

Terra Tech Corp.  
Form 10-Q  
November 09, 2015

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 000-54258**

**TERRA TECH CORP.**

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(Exact name of registrant as specified in its charter)

**NEVADA**  
(State or other jurisdiction of  
incorporation or organization)

**26-3062661**  
(I.R.S. Employer  
Identification No.)

**4700 Von Karman, Suite 110**

**Newport Beach, California 92660**

(Address of principal executive offices)

(ZIP Code)

**(855) 447-6967**

(Registrant's telephone number, including area code)

**N/A**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No "

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

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

Large accelerated filer	..	Accelerated filer	..
Non-accelerated filer	..	Smaller reporting company	x

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of November 5, 2015, there were 285,383,674 shares of common stock outstanding, 100 shares of Series A Preferred Stock, convertible at any time into 100 shares of common stock, 16,300,000 shares of Series B Preferred Stock, convertible into 87,763,363 shares of common stock, and 33,026,008 shares of common stock issuable upon the exercise of all of our outstanding warrants.

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**TERRA TECH CORP.**  
**CONSOLIDATED CONDENSED BALANCE SHEETS**

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Current Assets:		
Cash	\$ 1,367,636	\$ 846,650
Accounts receivable, net	688,630	417,463
Prepaid expenses	83,273	82,200
Inventory	664,387	670,180
Total Current Assets	2,803,926	2,016,493
Property, equipment and leasehold improvements, net	5,587,501	5,446,743
Intangible assets, net	129,552	161,412
Deposits	117,650	94,578
Total Assets	\$ 8,638,629	\$ 7,719,226
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,237,046	\$ 573,721
Derivative liability	735,500	1,253,000
Short-term debt	1,233,361	4,615,547
Total Current Liabilities	3,205,907	6,442,268
Long-term debt, net of unamortized debt discount	261,790	-
Total Liabilities	3,467,697	6,442,268
Commitment and Contingencies		
Stockholders' Equity		
Preferred stock, Convertible Series A, Par value \$0.001; authorized and issued 100 shares as of September 30, 2015 and December 31, 2014, respectively	-	-
Preferred stock, Convertible Series B, Par value \$0.001; authorized 24,999,900 shares; issued and outstanding 16,300,000 and 15,500,000 shares as of September 30, 2015 and December 31, 2014, respectively	16,300	15,500
Common stock, Par value \$0.001; authorized 350,000,000 shares; issued 269,637,561 and 197,532,892 shares as of September 30, 2015 and December 31, 2014, respectively	269,638	197,533
Additional paid-in capital	48,838,543	38,081,784
Accumulated Deficit	(43,517,786)	(36,726,529)
Total Terra Tech Corp. stockholders' equity	5,606,695	1,568,288
Non-controlling interest	(435,763)	(291,330)
Total Stockholders' Equity	5,170,932	1,276,958

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Total Liabilities and Stockholders' Equity	\$	8,638,629	\$	7,719,226
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The accompanying notes are an integral part of the consolidated condensed financial statements.

## TERRA TECH CORP.

## CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total Revenues	\$ 2,018,351	\$ 1,314,973	\$ 7,805,994	\$ 5,587,093
Cost of Goods Sold	1,648,545	1,251,035	6,944,859	5,620,702
	369,806	63,938	861,135	(33,609)
Selling, general and administrative expenses	2,099,314	8,035,171	7,792,445	14,131,053
Loss from operations	(1,729,508)	(7,971,233)	(6,931,310)	(14,164,662)
Other Income (Expenses)				
Amortization of debt discount	(258,306)	-	(524,161)	-
Loss on extinguishment of debt	(263,950)	-	(263,950)	-
Loss from derivatives issued with debt greater than debt carrying value	-	(2,248,000)	(561,000)	(4,808,000)
Gain (Loss) on fair market valuation of derivatives	372,400	1,085,505	1,779,600	817,680
Interest Expense	(108,563)	(387,720)	(426,793)	(838,033)
Total Other Income (Expense)	(258,419)	(1,550,215)	3,696	(4,828,353)
Loss before Provision of Income Taxes	(1,987,927)	(9,521,448)	(6,927,614)	(18,993,015)
Provision for income taxes	3,000	-	8,076	-
Net Loss	(1,990,927)	(9,521,448)	(6,935,690)	(18,993,015)
Net Loss attributable to non-controlling interest	32,760	-	144,433	-
Net Loss attributable to Terra Tech Corp.	\$ (1,958,167)	\$ (9,521,448)	\$ (6,791,257)	\$ (18,993,015)
Net Loss per Common Share attributable to Terra Tech Corp. common stockholders - Basic and Dilutes				
	\$ (0.01)	\$ (0.05)	\$ (0.03)	\$ (0.11)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted				
	252,220,146	181,233,509	224,483,147	168,742,609

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





## TERRA TECH CORP.

## CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

(Unaudited)

	For the Nine Months Ended	
	September 30, 2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (6,791,257)	\$ (18,993,015)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) loss on fair market valuation of derivatives	(1,779,600)	(817,680)
Loss on extinguishment of debt	263,950	-
Amortization of debt discount	524,161	-
Depreciation and amortization	481,321	310,473
Warrants issued with common stock and debt	1,148,069	5,038,986
Stock issued for interest expense	-	284,101
Stock issued for compensation	680,630	1,657,860
Stock issued for services	656,186	2,900,368
Equity instruments issued with debt greater than debt carrying amount	561,000	4,808,000
Change in accounts receivable reserve	169,683	(1,391)
Changes in operating assets and liabilities:		
Accounts receivable	(440,850)	(149,538)
Prepaid expenses	(1,073)	(85,924)
Inventory	5,793	(91,271)
Note receivable	-	173,754
Deposits	(23,072)	(152,547)
Accounts payable	1,138,463	(749,479)
Net cash used in operations	(3,406,596)	(5,867,303)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(590,219)	(1,989,237)
Purchase of intangible assets - domain names	-	(11,500)
Net cash used in investing activities	(590,219)	(2,000,737)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of notes payable	1,650,000	7,344,737
Proceeds from issuance of notes payable to related parties	-	27,500
Payments on notes payable	-	(300,000)
Payments on notes payable to related parties	-	(130,000)
Proceeds from issuance of common stock and warrants and common stock subscribed	3,012,234	4,014,919
Proceeds from issuance of common stock from the exercise of warrants	-	293,420
Short swing profit payment	-	67,100
Payments by subsidiaries for non-controlling interest	(144,433)	-
Net cash provided by financing activities	4,517,801	11,317,676

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NET CHANGE IN CASH AND CASH EQUIVALENTS	520,986	3,449,636
CASH AND CASH EQUIVALENTS, beginning of period	846,650	26,943
CASH AND CASH EQUIVALENTS, end of period	\$ 1,367,636	\$ 3,476,579

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

**TERRA TECH CORP.**

**CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS**

**(Unaudited)**

**For the Nine Months Ended**

**September 30,**

**2015                      2014**

**SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES**

Cash paid for interest	\$	-	\$	285,371
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**SUPPLEMENTAL DISCLOSURE FOR FINANCING ACTIVITIES**

Warrant expense	\$	1,148,069	\$	5,038,986
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The accompanying notes are an integral part of the consolidated condensed financial statements.

**TERRA TECH CORP.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

References in this document to "the Company", "Terra Tech", "we", "us", or "our" are intended to mean Terra Tech Corp., individually, or as the context requires, collectively with its subsidiaries on a consolidated basis.

We were incorporated in Nevada on July 22, 2008, under the name Private Secretary, Inc. Our original business was developing a software program that would allow for automatic call processing through voice-over-Internet protocol, or "VoIP", technology. Our operations were limited to capital formation, organization, and development of our business plan and target customer market. We generated no revenue.

We changed our name to Terra Tech Corp. on January 27, 2012. Through our wholly-owned subsidiary, GrowOp Technology Ltd., a Nevada corporation ("GrowOp Technology"), we engage in the design, marketing, and sale of hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture. We are also a wholesale seller of locally grown hydroponic produce through our wholly-owned subsidiary, Edible Garden Corp., a Nevada corporation ("Edible Garden"). Through MediFarm, LLC, a Nevada limited liability company ("MediFarm"), MediFarm I, LLC, a Nevada limited liability company ("MediFarm I"), and MediFarm II, LLC, a Nevada limited liability company ("MediFarm II"), subsidiaries in which we own interests, we plan to operate medical marijuana cultivation, production, and dispensary facilities in Nevada. Through IVXX, LLC, a Nevada limited liability company ("IVXX"), our wholly-owned subsidiary, we produce and sell a line of cannabis flowers and cigarettes, as well as a line of cannabis pure concentrates. Most recently, we formed another subsidiary, MediFarm I Real Estate, LLC, a Nevada limited liability company ("MediFarm I RE"), which will own the real property on which a medical marijuana dispensary will be constructed. We anticipate that the dispensary will be operated by MediFarm I.

On February 9, 2012, we completed a reverse-triangular merger with GrowOp Technology, whereby we acquired all of the issued and outstanding shares of GrowOp Technology and in exchange we issued: (i) 33,998,520 shares of our common stock, (ii) 100 shares of Series A Preferred Stock, convertible into shares of common stock on a one-for-one basis, and (iii) 14,750,000 shares of Series B Preferred Stock, with each share convertible into 5.38425537 shares of common stock. The issuance represented approximately 50.3% of our total shares of common stock outstanding,

assuming the conversion of all the shares of Series A Preferred Stock and Series B Preferred Stock, immediately following the closing of the merger. As a result of the merger, GrowOp Technology became our wholly-owned subsidiary. Following the merger, Terra Tech ceased its prior operations and is now solely a holding company.

We acquired our second wholly-owned subsidiary, Edible Garden, in 2013. Edible Garden is a wholesale seller of locally grown hydroponic produce, which is distributed throughout the Midwest and the Northeast United States. We entered into a Share Exchange Agreement, dated March 23, 2013 (the "Share Exchange Agreement"), by and among the Company, Edible Garden, and the stockholders of Edible Garden. Pursuant to the Share Exchange Agreement, we offered and sold 1,250,000 shares of our common stock in consideration for all the issued and outstanding shares in Edible Garden. Separately, Amy Almsteier, one of our stockholders and a director (and, at that time, an executive officer) of ours, offered and sold 7,650,000 shares of Series B Preferred Stock to Ken Vande Vrede, Mike Vande Vrede, Steve Vande Vrede, Dan Vande Vrede, Beverly Willekes, and David Vande Vrede (collectively, the "Former EG Principal Stockholders"). The 7,650,000 shares of Series B Preferred Stock are convertible at any time into 36,344,198 shares of common stock and have voting power equal to 765,000,000 shares of common stock.

**TERRA TECH CORP.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The effect of the issuance of the 1,250,000 shares of common stock and the sale of the 7,650,000 shares of Series B Preferred Stock by Ms. Almsteier was that the Former EG Principal Stockholders held approximately 25.7% of our issued and outstanding shares of common stock and approximately 43.3% of our voting power of as of March 23, 2013. Articles of Exchange, consummating the share exchange, were filed with the Secretary of the State of Nevada on April 24, 2013.

On March 19, 2014, we formed MediFarm, a subsidiary. On July 18, 2014, we formed MediFarm I, a subsidiary. On July 30, 2014, we formed MediFarm II, a subsidiary. Through MediFarm, MediFarm I, and MediFarm II, we plan to operate medical marijuana cultivation, production, and dispensary facilities establishments in Nevada.

On September 16, 2014, we formed IVXX for the purpose of producing a line of cannabis flowers and cigarettes, as well as a complete line of cannabis pure concentrates including: oils, waxes, shatters, and clears. We began producing and selling IVXX's products during the first quarter of fiscal 2015. We currently offer these products to 100 select dispensaries in California. We are using our supercritical CO<sub>2</sub> extraction lab located in Oakland, California to manufacture these products. IVXX sells clothing, apparel, and other various branded products.

On October 14, 2015, we formed MediFarm I RE. MediFarm I RE is a real estate holding company that owns the real property and building at which a medical marijuana dispensary facility will be located. It is our intention that MediFarm I will operate the medical marijuana dispensary. We own 50% of the membership interests in MediFarm I RE. The remaining membership interests are owned by Forever Young Investments, LLC (50%), an otherwise unaffiliated entity.

The accompanying unaudited consolidated condensed financial statements include all of the accounts of Terra Tech. These consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for financial information and with the instructions to Form 10-Q and Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

## **Use of Estimates**

The preparation of the financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

Cash and all highly liquid investments with a maturity of three months or less from the date of purchase, including money market mutual funds, short-term time deposits, and government agency and corporate obligations, are classified as cash and cash equivalents.

### *Accounts Receivable*

We review all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. We do not accrue interest receivable on past due accounts receivable. There was an allowance of \$184,642 at September 30, 2015 and \$49,168 at December 31, 2014.

**TERRA TECH CORP.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets: 3-15 years for machinery and equipment, leasehold improvements are amortized over the estimated useful life. Repairs and maintenance expenditures which do not extend the useful lives of related assets are expensed as incurred.

*Intangibles*

Intangible assets with definite lives are amortized, but are tested for impairment quarterly and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. We test intangibles for impairment by first comparing the carrying value of net assets to the fair value of the related operations. If the fair value is determined to be less than the carrying value, a second step is performed to compute the amount of the impairment. In this process, a fair value for intangibles is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the fair value below the carrying value represents the amount of intangible impairment. We test these intangibles for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the customer list. Any excess carrying value over the amount of discounted cash flows represents the amount of the impairment.

*Deposits*

Deposits are for stores and land in Nevada.

*Revenue Recognition*

Revenue is recognized net of discounts, rebates, promotional adjustments, price adjustments and estimated returns and upon transfer of title and risk to the customer which occurs at shipping (F.O.B. terms). Upon shipment, we have no



further performance obligations and collection is reasonably assured as the majority of sales are paid for prior to shipping.

*Cost of Goods Sold*

Cost of goods sold are for the plants grown and purchased and sold into the retail marketplace by Edible Garden. It also includes the cost incurred in producing the oils, waxes, shatters, and clears sold by IVXX.

*Research and Development*

Research and development costs are expensed as incurred.

**TERRA TECH CORP.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*Income Taxes*

We provide for income taxes based on enacted tax law and statutory tax rates at which items of income and expenses are expected to be settled in our income tax return. Certain items of revenue and expense are reported for Federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. We have incurred net operating losses for financial-reporting and tax-reporting purposes. Accordingly, for Federal and state income tax purposes, the benefit for income taxes has been offset entirely by a valuation allowance against the related Federal and state deferred tax asset for the nine months ended September 30, 2015.

*Loss Per Common Share*

Net loss per share is computed in accordance with the provisions of ASC 260, "Earnings Per Share" by dividing net loss by the weighted average number of shares of common stock outstanding during the period. During a loss period, the effect of the potential exercise of stock options, warrants, convertible preferred stock, and convertible debt are not considered in the diluted income (loss) per share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the nine months ended September 30, 2015; therefore, the basic and diluted weighted average shares of common stock outstanding were the same.

*Fair Value of Financial Instruments*

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the

asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

**TERRA TECH CORP.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Our valuation techniques used to measure the fair value of money market funds and certain marketable equity securities were derived from quoted prices in active markets for identical assets or liabilities. The valuation techniques used to measure the fair value of all other financial instruments, all of which have counterparties with high credit ratings, were valued based on quoted market prices or model driven valuations using significant inputs derived from or corroborated by observable market data.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. We have not elected the fair value option for any eligible financial instruments.

*Recently Issued Accounting Standards*

Management does not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position, or cash flow.

**2. GOING CONCERN**

Our future success is dependent upon our ability to achieve profitable operations and generate cash from operating activities, and upon additional financing. Management believes they can raise the appropriate funds needed to support their business plan and develop an operating company which is cash flow positive.

However, we have incurred net losses for the nine months ended September 30, 2015, and have an accumulated deficit of approximately \$43.5 million at September 30, 2015. We have not been able to generate sufficient cash from operating activities to fund our ongoing operations. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations. These factors raise substantial doubt about our ability to continue as a going concern.

The condensed financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should we be unable to continue as a going concern.

### **3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK**

We maintain cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation up to certain federal limitations.

We provide credit in the normal course of business to customers located throughout the U.S. We perform ongoing credit evaluations of our customers and maintain allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****4. SHARE EXCHANGE**

On March 23, 2013, we entered into the Share Exchange Agreement pursuant to which Edible Garden's stockholders exchanged common stock of Edible Garden for our common stock. Pursuant to the Share Exchange Agreement, we offered and sold 1,250,000 shares of our common stock, valued at \$212,500, in consideration for all the issued and outstanding shares in Edible Garden. We also acquired Edible Garden's customer list.

The transaction was accounted for as a business acquisition. In accordance with generally accepted accounting principles, intangible assets are recorded at fair values as of the date of the transaction. We preliminarily allocated the \$212,500 consideration paid for the acquired assets as follows:

Cash	100
Intangible assets, customer list	212,400
Fair value acquired	\$ 212,500

Intangible assets with estimated useful lives are amortized over a five-year period. Amortization expense was approximately \$21,240 for the nine months ended September 30, 2015.

**5. REVERSE MERGER**

On February 9, 2012, we completed a reverse merger transaction through a merger with GrowOp Technology, whereby we acquired all of the issued and outstanding shares of GrowOp Technology and in exchange we issued: (i) 33,998,520 shares of our common stock, (ii) 100 shares of Series A Preferred Stock, convertible into shares of common stock on a one-for-one basis, and (iii) 14,750,000 shares of Series B Preferred Stock, with each share convertible into 5.38425537 shares of common stock. As a result of the reverse merger, GrowOp Technology became our wholly-owned subsidiary and, at the time the transaction was closed, the former stockholders of GrowOp Technology became our controlling stockholders. The share exchange transaction with GrowOp Technology was treated as a reverse acquisition, with GrowOp Technology as the accounting acquiror and the Company as the accounting acquiree.

*Purchase Accounting*

The acquisition was accounted for using the purchase method of accounting as a reverse acquisition. In a reverse acquisition, the post-acquisition net assets of the surviving combined company include the historical cost basis of the net assets of the accounting acquirer, GrowOp Technologies, plus the fair value of the net assets of the accounting acquiree, Terra Tech. Further, under the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values and the excess of the purchase price over the estimated fair value of the identifiable net assets is allocated to any intangible assets with the remaining excess purchase price over net assets acquired allocated to goodwill.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****5. REVERSE MERGER, Continued**

The fair value of the consideration transferred in the acquisition was \$4,800,000 and was calculated as the number of shares of common stock that GrowOp Technologies would have had to issue in order for Terra Tech stockholders to hold a 58.6% equity interest in the combined company post-acquisition, multiplied by the estimated fair value of our common stock on the acquisition date. The estimated fair value of our common stock was based on the offering price of the common stock sold in a private placement of share subscriptions which was completed most recently prior to the merger. This price was determined to be the best indication of fair value on that date since the price was based on an arm's length negotiation with a group consisting of both new and existing investors that had been advised of the pending acquisition and assumed similar liquidity risk as those investors holding the majority of shares being valued as purchase consideration.

The following table summarizes our determination of fair values of the assets acquired and the liabilities as of the date of acquisition.

Consideration - issuance of securities	\$ 4,800,000
Cash	\$ 35
Goodwill	4,799,965
<b>Total purchase price</b>	<b>\$ 4,800,000</b>

We performed an impairment test related to goodwill as of the date of the merger and it was determined that goodwill was impaired. At that time, we recorded a charge to operations for the amount of the impairment, which totaled \$4,799,965.

**6. INVENTORY**

Inventory consists of raw materials for Edible Garden's herb product lines and IVXX's line of cannabis pure concentrates. Work-In-Progress consists of live plants grown for Edible Garden's herb product line. Cost of goods sold is calculated using the average costing method. We review our inventory periodically to determine net realizable value. We write down inventory, if required, based on forecasted demand. These factors are impacted by market and



economic conditions, new products introductions, and require estimates that may include uncertain elements. Inventory at September 30, 2015 and December 31, 2014 consisted of the following:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Raw Materials	\$ 388,869	\$ 479,682
Work-In-Progress	275,518	190,498
	<b>\$ 664,387</b>	<b>\$ 670,180</b>

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****7. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements at cost, less accumulated depreciation, at September 30, 2015 and December 31, 2014 consisted of the following:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Land	\$ 344,124	\$ -
Furniture	85,789	53,790
Equipment	2,440,140	2,367,605
Leasehold improvements	3,609,803	3,468,243
Subtotal	6,479,856	5,889,638
Less accumulated depreciation	(892,355)	(442,895)
Total	\$ 5,587,501	\$ 5,446,743

Depreciation expense related to property and equipment for the nine months ended September 30, 2015 was \$449,461 and for the year ended December 31, 2014 was \$392,883.

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consisted of the following:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Accounts payable	\$ 965,832	\$ 240,204
Accrued interest	208,615	270,918
Accrued payroll taxes	62,599	62,599
	\$ 1,237,046	\$ 573,721



**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****9. NOTES PAYABLE**

Notes payable are as follows:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Unsecured promissory demand note dated May 7, 2012, issued to an accredited investor, bearing interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share.	5,000	5,000
Promissory note dated July 25, 2014, issued to an accredited investor, maturing July 24, 2015, bearing interest at a rate of 12% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holder's option.	150,000	150,000
Unsecured promissory demand notes, issued to an accredited investor, bearing interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share.	109,306	109,306
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, maturing September 5, 2015, bearing interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day VWAP of our common stock on February 5, 2014, or \$0.30753 per share.	-	248,902
5% Original issue discount senior secured convertible promissory note dated May 5, 2014, issued to accredited investors, maturing November 5, 2015, bearing interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day VWAP of our common stock on February 5, 2014, or \$0.30753 per share.	96,491	482,456
5% Original issue discount senior secured convertible promissory note dated June 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day VWAP of our common stock on February 5, 2014, or \$0.30753 per share.	-	146,197



## TERRA TECH CORP.

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

## 9. NOTE PAYABLE, Continued

5% Original issue discount senior secured convertible promissory note dated July 1, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day VWAP of our common stock on February 5, 2014, or \$0.30753 per share.	-	578,947
5% Original issue discount senior secured convertible promissory note dated July 31, 2014, issued to accredited investors, maturing February 1, 2016, bearing interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day VWAP of our common stock on February 5, 2014, or \$0.30753 per share.	741,698	2,894,739
Convertible promissory note dated February 27, 2015, issued to accredited investors, maturing August 27, 2016, bearing interest at a rate of 12% per annum. The conversion price in effect is \$0.1677, subject to adjustment.	130,866	-
Convertible promissory note dated April 7, 2015, issued to accredited investors, maturing October 7, 2016, bearing interest at a rate of 12% per annum. The conversion price in effect is \$0.1303, subject to adjustment.	144,263	-
Convertible promissory note dated May 13, 2015, issued to accredited investors, maturing November 13, 2016, bearing interest at a rate of 12% per annum. The conversion price in effect is \$0.1211, subject to adjustment.	117,527	-
Total Debt	1,495,151	4,615,547
Less short-term portion	1,233,361	4,615,547
Long-term portion	\$ 261,790	\$ -

Total debt as of September 30, 2015 and December 31, 2014, was \$1,495,151 and \$4,615,547, respectively, which included unamortized debt discount of \$810,916 and \$0, respectively. The senior secured promissory notes are secured by shares of common stock. There was accrued interest of \$208,615 as of September 30, 2015.

On February 27, 2015, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with certain purchasers (the "Purchasers") relating to the issuance and sale (the "Offering") of (i) 12% Convertible Promissory Notes (the "Notes") in the aggregate principal amount of Three Million Dollars (\$3,000,000), that are convertible into shares (the "Conversion Shares") of our common stock, par value \$0.001 per share, and (ii) warrants (the "Warrants")

to acquire shares (the "Warrant Shares") of our common stock pursuant to the terms of the Purchase Agreement. The purchase of the Notes is expected to occur in nine (6) tranches (each, a "Tranche", and, collectively, the "Tranches"), with the first Tranche of \$750,000 closing simultaneously with the execution of the Purchase Agreement. Each additional Tranche is expected to be in the amount of \$450,000 and, as long as we are not in default of the Notes, each Tranche is expected to close on every 30<sup>th</sup> day following the previous closing date; however, the closing of the third through sixth Tranches is subject to the mutual agreement of the parties. The second tranche of \$450,000 closed on April 6, 2015. The third tranche of \$450,000 closed on May 12, 2015.

The Purchase Agreement contains customary representations, warranties, and covenants by, among, and for the benefit of the parties. The Purchasers were granted customary participation rights in future financings. The Purchase Agreement also limits our ability to engage in subsequent equity sales for a certain period of time.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****9. NOTE PAYABLE, Continued**

The proceeds from the Offering are intended to be used for general corporate proceeds and cannot be used: (i) for the satisfaction of any portion of our debt (other than payment of trade payables in the ordinary course of our business and prior practices), (ii) for the redemption of our common stock or common stock equivalents, (iii) for the settlement of any outstanding litigation, or (iv) in violation of the Foreign Corrupt Practices Act or the Office of Foreign Assets Control.

The Offering is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) of the Securities Act (in that the Notes, the Conversion Shares, the Warrants, and the Warrant Shares were sold by us in a transaction not involving any public offering) and pursuant to Rule 506 of Regulation D promulgated thereunder. The Notes, the Conversion Shares, the Warrants, and the Warrant Shares are restricted securities that have not been registered under the Securities Act, and will not be registered under the Securities Act, and may not be offered or sold absent registration or applicable exemption from the registration requirements.

**10. FAIR VALUE MEASUREMENTS**

The following table represents the fair value hierarchy for those financial assets measured at fair value on a recurring basis:

	<b>Fair Value at September 30, 2015</b>	<b>Fair Value Measurement Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative liability - Conversion Feature	\$ 735,500	-	-	\$ 735,500
	\$ 735,500	-	-	\$ 735,500

**Fair Value at  
December 31,**

**Fair Value Measurement Using**



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	2014	Level 1	Level 2	Level 3
Derivative liability - Conversion Feature	\$ 1,253,000	-	-	\$ 1,253,000
	\$ 1,253,000	-	-	\$ 1,253,000

Liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Balance at December 31, 2014	\$ 1,253,000
Change in fair market value of Conversion Feature	(1,779,600)
Issuance of equity instruments with debt greater than debt carrying amount	561,000
Derivative debt converted into equity	(897,900)
Issuance of equity instruments with derivatives	1,599,000
Balance at September 30, 2015	\$ 735,500

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****11. DEFERRED TAX EXPENSE**

The Company incurred no current or deferred tax expense for period ended September 30, 2015 and the year ended December 31, 2014.

The components of deferred tax assets and liabilities are as follows:

	<b>September 30, 2015</b>	<b>December 31, 2014</b>
Deferred income tax assets:		
Allowance for bad debt	\$ 81,000	\$ 21,000
Warrants expense	3,256,000	2,216,000
Derivatives expense	738,000	1,274,000
Net operating losses	4,454,000	3,227,000
	8,529,000	6,738,000
Deferred income tax liabilities:		
Depreciation	(105,000)	-
<b>Total</b>	<b>8,424,000</b>	<b>6,738,000</b>
Valuation allowance	(8,424,000)	(6,738,000)
Net deferred tax assets	\$ -	\$ -

Permanent differences include ordinary and necessary business expenses deemed by the Company as a non-allowable deduction under IRC § 280E, and tax deductions related to equity compensation that are less than the compensation recognized for financial reporting.

As of September 30, 2015, and December 31, 2014, the Company has net operating loss carryforwards of approximately \$12,276,000 and \$8,900,000, respectively, which, if unused, will expire beginning in years 2034. These tax attributes are subject to an annual limitation from equity shifts, which constitute a change of ownership as defined under Internal Revenue Code Section 382, which will limit their utilization. The Company has yet to assess the effect of these limitations and accordingly has placed a reserve against any assets associated with these losses.

Pursuant to IRC § 280E, the Company is allowed to only to deduct expenses directly related to sales of product. The Company has allocated accelerated depreciation related to production equipment, which results in a difference in the cost of sales for financial reporting and tax reporting taxable income. As a result the Company had no taxable income for the period ended September 30, 2015.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred through the period ended September 30, 2015. Such objective evidence limits the ability to consider other subjective evidence such as our projections for future growth. On the basis of this evaluation, as of September 30, a valuation allowance of approximately \$8,529,000 has been recorded to against all deferred tax assets as these assets are more likely than not to be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for grow.

## 12. CAPITAL STOCK

### *Preferred Stock*

We have authorized 25 million shares of preferred stock with \$0.001 par value, of which there were 100 shares of Series A Preferred Stock outstanding as of September 30, 2015. Series A Preferred Stock is convertible on a one-for-one basis into common stock and has all of the voting rights of our common stock.

There were 16,300,000 shares of Series B Preferred Stock outstanding as of September 30, 2015. Each share of Series B Preferred Stock: (i) has voting rights equal to 100 shares of common stock, and (ii) is convertible, at the option of the holder, on a 1-for-5.384325537 basis, into shares of our common stock.

### *Common Stock*

We have authorized 350 million shares of common stock, \$0.001 par value per share. As of September 30, 2015, 269,637,561 shares of common stock were issued and outstanding.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****13. WARRANTS**

We have the following shares of common stock reserved for exercise of the warrants outstanding as of September 30, 2015:

	September 30, 2015	
	Shares	Weighted Average Exercise Price
Warrants outstanding – beginning of year	20,709,845	\$ 0.23
Warrants exercised	-	0.00
Warrants granted	17,856,563	0.20
Warrants expired	(6,140,400)	(0.33)
Warrants outstanding – end of period	32,426,008	\$ 0.18

The weighted exercise price and weighted fair value of the warrants granted by us as of September 30, 2015, are as follows:

	September 30, 2015	
	Weighted Average Exercise Price	Weighted Average Fair Value
Weighted average of warrants granted during the nine months whose exercise price exceeded fair market value at the date of grant	\$ 0.20	\$ 0.20

The following table summarizes information about fixed-price warrants outstanding:

Number Range of	Average	Remaining	Weighted
--------------------	---------	-----------	----------

Exercise Prices	Outstanding at	Contractual Life	Average Exercise Price
	September 30, 2015		
\$ 0.46	150,000	4 Months	\$ 0.46
\$ 0.85	40,000	7 Months	\$ 0.85
\$ 0.40	333,333	11 Months	\$ 0.40
\$ 0.33	439,637	16 Months	\$ 0.33
\$ 0.16	750,000	18 Months	\$ 0.16
\$ 0.21	14,946,119	33 Months	\$ 0.21
\$ 0.30	964,912	34 Months	\$ 0.30
\$ 0.30	4,824,561	35 Months	\$ 0.30
\$ 0.06	7,067,002	37 Months	\$ 0.06
\$ 0.16	1,118,068	41 Months	\$ 0.16
\$ 0.13	863,392	43 Months	\$ 0.13
\$ 0.12	928,984	44 Months	\$ 0.12
	32,426,008		

For the warrants issued in June 2015, the Company valued the warrants utilizing the Black Scholes method with the following inputs: stock price \$0.11, exercise price of \$0.20625, volatility of 142.53%, years 3, treasury bond rate 2.5% and dividend rate of 0%.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****14. OPERATING LEASE COMMITMENTS**

We lease certain business facilities under operating lease agreements which specify minimum rentals. Many of these have renewal provisions along with the option to acquire the property. Our net rent expense for the nine months ended September 30, 2015 and 2014 was \$379,166 and \$100,400, respectively. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

<b>Year Ending December 31:</b>	<b>Scheduled Payments</b>
2015	\$ 539,705
2016	541,656
2017	487,517
2018	478,587
2019	342,336
2020 and thereafter	2,277,656
Total minimum rental payments	\$ 4,667,457

**15. LITIGATION AND CLAIMS**

We are the subject of lawsuits and claims arising in the ordinary course of business from time to time. We review any such legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, we determined that there were no matters that required an accrual as of September 30, 2015, nor were there any asserted or unasserted claims for which material losses are reasonably possible.

**16. SEGMENT INFORMATION**

Our operating and reportable segments are currently organized around the following products that we offer as part of our core business strategy:

- Hydroponic Produce
- Cannabis Products

These two reportable segments, described in greater detail below, had previously been reported on a combined basis as they had been operated and evaluated as one operating segment. We experienced significant growth over the last year in most of our product areas. As we have grown organically, and as we have added to our capabilities through acquisitions, our products have increased in scale and become more strategically important and distinctly organized and managed under these two groupings. In addition, our chief operating decision maker ("CODM") has begun reviewing results and managing and allocating resources among these two strategic business groupings, and we have begun budgeting using these business segments. Our segment information for the nine months and quarter ended September 30, 2014 have been reclassified to conform to our current presentation.

**TERRA TECH CORP.****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****16. SEGMENT INFORMATION, Continued**

Our CODM reviews revenues including intersegment revenues, gross profit and operating income (loss) before income taxes when evaluating segment performance and allocating resources to each segment. Accordingly, intersegment revenue is included in the segment revenues presented in the tables below and is eliminated from revenues and cost of sales in the "Eliminations and Other" column. The "Eliminations and Other" column also includes various income and expense items that we do not allocate to our operating segments. These income and expense amounts include the results of our hydroponic equipment, which are not material, interest income, interest expense, corporate overhead, and corporate-wide expense items such as legal and professional fees as well as expense items for which we have not identified a reasonable basis for allocation. The accounting policies of the reportable segments are the same as those described in Note 1 of the Notes to the Consolidated Condensed Financial Statements.

**Hydroponic Produce** – Our locally grown hydroponic produce is started from seed and is grown in environmentally controlled greenhouses. When harvested, the products are sold through retailers targeted to customers seeking fresh produce locally grown using environmentally sustainable methods.

**Cannabis Products** – IVXX's cannabis products are currently produced in our supercritical CO<sub>2</sub> lab in California and are sold in select dispensaries throughout California. We plan to operate medical marijuana cultivation, production, and dispensary facilities in Nevada through our subsidiaries, MediFarm, MediFarm I, and MediFarm II. We were granted eight provisional permits in Nevada and have received approval from the local authorities with respect to eight of the eight permits.

Summarized financial information concerning our reportable segments is shown in the following tables. Total asset amounts at September 30, 2015 and 2014 exclude intercompany receivable balances eliminated in consolidation.

	<b>3 Months Ended September 30, 2015</b>			
	<b>Hydroponic Produce</b>	<b>Cannabis Products</b>	<b>Eliminations and Other</b>	<b>Total</b>
Total Revenues	\$ 1,597,378	\$ 420,973	\$ -	\$ 2,018,351
Cost of Goods Sold	1,370,804	290,256	(12,515)	1,648,545
	226,574	130,717	12,515	369,806
Selling, general and administrative expenses	441,177	164,970	1,493,167	2,099,314
Loss from operations	(214,603)	(34,253)	(1,480,652)	(1,729,508)



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<b>Other Income (Expenses)</b>				
Amortization of debt discount	-	-	(258,306)	(258,306)
Loss on extinguishment of debt	-	-	(263,950)	(263,950)
Loss from derivatives issued with debt greater than debt carrying value	-	-	-	-
Gain (Loss) on fair market valuation of derivatives	-	-	372,400	372,400
Interest Income (Expense)	-	-	(108,563)	(108,563)
Total Other Income (Expense)	-	-	(258,419)	(258,419)
Loss before Provision of Income Taxes	\$ (214,603)	\$ (34,253)	\$ (1,739,071)	\$ (1,987,927)

**3 Months Ended September 30, 2014**

	<b>Hydroponic Produce</b>	<b>Cannabis Products</b>	<b>Eliminations and Other</b>	<b>Total</b>
Total Revenues	\$ 1,311,850	\$ -	\$ 3,123	\$ 1,314,973
Cost of Goods Sold	1,247,308	-	3,727	1,251,035
	64,542	-	(604)	63,938
Selling, general and administrative expenses	344,209	517,459	7,173,503	8,035,171
Loss from operations	(279,667)	(517,459)	(7,174,107)	(7,971,233)
<b>Other Income (Expenses)</b>				
Loss from derivatives issued with debt greater than debt carrying value	-	-	(2,248,000)	(2,248,000)
Gain (Loss) on fair market valuation of derivatives	-	-	1,085,505	1,085,505
Interest Income (Expense)	-	-	(387,720)	(387,720)
Total Other Income (Expense)	-	-	(1,550,215)	(1,550,215)
Loss before Provision of Income Taxes	\$ (279,667)	\$ (517,459)	\$ (8,724,322)	\$ (9,521,448)

## TERRA TECH CORP.

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

## 16. SEGMENT INFORMATION, Continued

## 9 Months Ended September 30, 2015

	Hydroponic Produce	Cannabis Products	Eliminations and Other	Total
Total Revenues	\$ 6,832,805	\$ 852,745	\$ 120,444	\$ 7,805,994
Cost of Goods Sold	6,266,858	569,417	108,584	6,944,859
	565,947	283,328	11,860	861,135
Selling, general and administrative expenses	1,373,976	721,104	5,697,365	7,792,445
Loss from operations	(808,029)	(437,776)	(5,685,505)	(6,931,310)
<b>Other Income (Expenses)</b>				
Amortization of debt discount	-	-	(524,161)	(524,161)
Loss on extinguishment of debt	-	-	(263,950)	(263,950)
Loss from derivatives issued with debt greater than debt carrying value	-	-	(561,000)	(561,000)
Gain (Loss) on fair market valuation of derivatives	-	-	1,779,600	1,779,600
Interest Income (Expense)	-	-	(426,793)	(426,793)
Total Other Income (Expense)	-	-	3,696	3,696
Loss before Provision of Income Taxes	\$ (808,029)	\$ (437,776)	\$ (5,681,809)	\$ (6,927,614)
Total assets at September 30, 2015	\$ 5,645,677	\$ 1,105,796	\$ 1,887,156	\$ 8,638,629

## 9 Months Ended September 30, 2014

	Hydroponic Produce	Cannabis Products	Eliminations and Other	Total
Total Revenues	\$ 5,465,186	\$ -	\$ 121,907	\$ 5,587,093
Cost of Goods Sold	5,488,662	-	132,040	5,620,702
	(23,476)	-	(10,133)	(33,609)
Selling, general and administrative expenses	1,026,825	517,459	12,586,769	14,131,053
Loss from operations	(1,050,301)	(517,459)	(12,596,902)	(14,164,662)
<b>Other Income (Expenses)</b>				
Loss from derivatives issued with debt greater than debt carrying value	-	-	(4,808,000)	(4,808,000)
Gain (Loss) on fair market valuation of derivatives	-	-	817,680	817,680
Interest Income (Expense)	2,601	-	(840,634)	(838,033)
Total Other Income (Expense)	2,601	-	(4,830,954)	(4,828,353)

Loss before Provision of Income Taxes	\$	(1,047,700)	\$	(517,459)	\$	(17,427,856)	\$	(18,993,015)
Total assets at September 30, 2014	\$	5,587,047	\$	2,000,990	\$	2,315,645	\$	9,903,682

## 17. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2015, our subsidiary, IVXX, purchased raw materials totaling \$233,735 from an entity in which our Chief Executive Officer has an ownership interest. IVXX also sold finished goods amounting to \$336,357 to that same entity. The terms of the purchases of the raw materials and sales of the finished goods were at arms-length. There was no accounts receivable balance from this entity as of September 30, 2015.

## 18. SUBSEQUENT EVENTS

During the fourth quarter of 2015, senior secured convertible promissory notes and accrued interest in the amount of \$880,350 was converted into 12,595,994 shares of common stock.

In the fourth quarter of 2015, pursuant to an effective Registration Statement on Form S-1, we sold 3,150,119 shares of common stock for the net amount of \$271,801.

Subsequent to the end of the third quarter of fiscal 2015, on October 14, 2015, we formed MediFarm I RE. We own 50% of the membership interests in MediFarm I RE. The remaining membership interests is owned by Forever Young Investments, LLC (50%), an otherwise unaffiliated entity. MediFarm I RE acquired a retail building and land in Reno, Nevada for total consideration of \$1,080,000. We intend to renovate the building, and, once completed, use it as a dispensary of medical cannabis.

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

*In addition to historical information, this Quarterly Report on Form 10-Q may contain "forward-looking statement" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which provides a "safe harbor" for forward-looking statements made by us. All statements, other than statements of historical facts, including statements concerning our plans, objectives, goals, beliefs, business strategies, future events, business conditions, results of operations, financial position, business outlook, business trends, and other information, may be forward-looking statements. Words such as "might," "will," "may," "should," "estimates," "expects," "continues," "contemplates," "anticipates," "projects," "plans," "potential," "predicts," "intends," "believes," "forecasts," "future," and variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs, estimates and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs, estimates, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs, estimates, and projections will occur or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.*

*There are a number of risks, uncertainties, and other important factors, many of which are beyond our control, that could cause actual results to differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. Such risks, uncertainties, and other important factors that could cause actual results to differ include, among others, the risk, uncertainties and factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the "SEC"), and in this report, as such risk factors may be updated from time to time in our periodic filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).*

*We caution you that the risks, uncertainties, and other factors set forth in our periodic filings with the SEC may not contain all of the risks, uncertainties, and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits, or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. There can be no assurance that: (i) we have correctly measured or identified all of the factors affecting our business or the extent of these factors' likely impact, (ii) the available information with respect to these factors on which such analysis is based is complete or accurate, (iii) such analysis is correct, or (iv) our strategy, which is based in part on this analysis, will be successful. All forward-looking statements in this report apply only as of the date of the report or as of the date they were made and, except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments, or otherwise.*

### Company Overview

We were incorporated in Nevada on July 22, 2008 under the name Private Secretary, Inc. We changed our name to Terra Tech Corp. on January 27, 2012. Our corporate headquarters is located at 4700 Von Karman Avenue, Suite 110, Newport Beach, California 92660 and our telephone number is (855) 447-6967. Our website addresses are as follows: [www.terratechcorp.com](http://www.terratechcorp.com), [www.growopltd.com](http://www.growopltd.com), [www.ediblegarden.com](http://www.ediblegarden.com), [www.egrow.com](http://www.egrow.com), [www.goodearthhydro.com](http://www.goodearthhydro.com), [www.bestbuyhydro.com](http://www.bestbuyhydro.com), and [www.ivxx.com](http://www.ivxx.com).

Our original business was to develop a software program that would allow for automatic call processing through "VoIP" technology. Our operations were limited to capital formation, organization, and development of our business plan and target customer market. We generated no revenue.

On February 9, 2012, we completed a reverse-triangular merger with GrowOp Technology Ltd., a Nevada corporation ("GrowOp Technology"), whereby we acquired all of the issued and outstanding shares of GrowOp Technology and in exchange we issued: (i) 33,998,520 shares of our common stock, (ii) 100 shares of Series A Preferred Stock, convertible into shares of common stock on a one-for-one basis, and (iii) 14,750,000 shares of Series B Preferred Stock, with each share convertible into 5.38425537 shares of common stock. The issuance represented approximately 50.3% of our total shares of common stock outstanding, assuming the conversion of all the shares of Series A Preferred Stock and Series B Preferred Stock, immediately following the closing of the merger. As a result of the merger, GrowOp Technology became our wholly-owned subsidiary. Following the merger, we ceased our prior operations and are now solely a holding company with two wholly-owned subsidiaries. We also own interests in three other subsidiaries. Through GrowOp Technology, we engage in the design, marketing, and sale of hydroponic equipment with propriety technology to create sustainable solutions for the cultivation of indoor agriculture.

We entered into a Share Exchange Agreement, dated March 23, 2013 (the "Share Exchange Agreement"), by and among the Company, Edible Garden Corp., a Nevada corporation ("Edible Garden"), and the stockholders of Edible Garden. Pursuant to the Share Exchange Agreement, we offered and sold 1,250,000 shares of common stock of the Company in consideration for all the issued and outstanding shares in Edible Garden. Separately, Amy Almsteier, one of our stockholders and a director (and, at that time, an officer) of ours, offered and sold 7,650,000 shares of Series B Preferred Stock to Ken Vande Vrede, Mike Vande Vrede, Steve Vande Vrede, Dan Vande Vrede, Beverly Willekes, and David Vande Vrede (the "Former EG Principal Stockholders"). The 7,650,000 shares of Series B Preferred Stock are convertible at any time into 36,344,198 shares of common stock and have voting power equal to 765,000,000 shares of common stock.

The effect of the issuance of the 1,250,000 shares of common stock of the company and the sale of the 7,650,000 shares of Series B Preferred Stock by Ms. Almsteier was that as of the date of the issuance and sale, the Former EG Principal Stockholders held approximately 25.7% of the issued and outstanding shares of common stock of the Company and approximately 43.3% of the voting power of the Company. Articles of Exchange, consummating the share exchange, were filed with the Secretary of the State of Nevada on April 24, 2013. Through Edible Garden, we are the retail seller of locally grown hydroponic produce.

We formed MediFarm, LLC, a Nevada limited liability company ("MediFarm") on March 19, 2014. We own 60% of the membership interests in MediFarm. The remaining membership interests are owned by Camden Goorjian (20%) and by Richard Vonfeldt (20%), two otherwise unaffiliated individuals. Upon receipt of the necessary governmental approvals and permitting, as to which there can be no assurance, we expect MediFarm to operate medical marijuana cultivation, production, and dispensary facilities in Clark County, Nevada and a medical marijuana dispensary facility in the City of Las Vegas.

We formed MediFarm I, LLC, a Nevada limited liability company ("MediFarm I") on July 18, 2014. We own 50% of the membership interests in MediFarm I. The remaining membership interests are owned by Forever Green NV, LLC (50%), an otherwise unaffiliated entity. Upon receipt of the necessary governmental approvals and permitting, as to which there can be no assurance, we expect MediFarm I to operate a medical marijuana dispensary in Reno, Nevada.

We formed MediFarm II LLC, a Nevada limited liability company ("MediFarm II") on July 30, 2014. We own 55% of the membership interests in MediFarm II. The remaining membership interests are owned by Nevada MF, LLC (30%) and by Forever Green NV, LLC (15%), two otherwise unaffiliated parties. Upon receipt of the necessary governmental approval and permitting, as to which there can be no assurance, we expect MediFarm II to operate a medical marijuana cultivation and production facility in Spanish Springs, Nevada.

On September 16, 2014, we formed IVXX, LLC, a Nevada limited liability company ("IVXX") for the purpose of producing a line of cannabis flowers and cigarettes, as well as a complete line of cannabis pure concentrates, including: oils, waxes, shatters, and clears. We currently offer these products to one hundred select dispensaries in

California. IVXX also sells clothing, apparel, and other various branded products.

We formed MediFarm I Real Estate, LLC, a Nevada limited liability company ("MediFarm I RE") on October 14, 2015. We own 50% of the membership interests in MediFarm I RE. The remaining membership interests is owned by Forever Young Investments, LLC (50%), an otherwise unaffiliated entity. MediFarm I RE is a real estate holding company that owns the real property and building at which a medical marijuana dispensary facility will be located. It is our intention that MediFarm I will operate the medical marijuana dispensary.

During our third quarter of 2015, MediFarm received approval for two medical cannabis dispensaries in Clark County, Nevada.

Our business segments consist of hydroponic produce and cannabis products. Our hydroponic produce is locally grown hydroponic produce that is started from seed and is grown in environmentally controlled greenhouses. When harvested, the products are sold through retailers targeted to customers seeking fresh produce locally grown using environmentally sustainable methods. This segment consists of Edible Garden's business and operations. Our cannabis products segment consists of IVXX's business, as well as the proposed business operations of MediFarm, MediFarm I, and MediFarm II. IVXX's cannabis products are currently produced in our supercritical Co<sub>2</sub> lab in California and are sold in select dispensaries throughout California. We plan to operate medical marijuana cultivation, production, and dispensary facilities in Nevada through our subsidiaries, MediFarm, MediFarm I, and MediFarm II. We were granted eight provisional permits in Nevada and have received approval from the local authorities with respect to eight of the eight permits. See Note 16, *Segment Information*, in the Notes to the Consolidated Condensed Financial Statements for information on our net sales, cost of goods sold, selling, general and administrative expenses, other income (expense), loss from operations, and identifiable assets by segment for the three and nine months ended September 30, 2015 and September 30, 2014. We believe that our ramped up marketing and branding efforts position us to stay on track for annual revenues this year of approximately \$9 million.

**Results of Operations for the quarter ended September 30, 2015 compared to the quarter ended September 30, 2014:**

*Revenues.* For the quarter ended September 30, 2015, we generated revenues of approximately \$2.0 million, compared to approximately \$1.3 million for the quarter ended September 30, 2014, an increase of approximately \$703,000. The increase was primarily due to revenue generated by Edible Garden for the sales of its herbs and floral products and IVXX from the sale of its cannabis products. During the 2015 period, Edible Garden entered into an agreement with another high-profile grocery retailer. At this stage in our development, revenues are not yet sufficient to cover ongoing operating expenses.

*Gross Margin.* Our gross profits for the quarter ended September 30, 2015 was approximately \$370,000, compared to a gross profits of approximately \$64,000 for the quarter ended September 30, 2014, an increase of approximately \$306,000. Our gross margin percentage for the quarter ended September 30, 2015 was approximately 18%, compared to approximately 5% for the quarter ended September 30, 2014. The increase in gross margin was primarily due to better margins from Edible Garden as a result of the completed greenhouse facility with high-tech Dutch bucket hydroponic equipment and the sales generated from IVXX from the sale of its cannabis products.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses for the quarter ended September 30, 2015 were approximately \$2.1 million, compared to approximately \$8.0 million for the quarter ended September 30, 2014, a decrease of approximately \$5.9 million. The decrease was primarily due to: (i) an approximately \$51,000 increase in depreciation for additional farm equipment used by Edible Garden; (ii) an approximately \$18,000 increase in advertising for the promotion of the IVXX brand; (iii) an approximately \$64,000 increase in allowance for doubtful accounts; and (iv) an approximately \$32,500 increase in consulting in connection with MediFarm's, MediFarm I's, and MediFarm II's proposed cannabis business in Nevada. These increases were offset by: (i) director fees of approximately \$63,700 during the third quarter of fiscal 2015, a decrease of approximately \$42,300, as compared to \$106,000 in director fees that were recognized in the third quarter of fiscal 2014, and (ii) travel costs of approximately \$60,500 during the third quarter of fiscal 2015, a decrease of approximately \$45,500, as compared to approximately \$106,000 that were incurred during the third quarter of fiscal 2014 in connection with the Nevada permit application fee. Additionally, business permit fees decreased by approximately \$58,000 in the third quarter of fiscal 2015 in comparison with the equivalent quarter of fiscal 2014. Compensation expense decreased by approximately \$1.4 million in the third quarter of fiscal 2015 due to a lower per share valuation for an equivalent number of shares as compared to the same period of the prior fiscal year. Further, there was an approximately \$2.5 million decrease in legal and accounting expenses between the periods, primarily related to the preparation and filing of registration statements and reviewing of contracts performed in the prior year. Lastly, warrant expense decreased over the prior year's period by approximately \$2.1 million primarily due to no warrants issued in the current period.

*Operating Income (Loss).* We realized an operating loss of approximately \$1.7 million for the quarter ended September 30, 2015, compared to approximately \$7.9 million for the quarter ended September 30, 2014.



*Other Income (Expense).* Other income for the quarter ended September 30, 2015 was approximately \$258,000, compared to an expense of approximately \$1.6 million for the quarter ended September 30, 2014. For the quarter ended September 30, 2015, we had an increase in amortization of debt discount in the amount of approximately \$258,000 versus \$0 in the prior year's period. We had a loss on the extinguishment of debt of approximately \$264,000 versus \$0 in the prior's year's period. We had a loss on the issuance of derivatives in the amount of \$0 for the quarter ended September 30, 2015, compared to approximately \$2.2 million. The decrease of approximately \$2.2 million was due to the fact that no convertible notes were issued during the third quarter of fiscal 2015. We had a gain on the fair market valuation of the derivatives in the amount of \$372,400 for the quarter ended September 30, 2015, compared to a gain of approximately \$1.1 million from the same period of the prior year. Interest expense totaled approximately \$109,000 for the quarter ended September 30, 2015, compared to approximately \$387,700 for the quarter ended September 30, 2014. This decrease is due to less debt outstanding during the quarter ended September 30, 2015.

*Net Income (Loss).* We incurred a net loss of approximately \$ 2.0 million, or \$0.01 per share, for the quarter ended September 30, 2015, compared to a net loss of approximately \$9.5 million, or \$0.05 per share, for the quarter ended September 30, 2014. The primary reasons for the improvement in net loss is an increase in revenue, a decrease in cost of goods sold (as a percentage of revenue), a significant decrease in sales, general and administrative expenses, and a reduction in the issuance of convertible debt and warrants during the quarter ended September 30, 2015 compared to the prior year's third quarter.

Management will continue its efforts to lower operating expenses and increase revenue. We will continue to invest in further expanding our operations and a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting our name and our products. Given the fact that most of the operating expenses are fixed or have a quasi-fixed character, management expects that, as revenue increases, those expenses, as a percentage of revenue, will significantly decrease. Nevertheless, there can be no assurance that we will be able to increase our revenues in succeeding quarters.

**Results of Operations for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014:**

*Revenues.* For the nine months ended September 30, 2015, we generated revenues of approximately \$7.8 million compared to approximately \$5.6 million for the nine months ended September 30, 2014, an increase of approximately \$2.2 million. This increase was primarily due to revenue generated by Edible Garden for the sales of its herbs and floral products and IVXX from the sale of its cannabis products. During the 2015 period, Edible Garden entered into an agreement with a high-profile grocery retailer. At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses.

*Gross Margin.* Our gross profits for the nine months ended September 30, 2015 was approximately \$861,100, compared to a negative gross profit of approximately \$33,600 for the nine months ended September 30, 2014, an increase of approximately \$894,700. Our gross margin percentage for the nine months ended September 30, 2015 was approximately 11.0%, compared to approximately (0.60%) negative gross margin percentage for the nine months ended September 30, 2014. The increase in gross margin was primarily due to better margins from Edible Garden as a result of the completed greenhouse facility with high-tech Dutch bucket hydroponic equipment and the sales generated from IVXX from the sale of its cannabis products.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses for the nine months ended September 30, 2015 were approximately \$7.8 million, compared to approximately \$14.1 million for the nine months ended September 30, 2014, a decrease of approximately \$6.3 million. The decrease was primarily due to: (i) an approximately \$168,400 increase in depreciation for additional farm equipment used by Edible Garden; (ii) an approximately \$234,300 increase in advertising for the promotion of the IVXX brand; (iii) an approximately \$164,500 increase in allowance for doubtful accounts; (iv) an approximately \$31,300 expense for Directors' and Officers' liability insurance; (v) an approximately \$206,000 increase in consulting fees related to the cannabis business; (vi) an approximately \$39,200 increase in filing fees related to the proposed construction of MediFarm's, MediFarm I's, and MediFarm's II facilities; and (vii) an approximately \$144,900 increase in rent for the additional properties leased in connection with MediFarm's, MediFarm I's, and MediFarm II's proposed cannabis business in Nevada. These increases were offset by (i) director fees of approximately \$127,500, a decrease of approximately \$302,500, as compared to \$430,000 in directors fees that were recognized in the first nine months of fiscal 2014, and (ii) travel costs of approximately \$163,300, a decrease of approximately \$99,400, compared to approximately \$262,700 in travel costs that were incurred during the first nine months of fiscal 2014 in connection with the Nevada permit application fee. Compensation expense also decreased by approximately \$343,600 due to a lower per share valuation for an equivalent number of shares as compared to the same period of the prior fiscal year. Additionally, there was an approximately \$2.7 million decrease in legal and accounting expenses primarily related to the preparation and filing of registration statements and reviewing of contracts performed in the same period of the prior year. Warrant expense decreased by approximately \$3.9 million as compared to the same period of the prior year primarily due to less warrants being issued in the current period.

*Operating Income (Loss).* We realized an operating loss of approximately \$6.9 million for the nine months ended September 30, 2015, compared to an operating loss of approximately \$14.1 million for the nine months ended September 30, 2014.

*Other Income (Expense).* Other income for the nine months ended September 30, 2015 was approximately \$3,700, compared to an expense of approximately \$4.8 million for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, we had an increase in amortization of debt discount in the amount of approximately \$524,200 versus \$0 in the prior year period. We had a loss on the extinguishment of debt of approximately \$264,000 in the nine months ended September 30, 2015 versus \$0 in the prior's year's period. We had a loss on the issuance of derivatives in the amount of \$561,000 for the nine months ended September 30, 2015, compared to approximately \$4.8 million for the nine months ended September 30, 2014, a decrease of approximately \$4.2 million, due to fewer convertible notes being issued during the first nine months of fiscal 2015. We had a gain on the fair market valuation of the derivatives in the amount of approximately \$1.8 million for the nine months ended September 30, 2015, compared to a gain of approximately \$817,700 in the prior's year period. Interest expense totaled approximately \$426,800 for the nine months ended September 30, 2015, compared to \$838,000 for the nine months ended September 30, 2014. The decrease is due to less debt outstanding during the nine months ended September 30, 2015.

*Net Income (Loss).* We incurred a net loss of approximately \$6.8 million, or \$0.03 per share, for the nine months ended September 30, 2015, compared to a net loss of approximately \$19.0 million, or \$0.11 per share, for the nine months ended September 30, 2014. The primary reasons for the improvement in net loss is an increase in revenue, a decrease in cost of goods sold (as a percentage of revenue), a significant decrease in sales, general and administrative expenses, and a reduction in the issuance of convertible debt and warrants issued during the nine months ended September 30, 2015 compared to the first nine months of fiscal 2014.

Management will continue to make an effort to lower operating expenses and increase revenue. We will continue to invest in further expanding our operations and a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting our name and our products. Given the fact that most of the operating expenses are fixed or have a quasi-fixed character management expects that, as revenue increases, those expenses, as a percentage of revenue, will significantly decrease. Nevertheless, there can be no assurance that we will be able to increase our revenues in succeeding periods.

### **Disclosure About Off-Balance Sheet Arrangements**

We do not have any transactions, agreements or other contractual arrangements that constitute off-balance sheet arrangements.

### **Critical Accounting Policies**

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described in Note 1, *Summary of Significant Accounting Policies*, to the consolidated condensed financial statements included in this report.

### **Liquidity and Capital Resources**

We have never reported net income. We incurred net losses for the nine months ended September 30, 2015 and have an accumulated deficit of approximately \$43.5 million at September 30, 2015. As of September 30, 2015, we had a working capital deficit of approximately \$402,000. At September 30, 2015, we had a cash balance of approximately \$1,367,600, compared to a cash balance of approximately \$846,700 at December 31, 2014. We have not been able to generate sufficient cash from operating activities to fund our ongoing operations. Since our inception, we have raised

capital through private sales of preferred stock, common stock, and debt securities. Our future success is dependent upon our ability to achieve profitable operations and generate cash from operating activities. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations.

We anticipate requiring additional capital for the commercial development of our subsidiaries. Assuming MediFarm, MediFarm I, and MediFarm II receive all the necessary permits and licenses applied for, we anticipate we will need an additional \$11 million in capital for the commercial development of these subsidiaries. Because none of MediFarm, MediFarm I, or MediFarm II has commenced operations, the \$11 million budget as described herein is prospective. With respect to MediFarm, the estimated construction budget (for year one) and operation budget (for the first five years of operation) is approximately \$500,000 for the dispensary facilities and approximately \$5 million for the cultivation and production facility. With respect to MediFarm I's dispensary facility, the estimated construction budget (for year one) and operation budget (for the first five years of operation) is approximately \$500,000. With respect to MediFarm II's cultivation and production facility, the estimated construction budget (for year one) and operation budget (for the first five years of operation) is approximately \$5 million. Forever Green NV, LLC, a member of both MediFarm I and MediFarm II, has agreed to contribute approximately \$500,000 in the form of debt to MediFarm I and approximately \$750,000 in the form of debt to MediFarm II. We will be obligated to contribute the remaining amount, or approximately \$9.75 million in the aggregate, for all three subsidiaries. This amount is in addition to any proceeds we may receive if and when we sell additional securities.

With respect to GrowOp Technology, we anticipate needing approximately \$110,000 for the commercial development of this subsidiary, which includes anticipated expenses for purchasing, marketing, and selling of a new line of double ended lighting. This amount is in addition to any proceeds we may receive if and when we sell additional securities.

With respect to IVXX, we anticipate requiring \$400,000 for working capital, inventories, salaries for sales personnel, and software. This amount is in addition to any proceeds we may receive if and when we sell additional securities.

We intend to raise additional capital through equity and debt financing as needed, although there cannot be any assurance that such funds will be available to us on acceptable terms, on an acceptable schedule, or at all.

We will be required to raise additional funds through public or private financing, additional collaborative relationships or other arrangements until we are able to raise revenues to a point of positive cash flow. We believe our existing and available capital resources will be sufficient to satisfy our funding requirements through the third quarter of 2016. We are evaluating various options to further reduce our cash requirements to operate at a reduced rate, as well as options to raise additional funds, including obtaining loans and selling common stock. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support its operations.

The issuance of additional securities may result in a significant dilution in the equity interests of our current stockholders. Obtaining loans, assuming these loans would be available, will increase our liabilities and future cash commitments. There is no assurance that we will be able to obtain further funds required for our continued operations or that additional financing will be available for use when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

Due to the uncertainty of our ability to meet our current operating and capital expenses, our independent auditors included a note to our financial statements for the year ended December 31, 2014 regarding concerns about our ability to continue as a going concern. There is substantial doubt about our ability to continue as a going concern as the continuation and expansion of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our products, and achieving a profitable level of operations. The consolidated condensed financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

*Promissory Notes*

*Fiscal 2015*

On February 27, 2015, we entered into a Securities Purchase Agreement with certain purchasers relating to the issuance and sale of (i) 12% Convertible Promissory Notes in the aggregate principal amount of Three Million Dollars (\$3,000,000), that are convertible into shares of our common stock, and (ii) warrants to acquire shares of our common stock. The purchase of the notes is expected to occur in six (6) tranches, with the first tranche of \$750,000 closing simultaneously with the execution of the agreement. The second tranche of \$450,000 closed on April 6, 2015 and the third tranche of \$450,000 closed on May 12, 2015. We agreed to reimburse the purchasers \$15,000 for legal fees incurred in connection with the offering that was paid at the closing of the first tranche. Aegis Capital Corp. ("Aegis"), the placement agent, was paid approximately \$68,000 at the closing of the first, second and third tranches and will be paid additional compensation at each subsequent closing.

Each note accrues interest at 12% per annum, of which twelve months interest is guaranteed, payable on each conversion date for the principal amount being converted and on the maturity date in either cash or, at the holder's option, in shares of common stock. All principal and interest due and owing under each note is convertible into shares of our common stock, at any time at the election of the holder, at a conversion price equal to 75% of the lowest VWAP in the prior 20-trading days immediately before the conversion date. We also agreed to issue to the purchasers a series of warrants to purchase up to that number of shares of common stock equal to 25% of the principal amount of the note issuable to the purchasers at the applicable closing divided by the conversion price of the note.

#### *Fiscal 2014*

During the year ended December 31, 2014, we issued secured promissory notes, which supplied the funds that we needed to finance our operations during the reporting period. Such new borrowings resulted in the receipt by us of \$7,344,737. The proceeds received by us include the sale of an aggregate of \$6,550,000, net of a five percent original issue discount ("OID"), of promissory notes to Dominion Capital, LLC ("Dominion"). The OID, aggregated, is approximately \$344,737. All principal and interest due and owing under each such note is convertible into shares of common stock at a conversion price equal to approximately \$0.30753 per share, subject to adjustment. Each such note accrues interest at a rate of 12% per annum and has a maturity date of 18 months after issuance. The notes were sold to Dominion at various times from February 2014 through July 2014. In connection with the issuance of the notes to Dominion, we also issued to Dominion warrants to purchase up to that number of shares of common stock equal to 50% of the principal amount of the notes issuable divided by the conversion price. As of February 5, 2014, the date we entered into the purchase agreement with Dominion, the warrants were exercisable for a total of 11,491,228 shares of common stock.

In addition, related parties contributed \$102,500 in fiscal year 2011 in exchange for unsecured non-convertible note payables. We repaid these notes in March of 2014, and therefore have no further obligations.

We have advanced Palm Creek approximately \$36,788. Palm Creek is repaying this on a monthly basis. This advance will be repaid by Palm Creek by offsetting each shipment of herbs, which we anticipate will equal between \$20,000 and \$24,000 per month.

#### *Operating Activities*

Cash used in operations for the nine months ended September 30, 2015 was approximately \$3.4 million, compared to approximately \$5.9 million for the nine months ended September 30, 2014. The decrease in the cash used in operations was primarily due to: (i) an improvement in net loss for the nine months ended September 30, 2015, compared to the nine months ended September 30, 2014; (ii) an approximately \$1.8 million gain on the fair market value of derivatives for the nine months ended September 30, 2015, compared to an approximately \$817,700 gain on the fair market value of derivatives for the nine months ended September 30, 2014; (iii) the increase in the amortization of debt discount of approximately \$524,100 for the nine months ended September 30, 2015 versus \$0 for the nine months ended September 30, 2014; (iv) the reduction of warrant expense of approximately \$1.1 million for the nine months ended September 30, 2015, compared to approximately \$5.0 million for the nine months ended September 30, 2014; (v) a reduction in stock issued for compensation and services in the amount of approximately \$1.3 million for the nine months ended September 30, 2015, compared to approximately \$4.6 million for the nine months ended September 30, 2014; (vi) a reduction from the equity instruments issued with debt greater than debt carrying value in the amount of \$561,000 for the nine months ended September 30, 2015, compared to approximately \$4.1 million for the nine months ended September 30, 2014; and (vii) an approximately \$1.1 million increase in accounts payable.

#### *Investing Activities*

Cash used in investing activities for the nine months ended September 30, 2015 was approximately \$590,200, compared to cash used by investing activities of approximately \$2.0 million for the nine months ended September 30, 2014. During the first nine months of fiscal 2014, cash used in investing activities was primarily comprised of expenditures related to the construction of Edible Garden's greenhouse facility and related equipment.

#### *Financing Activities*



Cash provided by financing activities for the nine months ended September 30, 2015 was approximately \$4.5 million, compared to \$11.3 million for the nine months ended September 30, 2014, a decrease of approximately \$6.8 million. The cash provided by financing activities in the first nine months of fiscal 2015 was primarily due to approximately \$1.7 million received in connection with the issuance of secured promissory notes and approximately \$3.0 million from the sale of common stock.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by this Item 3.

### **ITEM 4. CONTROLS AND PROCEDURES.**

Under the supervision and with the participation of our management, our principal executive officer and our principal financial officer are responsible for conducting an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the fiscal year covered by this report. Disclosure controls and procedures means that the material information required to be included in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms relating to our company, including any consolidating subsidiaries, and was made known to us by others within those entities, particularly during the period when this report was being prepared. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were not effective as of September 30, 2015.

There were no changes in our internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

We are not currently subject to any legal proceedings. From time to time, we may become subject to litigation or proceedings in connection with our business, as either a plaintiff or defendant. There are no such pending legal proceedings to which we are a party that, in the opinion of management, is likely to have a material adverse effect on our business, financial condition or results of operations.

### **ITEM 1A. RISK FACTORS.**

There have been no material changes to the risk factors disclosed in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for our fiscal Year ended December 31, 2014. Please refer to that section for disclosures regarding the risk and uncertainties relating to our business.

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

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES.**

None.

**ITEM 5. OTHER INFORMATION.**

None.

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**ITEM 6. Exhibits**

(a)

10.26	Form of Independent Director Agreement *
10.27	Form of Indemnification Agreement *
31.1	Certification of Derek Peterson, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Michael C. James, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Derek Peterson, Chief Executive Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. *
32.2	Certification of Michael C. James, Chief Financial Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculations Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Presentation Linkbase Document *

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\* filed herewith

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TERRA TECH CORP.**

Date: November 9, 2015

By: */s/ Michael C. James*  
Michael C. James  
Chief Financial Officer  
Chief Accounting Officer