needed funding, or that if such funding is available, the terms or conditions would be acceptable to us.

If we raise additional capital through borrowing or other debt financing, we may incur substantial interest expense. Sales of additional equity securities will dilute on a pro rata basis the percentage ownership of all holders of common stock. When we raise more equity capital in the future, it will result in substantial dilution to our current stockholders.

If we are unable to obtain additional financing when it is needed, we will need to restructure our operations, and divest all or a portion of our business.

Potential Convertible Note Defaults.

Several of the Company’s convertible promissory notes remain outstanding beyond their respective maturity dates. This may trigger an event of default under the respective agreements. The Company is working with these noteholders to convert their notes into common stock and intends to resolve these outstanding issues as soon as practicable. Any default could have a significant adverse effect on our cash flows and should we be unsuccessful in negotiating an extension or other modification, we may have to restructure our operations, divest all or a portion of its business, or file for bankruptcy.

Closing of bank accounts could have a material adverse effect on our business, financial condition and/or results of operations.

As a result of the regulatory environment, we have experienced the closing of several of our bank accounts since March 2014. We have been able to open other bank accounts. However, we may have other banking accounts closed. These factors impact management and could have a material adverse effect on our business, financial condition and/or results of operations.

Federal regulation and enforcement may adversely affect the implementation of medical marijuana laws and regulations may negatively impact our revenues and profits.

Currently, there are twenty eight states plus the District of Columbia that have laws and/or regulation that recognize in one form or another legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many 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. Active enforcement of the current federal regulatory position on cannabis on a regional or national basis may directly and adversely affect the willingness of customers of GrowLife to invest in or buy products from GrowLife that may be used in connection with cannabis. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect revenues and profits of the GrowLife companies.

Our history of net losses has raised substantial doubt regarding our ability to continue as a going concern. If we do not continue as a going concern, investors could lose their entire investment.

Our history of net losses has raised substantial doubt about our ability to continue as a going concern, and as a result, our independent registered public accounting firm included an explanatory paragraph in its report on our financial statements as of and for the year ended December 31, 2016 and 2015 with respect to this uncertainty. Accordingly, our ability to continue as a going concern will require us to seek alternative financing to fund our operations. This going concern opinion could materially limit our ability to raise additional funds through the issuance of new debt or equity securities or otherwise. Future reports on our financial statements may include an explanatory paragraph with respect to our ability to continue as a going concern.

We have a history of operating losses and there can be no assurance that we can again achieve or maintain profitability.

We have experienced net losses since inception. As of June 30, 2017, we had an accumulated deficit of $124.8 million. There can be no assurance that we will achieve or maintain profitability.

We are subject to corporate governance and internal control reporting requirements, and our costs related to compliance with, or our failure to comply with existing and future requirements, could adversely affect our business.

We must comply with corporate governance requirements under the Sarbanes-Oxley Act of 2002 and the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010, as well as additional rules and regulations currently in place and that may be subsequently adopted by the SEC and the Public Company Accounting Oversight Board. These laws, rules, and regulations continue to evolve and may become increasingly stringent in the future. We are required to include management’s report on internal controls as part of our annual report pursuant to Section 404 of the Sarbanes-Oxley Act. We strive to continuously evaluate and improve our control structure to help ensure that we comply with Section 404 of the Sarbanes-Oxley Act. The financial cost of compliance with these laws, rules, and regulations is expected to remain substantial.

We cannot assure you that we will be able to fully comply with these laws, rules, and regulations that address corporate governance, internal control reporting, and similar matters. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition, and the value of our securities.

Our management has concluded that we have material weaknesses in our internal controls over financial reporting and that our disclosure controls and procedures are not effective.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting. During the review of our financial statements for the year ended June 30, 2017, our management identified material weaknesses in our internal control over financial reporting. If these weaknesses continue, investors could lose confidence in the accuracy and completeness of our financial reports and other disclosures.

Our inability to effectively manage our growth could harm our business and materially and adversely affect our operating results and financial condition.

Our strategy envisions growing our business. We plan to expand our product, sales, administrative and marketing organizations. Any growth in or expansion of our business is likely to continue to place a strain on our management and administrative resources, infrastructure and systems. As with other growing businesses, we expect that we will need to further refine and expand our business development capabilities, our systems and processes and our access to financing sources. We also will need to hire, train, supervise and manage new and retain contributing employees. These processes are time consuming and expensive, will increase management responsibilities and will divert management attention. We cannot assure you that we will be able to:

- expand our products effectively or efficiently or in a timely manner;
- allocate our human resources optimally;
- meet our capital needs;
- identify and hire qualified employees or retain valued employees; or
- incorporate effectively the components of any business or product line that we may acquire in our effort to achieve growth.

Our inability or failure to manage our growth and expansion effectively could harm our business and materially and adversely affect our operating results and financial condition.

Our operating results may fluctuate significantly based on customer acceptance of our products. As a result, period-to-period comparisons of our results of operations are unlikely to provide a good indication of our future performance. Management expects that we will experience substantial variations in our net sales and operating results from quarter to quarter due to customer acceptance of our products. If customers don't accept our products, our sales and revenues will decline, resulting in a reduction in our operating income.

Customer interest for our products could also be impacted by the timing of our introduction of new products. If our competitors introduce new products around the same time that we issue new products, and if such competing products are superior to our own, customers' desire for our products could decrease, resulting in a decrease in our sales and revenues. To the extent that we introduce new products and customers decide not to migrate to our new products from our older products, our revenues could be negatively impacted due to the loss of revenue from those customers. In the event that our newer products do not sell as well as our older products, we could also experience a reduction in our revenues and operating income.

As a result of fluctuations in our revenue and operating expenses that may occur, management believes that period-to-period comparisons of our results of operations are unlikely to provide a good indication of our future performance.

If we do not successfully generate additional products and services, or if such products and services are developed but not successfully commercialized, we could lose revenue opportunities.

Our future success depends, in part, on our ability to expand our product and service offerings. To that end we have engaged in the process of identifying new product opportunities to provide additional products and related services to our customers. The process of identifying and commercializing new products is complex and uncertain, and if we fail to accurately predict customers' changing needs and emerging technological trends our business could be harmed. We may have to commit significant resources to commercializing new products before knowing whether our investments will result in products the market will accept. Furthermore, we may not execute successfully on commercializing those products because of errors in product planning or timing, technical hurdles that we fail to overcome in a timely fashion, or a lack of appropriate resources. This could result in competitors providing those solutions before we do and a reduction in net sales and earnings.

The success of new products depends on several factors, including proper new product definition, timely completion and introduction of these products, differentiation of new products from those of our competitors, and market acceptance of these products. There can be no assurance that we will successfully identify new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of our products or that products and technologies developed by others will not render our products or technologies obsolete or noncompetitive.

Our future success depends on our ability to grow and expand our customer base. Our failure to achieve such growth or expansion could materially harm our business.

To date, our revenue growth has been derived primarily from the sale of our products and through the purchase of existing businesses. Our success and the planned growth and expansion of our business depend on us achieving greater and broader acceptance of our products and expanding our customer base. There can be no assurance that customers will purchase our products or that we will continue to expand our customer base. If we are unable to effectively market or expand our product offerings, we will be unable to grow and expand our business or implement our business strategy. This could materially impair our ability to increase sales and revenue and materially and adversely affect our margins, which could harm our business and cause our stock price to decline.

If we incur substantial liability from litigation, complaints, or enforcement actions resulting from misconduct by our distributors, our financial condition could suffer. We will require that our distributors comply with applicable law and with our policies and procedures. Although we will use various means to address misconduct by our distributors, including maintaining these policies and procedures to govern the conduct of our distributors and conducting training seminars, it will still be difficult to detect and correct all instances of misconduct. Violations of applicable law or our policies and procedures by our distributors could lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or foreign regulatory authorities against us and/or our distributors. Litigation, complaints, and enforcement actions involving us and our distributors could consume considerable amounts of financial and other corporate resources, which could have a negative impact on our sales, revenue, profitability and growth prospects. As we are currently in the process of implementing our direct sales distributor program, we have not been, and are not currently, subject to any material litigation, complaint or enforcement action regarding distributor misconduct by any federal, state or foreign regulatory authority.

Our future manufacturers could fail to fulfill our orders for products, which would disrupt our business, increase our costs, harm our reputation and potentially cause us to lose our market.

We may depend on contract manufacturers in the future to produce our products. These manufacturers could fail to produce products to our specifications or in a workmanlike manner and may not deliver the units on a timely basis. Our manufacturers may also have to obtain inventories of the necessary parts and tools for production. Any change in manufacturers to resolve production issues could disrupt our ability to fulfill orders. Any change in manufacturers to resolve production issues could also disrupt our business due to delays in finding new manufacturers, providing specifications and testing initial production. Such disruptions in our business and/or delays in fulfilling orders would harm our reputation and would potentially cause us to lose our market.

Our inability to effectively protect our intellectual property would adversely affect our ability to compete effectively, our revenue, our financial condition and our results of operations.

We may be unable to obtain intellectual property rights to effectively protect our business. Our ability to compete effectively may be affected by the nature and breadth of our intellectual property rights. While we intend to defend against any threats to our intellectual property rights, there can be no assurance that any such actions will adequately protect our interests. If we are unable to secure intellectual property rights to effectively protect our technology, our revenue and earnings, financial condition, and/or results of operations would be adversely affected.

We may also rely on nondisclosure and non-competition agreements to protect portions of our technology. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, that third parties will not otherwise gain access to our trade secrets or proprietary knowledge, or that third parties will not independently develop the technology.

We do not warrant any opinion as to non-infringement of any patent, trademark, or copyright by us or any of our affiliates, providers, or distributors. Nor do we warrant any opinion as to invalidity of any third-party patent or unpatentability of any third-party pending patent application.

Our industry is highly competitive and we have less capital and resources than many of our competitors, which may give them an advantage in developing and marketing products similar to ours or make our products obsolete.

We are involved in a highly competitive industry where we may compete with numerous other companies who offer alternative methods or approaches, may have far greater resources, more experience, and personnel perhaps more qualified than we do. Such resources may give our competitors an advantage in developing and marketing products similar to ours or products that make our products obsolete. There can be no assurance that we will be able to successfully compete against these other entities.

Transfers of our securities may be restricted by virtue of state securities “blue sky” laws, which prohibit trading absent compliance with individual state laws. These restrictions may make it difficult or impossible to sell shares in those states.

Transfers of our common stock may be restricted under the securities or securities regulations laws promulgated by various states and foreign jurisdictions, commonly referred to as "blue sky" laws. Absent compliance with such individual state laws, our common stock may not be traded in such jurisdictions. Because the securities held by many of our stockholders have not been registered for resale under the blue sky laws of any state, the holders of such shares and persons who desire to purchase them should be aware that there may be significant state blue sky law restrictions upon the ability of investors to sell the securities and of purchasers to purchase the securities. These restrictions may prohibit the secondary trading of our common stock. Investors should consider the secondary market for our securities to be a limited one.

We are dependent on key personnel and we are default under Employment and Consulting Agreements

Our success depends to a significant degree upon the continued contributions of key management and other personnel, some of whom could be difficult to replace. We do not maintain key man life insurance covering our officers. Our success will depend on the performance of our officers and key management and other personnel, our ability to retain and motivate our officers, our ability to integrate new officers and key management and other personnel into our operations, and the ability of all personnel to work together effectively as a team. Our failure to retain and recruit officers and other key personnel could have a material adverse effect on our business, financial condition and results of operations.

We have limited insurance.

We have no directors' and officers' liability insurance and limited commercial liability insurance policies. Any significant claims would have a material adverse effect on our business, financial condition and results of operations.

Risks Related to our Common Stock

CANX and Chicago Venture could have significant influence over matters submitted to stockholders for approval.

CANX and Logic Works

As of June 30, 2017, CANX holds shares representing approximately 21.7% of our common stock on a fully-converted basis and could be considered a control group for purposes of SEC rules. However, their agreements limit their ownership to 4.99% individually and each of the parties disclaims its status as a control group or a beneficial owner due to the fact that their beneficial ownership is limited to 4.99% per their agreements. Beneficial ownership includes shares over which an individual or entity has investment or voting power and includes shares that could be issued upon the exercise of options and warrants within 60 days after the date of determination.

TCA and Chicago Venture

As a result of funding from Chicago Venture as previously detailed, they exercise significant control over us.

If these persons were to choose to act together, they would be able to significantly influence all matters submitted to our stockholders for approval, as well as our officers, directors, management and affairs. For example, these persons, if they choose to act together, could significantly influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of voting power could delay or prevent an acquisition of us on terms that other stockholders may desire.

Trading in our stock is limited by the lack of market makers and the SEC's penny stock regulations.

On April 10, 2014, as a result of the SEC suspension in the trading of our securities, we lost all market makers and traded on the grey market of OTCBB. Until we complied with FINRA Rule 15c2-11, we traded on the grey market, which has limited quotations and marketability of securities. Holders of our common stock found it more difficult to dispose of, or to obtain accurate quotations as to the market value of, our common stock, and the market value of our common stock declined.

On February 18, 2016, our common stock resumed unsolicited quotation on the OTC Bulletin Board after receiving clearance from the Financial Industry Regulatory Authority ("FINRA") on our Form 15c2-11. We are currently taking the appropriate steps to uplist to the OTCQB Exchange and resume priced quotations with market makers as soon as it is able.

Our stock is categorized as a penny stock The SEC has adopted Rule 15g-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than US$ 5.00 per share or an exercise price of less than US $5.00 per share, subject to certain exclusions (e.g., net tangible assets in excess of $2,000,000 or average revenue of at least $6,000,000 for the last three years). The penny stock rules impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. Finally, broker-dealers may not handle penny stocks under $0.10 per share.

These disclosure requirements reduce the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules would affect the ability of broker-dealers to trade our securities if we become subject to them in the future. The penny stock rules also could discourage investor interest in and limit the marketability of our common stock to future investors, resulting in limited ability for investors to sell their shares.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our stock.

In addition to the “penny stock” rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

The market price of our common stock may be volatile.

The market price of our common stock has been and is likely in the future to be volatile. Our common stock price may fluctuate in response to factors such as:

Halting of trading by the SEC or FINRA.

Announcements by us regarding liquidity, legal proceedings, significant acquisitions, equity investments and divestitures, strategic relationships, addition or loss of significant customers and contracts, capital expenditure commitments, loan, note payable and agreement defaults, loss of our subsidiaries and impairment of assets,

Issuance of convertible or equity securities for general or merger and acquisition purposes,

Issuance or repayment of debt, accounts payable or convertible debt for general or merger and acquisition purposes,

Sale of a significant number of shares of our common stock by shareholders,

General market and economic conditions,

Quarterly variations in our operating results,

Investor relation activities,

Announcements of technological innovations,

New product introductions by us or our competitors,

Competitive activities, and

Additions or departures of key personnel.

These broad market and industry factors may have a material adverse effect on the market price of our common stock, regardless of our actual operating performance. These factors could have a material adverse effect on our business, financial condition, and/or results of operations.

The sale of a significant number of our shares of common stock could depress the price of our common stock.

Sales or issuances of a large number of shares of common stock in the public market or the perception that sales may occur could cause the market price of our common stock to decline. As of June 30, 2017, there were approximately 2.028 billion shares of our common stock issued and outstanding. In addition, as of June 30, 2017, there are also (i) stock option grants outstanding for the purchase of 14.010 million common shares at a $0.010 average exercise price; (ii) warrants for the purchase of 595 million common shares at a $0.031 average exercise price; and (iii) 134.4 million shares related to convertible debt that can be converted at 0.0036 per share. During the six months ended June 30, 2017, Chicago Venture converted principal and accrued interest of $1,709,889 into 286,623,113 shares of our common stock at a per share conversion price of $0.0063; and (iii) Logic Works converted principal and interest of $291,044 into 82,640,392 shares of our common stock at a per share conversion price of $.004.

In addition, we have an unknown number of common shares to be issued under the Chicago Venture financing agreements because the number of shares ultimately issued to Chicago Venture depends on the price at which Chicago

Venture converts its debt to shares. The lower the conversion price, the more shares that will be issued to Chicago Venture upon the conversion of debt to shares. We won't know the exact number of shares of stock issued to Chicago Venture until the debt is actually converted to equity. If all stock option grant and warrant and contingent shares are issued, approximately 2.682 billion of our currently authorized 3 billion shares of common stock will be issued and outstanding. For purposes of estimating the number of shares issuable upon the exercise/conversion of all stock options, warrants and contingent shares, we assumed the number of shares and average share prices detailed above.

These stock option grant, warrant and contingent shares could result in further dilution to common stock holders and may affect the market price of the common stock.

Significant shares of common stock are held by our principal shareholders, other Company insiders and other large shareholders. As affiliates as defined under Rule 144 of the Securities Act or Rule 144 of the Company, our principal shareholders, other Company insiders and other large shareholders may only sell their shares of common stock in the public market pursuant to an effective registration statement or in compliance with Rule 144.

Some of the present shareholders have acquired shares at prices as low as $0.007 per share, whereas other shareholders have purchased their shares at prices ranging from $0.0036 to $0.78 per share.

These stock option grant, warrant and contingent shares could result in further dilution to common stock holders and may affect the market price of the common stock.

Some of our convertible debentures may require adjustment in the conversion price.

Our 7% Convertible Notes Payable and our 6% Convertible Secured Convertible Notes may require an adjustment in the current conversion price of $0.0036 per share if we issue common stock, warrants or equity below the price that is reflected in the convertible notes payable. The conversion price of the convertible notes will have an impact on the market price of our common stock. Specifically, if under the terms of the convertible notes the conversion price goes down, then the market price, and ultimately the trading price, of our common stock will go down. If under the terms of the convertible notes the conversion price goes up, then the market price, and ultimately the trading price, of our common stock will likely go up. In other words, as the conversion price goes down, so does the market price of our stock. As the conversion price goes up, so presumably does the market price of our stock. The more the conversion price goes down, the more shares are issued upon conversion of the debt which ultimately means the more stock that might flood into the market, potentially causing a further depression of our stock.

We do not anticipate paying any cash dividends on our capital stock in the foreseeable future.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business, and we do not anticipate paying any cash dividends on our capital stock in the foreseeable future. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Anti-takeover provisions may limit the ability of another party to acquire our company, which could cause our stock price to decline.

Our certificate of incorporation, as amended, our bylaws and Delaware law contain provisions that could discourage, delay or prevent a third party from acquiring our company, even if doing so may be beneficial to our stockholders. In addition, these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

We may issue preferred stock that could have rights that are preferential to the rights of common stock that could discourage potentially beneficially transactions to our common shareholders.

An issuance of additional shares of preferred stock could result in a class of outstanding securities that would have preferences with respect to voting rights and dividends and in liquidation over our common stock and could, upon conversion or otherwise, have all of the rights of our common stock. Our Board of Directors' authority to issue preferred stock could discourage potential takeover attempts or could delay or prevent a change in control through merger, tender offer, proxy contest or otherwise by making these attempts more difficult or costly to achieve. The issuance of preferred stock could impair the voting, dividend and liquidation rights of common stockholders without their approval.

If the company were to dissolve or wind-up, holders of our common stock may not receive a liquidation preference.

If we were too wind-up or dissolve the Company and liquidate and distribute our assets, our shareholders would share ratably in our assets only after we satisfy any amounts we owe to our creditors. If our liquidation or dissolution were attributable to our inability to profitably operate our business, then it is likely that we would have material liabilities at the time of liquidation or dissolution. Accordingly, we cannot give you any assurance that sufficient assets will remain available after the payment of our creditors to enable you to receive any liquidation distribution with respect to any shares you may hold.

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

Unless otherwise indicated, all of the following sales or issuances of Company securities were conducted under the exemption from registration as provided under Section 4(2) of the Securities Act of 1933 (and also qualified for exemption under 4(5), formerly 4(6) of the Securities Act of 1933, except as noted below). All of the shares issued were issued in transactions not involving a public offering, are considered to be restricted stock as defined in Rule 144 promulgated under the Securities Act of 1933 and stock certificates issued with respect thereto bear legends to that effect.

We have compensated consultants and service providers with restricted common stock during the development of our business and when our capital resources were not adequate to provide payment in cash.

During the three months ended June 30, 2017, we had the following sales of unregistered of equity securities to accredited investors unless otherwise indicated:

On April 27, 2017, we issued 1,000,000 shares of our common stock to Michael E. Fasci, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, we issued 2,000,000 shares of our common stock to Michael E. Fasci, a Board Director, pursuant to a consulting agreement for $18,000. The shares were valued at the fair market price of $0.009 per share.

On April 27, 2017, we issued 1,000,000 shares of our common stock to Katherine McLain, a Board Director, pursuant to a service award for $9,000. The shares were valued at the fair market price of $0.009 per share.

During the three months ended June 30, 2017, Chicago Venture converted principal and accrued interest of $1,703,000 into 79,433,916 shares of our common stock at a per share conversion price of $0.0057.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have been no events which are required to be reported under this item.

ITEM 4. MINE SAFETY DISCLOSURES

N/A.

ITEM 5. OTHER INFORMATION

This item is not applicable.

ITEM 6. EXHIBITS

The exhibits required to be filed herewith by Item 601 of Regulation S-K, as described in the following index of exhibits, are attached hereto unless otherwise indicated as being incorporated by reference, as follows:

(a)
Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation. Filed as an exhibit to the Company's Form 10-SB General Form for Registration of Securities of Small Business Issuers filed with the SEC on December 7, 2007, and hereby incorporated by reference.
3.2	Amended and Restated Bylaws. Filed as an exhibit to the Company's Form 8-K filed with the SEC on June 9, 2014, and hereby incorporated by reference.
3.3	Second Amended and Restated Bylaws of GrowLife, Inc. dated October 16, 2015. Filed as an exhibit to the Company's Form 8-K and filed with the SEC on October 26, 2015, and hereby incorporated by reference.
3.4	Certificate of Designation for Series B Preferred Stock. Filed as an exhibit to the Company's Form 8-K and filed with the SEC on October 29, 2015, and hereby incorporated by reference.
3.5	Certificate of Designation for Series C Preferred Stock. Filed as an exhibit to the Company's Form 8-K and filed with the SEC on October 29, 2015, and hereby incorporated by reference.
4.1	GrowLife, Inc. 2011 Stock Incentive Plan filed as an exhibit to the Company's Registration Statement on Form S-1 filed with the SEC on June 8, 2011, and hereby incorporated by reference.
10.1	Compilation of Securities Purchase Agreement, Secured Promissory Notes, Membership Interest Pledge Agreement and Security Agreement. dated February 1, 2017, entered into by and between GrowLife, Inc. and Chicago Venture Partners, L.P. Filed as an exhibit to the Company's Form 8-K and filed with the SEC on February 7, 2017, and hereby incorporated by reference.

31.01	Certification of Principal Executive Officer Pursuant to Rule 13a-14 Filed herewith.
31.02	Certification of Principal Financial Officer Pursuant to Rule 13a-14 Filed herewith.
32.01	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Filed herewith.
32.02	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act Filed herewith.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

*Filed Herewith. Pursuant to Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with Section 13 or 15(d) requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GROWLIFE, INC.
(Registrant)

Date: August 11, 2017	By:	/s/ Marco Hegyi Marco Hegyi Chief Executive Officer and Chairman of the Board (Principal Executive Officer)
Date: August 11, 2017	By:	/s/ Mark Scott Mark Scott Consulting Chief Financial Officer (Principal Financial and Accounting Officer)