

Terra Tech Corp.
Form 10-Q/A
July 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 3

(Mark One)

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

For the quarterly period ended **March 31, 2016**

OR

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

For the transition period from _____ to _____

Commission file number 000-54258

TERRA TECH CORP.

(Exact name of registrant as specified in its charter)

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NEVADA

26-3062661

(State or other jurisdiction of incorporation or organization)

(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:

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

As of May 9, 2016, there were 349,911,822 shares of common stock outstanding, 100 shares of Series A Preferred Stock, convertible at any time into 100 shares of common stock, 24,818,700 shares of Series B Preferred Stock, convertible into approximately 133,631,960 shares of common stock, 21,378 shares of Series Q Preferred Stock, convertible into approximately 106,890,000 shares of common stock, 8,166 shares of Series Z Preferred Stock, convertible into approximately 15,164,262 shares of Series B Preferred Stock, which are convertible into approximately 81,649,323 shares of common stock and 29,871,782 shares of common stock issuable upon the exercise of all of our outstanding warrants.

EXPLANATORY NOTE

The purpose of this Amendment No. 3 (the "Amendment") to the Quarterly Report on Form 10-Q of Terra Tech Corp. (the "Company") for the quarter ended March 31, 2016, filed with the Securities and Exchange Commission (the "SEC") on May 12, 2016 (the "Original Form 10-Q"), is solely to amend certain notes in "Item 1. Financial Statements" in connection with the comment letter received from the staff of the SEC on July 28, 2016.

Except as previously amended on July 1 and 20, 2016, no other changes have been made to the Original Form 10-Q. This Amendment speaks as of the original filing date of the Original Form 10-Q, does not reflect events that may have occurred after the original filing date, and does not modify or in any way update disclosures made in the Original Form 10-Q.

TERRA TECH CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2016 Unaudited	December 31, 2015
Assets		
Current Assets:		
Cash	\$ 1,131,000	\$ 418,082
Accounts receivable, net	803,916	741,844
Prepaid expenses	19,368	147,230
Inventory	1,319,061	949,448
Total Current Assets	3,273,345	2,256,604
Property, equipment and leasehold improvements, net	7,314,449	6,694,975
Intangible assets, net	1,474,690	118,932
Deposits	90,636	94,528
Total Assets	\$ 12,153,120	\$ 9,165,039
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,394,387	\$ 1,119,459
Derivative liability	1,334,000	743,400
Short-term debt	553,778	917,363
Total Current Liabilities	3,282,165	2,780,222
Long Term Liabilities		
Long-term debt	1,250,000	-
Deferred tax liability, net	44,000	44,000
Total Long Term Liabilities	1,294,000	44,000
Commitment and Contingencies		
Stockholders' Equity		
Preferred stock, Convertible Series A, Par value \$0.001; authorized and issued 100 shares as of March 31, 2016 and December 31, 2015, respectively	-	-
Preferred stock, Convertible Series B, Par value \$0.001; authorized 24,968,000 shares as of March 31, 2016; authorized 24,999,900 shares as of December 31, 2015; issued and outstanding 16,150,000 and 16,300,000 as of March 31, 2016 and December 31, 2015, respectively	16,150	16,300
Preferred stock, Convertible Series Q, Par value \$0.001; authorized 21,600 shares as of March 31, 2016; no shares outstanding as of March 31, 2016	-	-
Preferred stock, Convertible Series Z, Par value \$0.001; authorized 8,300 shares as of March 31, 2016; no shares outstanding as of March 31, 2016	-	-
Common stock, Par value \$0.001; authorized 350,000,000 shares; issued 349,739,408 and 303,023,744 shares as of March 31, 2016 and December 31, 2015, respectively	349,740	303,024
Additional paid-in capital	57,176,915	51,843,071
Accumulated Deficit	(50,078,173)	(45,952,109)
Total Terra Tech Corp. stockholders' equity	7,464,632	6,210,286

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Non-controlling interest	112,323	130,531
Total Stockholders' Equity	7,576,955	6,340,817
Total Liabilities and Stockholders' Equity	\$ 12,153,120	\$ 9,165,039

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

TERRA TECH CORP.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	For the Three Months Ended March 31,	
	2016	2015
Total Revenues	\$ 1,548,167	\$ 763,353
Cost of Goods Sold	1,414,193	545,412
	133,974	217,941
Selling, general and administrative expenses	2,046,348	2,322,511
Loss from operations	(1,912,374)	(2,104,570)
Other Income (Expenses)		
Amortization of debt discount	(94,406)	(41,126)
Loss on extinguishment of debt	(920,797)	-
Loss from derivatives issued with debt greater than debt carrying value	-	(224,000)
Gain (Loss) on fair market valuation of derivatives	(1,160,700)	408,200
Interest Expense	(55,995)	(188,529)
Total Other Income (Expense)	(2,231,898)	(45,455)
Loss before Provision of Income Taxes	(4,144,272)	(2,150,025)
Provision for income taxes	-	-
Net Loss	(4,144,272)	(2,150,025)
Net Loss attributable to non-controlling interest	18,208	73,511
Net Loss attributable to Terra Tech Corp.	\$ (4,126,064)	\$ (2,076,514)
Net Loss per Common Share attributable to Terra Tech Corp. common stockholders - Basic and Diluted	\$ (0.01)	\$ (0.01)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	326,500,982	204,859,138

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

TERRA TECH CORP.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	For the Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (4,126,064)	\$ (2,076,514)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) loss on fair market valuation of derivatives	1,160,700	(408,200)
Loss on extinguishment of debt	920,797	-
Amortization of debt discount	94,406	41,126
Depreciation and amortization	161,349	159,434
Stock issued for services	60,550	104,166
Stock option expense	47,589	-
Equity instruments issued with debt greater than debt carrying amount	-	224,000
Change in accounts receivable reserve	(6,659)	50,832
Changes in operating assets and liabilities:		
Accounts receivable	(55,413)	(326,793)
Prepaid expenses	127,862	34,234
Inventory	(310,991)	118,106
Deposits	3,892	(75,735)
Accounts payable	265,177	950,088
Net cash used in operations	(1,656,805)	(1,205,256)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(770,203)	(43,212)
Purchase of intangible assets - domain names	(50,000)	-
Net cash used in investing activities	(820,203)	(43,212)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	-	750,000
Proceeds from issuance of common stock	3,208,134	-
Payments by subsidiaries for non-controlling interest	(18,208)	(73,511)
Net cash provided by financing activities	3,189,926	676,489
NET CHANGE IN CASH AND CASH EQUIVALENTS	712,918	(571,979)
CASH AND CASH EQUIVALENTS, beginning of period	418,082	846,650
CASH AND CASH EQUIVALENTS, end of period	\$ 1,131,000	\$ 274,671
SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:		
Cash paid for interest	\$ 9,000	\$ -

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

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED 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.

The Company was incorporated in Nevada on July 22, 2008, under the name Private Secretary, Inc. The Company's original business was developing a software program that would allow for automatic call processing through voice-over-Internet protocol, or "VoIP", technology. The Company's operations were limited to capital formation, organization, and development of its business plan and target customer market. The Company generated no revenue. The Company changed its name to Terra Tech Corp. on January 27, 2012.

On February 9, 2012, the Company completed a reverse-triangular merger with GrowOp Technology Ltd., a Nevada corporation ("GrowOp Technology"), whereby it acquired all of the issued and outstanding shares of GrowOp Technology and in exchange the Company issued: (i) 33,998,520 shares of its 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 5.384325537 shares of common stock. As a result of the merger, GrowOp Technology became the Company's wholly-owned subsidiary. Following the merger, Terra Tech ceased its prior operations and is now solely a holding company. Through GrowOp Technology, the Company engages in the design, marketing, and sale of hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture.

The Company is also a wholesale seller of locally grown hydroponic produce, herbs, and florals through its wholly-owned subsidiary, Edible Garden Corp., a Nevada corporation ("Edible Garden"). The Company acquired all of the issued and outstanding shares in Edible Garden pursuant to a Share Exchange Agreement, dated March 23, 2013 (the "Share Exchange Agreement"), entered into by and among the Company, Edible Garden, and the stockholders of Edible Garden. Pursuant to the Share Exchange Agreement, the Company offered and sold 1,250,000 shares of its common stock in consideration for all the issued and outstanding shares in Edible Garden. Separately, Amy Almsteier, one of the Company's stockholders and a director (and, at that time, an executive officer), offered and sold 7,650,000 shares of Series B Preferred Stock to Kenneth Vande Vrede, Michael Vande Vrede, Steven Vande Vrede, Daniel Vande Vrede, Beverly Willekes, and David Vande Vrede (collectively, the "Former EG Principal

Stockholders").

On March 19, 2014, the Company formed MediFarm, LLC, a Nevada limited liability company ("MediFarm"), a subsidiary. On July 18, 2014, the Company formed MediFarm I, LLC, a Nevada limited liability company ("MediFarm I"), a subsidiary. On July 30, 2014, the Company formed MediFarm II, LLC, a Nevada limited liability company ("MediFarm II"), a subsidiary. Through MediFarm, MediFarm I, and MediFarm II, the Company is currently operating one medical marijuana dispensary facility in Nevada and plans to operate additional medical marijuana cultivation, production, and dispensary facilities in that state. In April 2016, MediFarm commenced operations at its dispensary in Las Vegas, Nevada under the "Blüm" brand.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

On September 16, 2014, the Company formed IVXX, LLC, a Nevada limited liability company ("IVXX"), and a wholly-owned subsidiary, 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. The Company began producing and selling IVXX's products during the first quarter of fiscal 2015. The Company currently offers these products to 200 select dispensaries in California. The Company uses its supercritical CO₂ extraction lab located in Oakland, California to manufacture these products. IVXX also sells clothing, apparel, and other various branded products.

On October 14, 2015, the Company formed MediFarm I Real Estate, LLC, a Nevada limited liability company ("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 the Company's intention that MediFarm I will operate the medical marijuana dispensary. The Company owns 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.

On April 1, 2016, we acquired Black Oak Gallery, a California corporation ("Black Oak"), that operates a medical marijuana dispensary in Oakland, California under the name Blüm, pursuant to that certain Agreement and Plan of Merger, dated December 23, 2015 (the "Merger Agreement"), with Generic Merger Sub, Inc., a California corporation and our wholly-owned subsidiary (the "Merger Sub"), and Black Oak. The Merger Agreement was amended by a First Amendment to the Agreement and Plan of Merger, dated February 29, 2016. Pursuant to the Merger Agreement, the Merger Sub merged with and into Black Oak, with Black Oak as the surviving corporation, and became our wholly-owned subsidiary (the "Merger"). The Merger is intended to qualify for federal income tax purposes as a tax-free reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

Subject to the terms and conditions of the Merger Agreement, at the closing of the Merger, the outstanding shares of common stock of Black Oak held by (i) three of the current shareholders of Black Oak (the "Group A Shareholders") were converted into the right to receive approximately 8,166 shares of our Series Z Preferred Stock, of which approximately 1,175 shares of Series Z Preferred Stock were issued and paid at closing, and approximately 8,668,700 shares of our Series B Preferred Stock, of which approximately 1,248,300 shares of Series B Preferred Stock were issued and paid at closing and (ii) the remaining shareholders of Black Oak (the "Group B Shareholders") were converted into the right to receive approximately 21,378 shares of our Series Q Preferred Stock, of which approximately 3,695 shares of Series Q Preferred Stock were issued and paid at closing. The shares of Series Z Preferred Stock, Series B Preferred Stock, and Series Q Preferred Stock that were issued but not paid to the Black Oak

shareholders at closing are subject to certain holdback and lock-up provisions, and held in an escrow account as security for the satisfaction of any post-closing adjustments or indemnification claims, as provided for in the Merger Agreement. Each share of Series Q Preferred Stock is to be converted into 5,000 shares of our common stock and each share of Series Z Preferred Stock is to be converted into 1,857 shares of our Series B Preferred Stock, in each case immediately upon our filing with the Secretary of State of the State of Nevada an Amendment to our Articles of Incorporation to increase our authorized capital for, among other reasons, satisfaction of the terms of this potential transaction. Accordingly, the approximately 21,378 shares of Series Q Preferred Stock to be issued to the Group B Shareholders is convertible into approximately 106,890,000 shares of common stock and the approximately 8,166 shares of Series Z Preferred Stock to be issued to the Group A Shareholders is convertible into approximately 15,164,262 shares of Series B Preferred Stock. The Series Z Preferred Stock is intended to mirror the rights of the holders of our Series B Preferred Stock. Each share of our Series B Preferred Stock remains convertible into 5.384325537 shares of our common stock. The aggregate fair market value of the securities issued in the Merger was approximately \$22.9 million. The Group B Shareholders may also receive cash consideration equal to approximately \$2.1 million.

The securities paid to the Group A Shareholders and the Group B Shareholders are subject to certain post-closing adjustments that are based on certain performance indicators as of the first anniversary of the closing date of the Merger. The first indicator is based on the performance of the volume-weighted average price of our common stock on the first anniversary of the closing date of the Merger compared to the price of our common stock on the date of the Merger Agreement. The second indicator is based on our revenues for the twelve-month period following the closing date of the Merger. A portion of the securities that the Group A Shareholders and the Group B Shareholders are entitled to receive at closing of the Merger will be held in an escrow until the first anniversary of the closing date of the Merger and the post-closing adjustments are complete.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Since the Merger was completed on April 1, 2016, Black Oak's financial results are not included in the Company's financial statements for the quarter ended March 31, 2016.

The accompanying unaudited consolidated financial statements include all of the accounts of Terra Tech. These consolidated 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-K 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

The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. The Company does not accrue interest receivable on past due accounts receivable. There was an allowance of \$161,960 at March 31, 2016 and \$184,642 at December 31, 2015.

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: 3-32 years for machinery and equipment, leasehold improvements, and buildings are amortized over the estimated useful life. Repairs and maintenance expenditures that do not extend the useful lives of related assets are expensed as incurred. The Company tests property and equipment for impairment annually for recoverability or whenever events or changes in circumstances indicate that the carry amount may not be recoverable. The Company has concluded for the years ended December 31, 2014, and 2015, and for the quarterly periods ended March 31, 2015, and 2016, that the sum of the undiscounted cash flows exceeds the carry amount of the assets.

Intangibles

Intangible assets at historical cost and amortize them over their estimated useful lives. We use a straight-line method of amortization, unless a method that better reflects the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up can be reliably determined. The approximate useful lives for amortization of our intangible assets are as follows: customer relationships, five to 15 years; trade names, five to 15 years.

We review intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. Conditions that may indicate impairment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, a product recall, or an adverse action or assessment by a regulator. If an impairment indicator exists, we test the intangible asset for recoverability. For purposes of the recoverability test, we group our amortizable intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset (asset group) exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset (asset group), we will write the carrying value down to the fair value in the period identified.

We calculate fair value of our intangible assets as the present value of estimated future cash flows we expect to generate from the asset using a risk-adjusted discount rate. In determining our estimated future cash flows associated with our intangible assets, we use estimates and assumptions about future revenue contributions, cost structures and remaining useful lives of the asset (asset group).

The Carrying Value, Recoverability and Impairment of Long-Lived Assets. The Company has adopted paragraph 360-10-35-17 of FASB Accounting Standards Codification for its long-lived assets. The Company's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the assets expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives.

The Company considers the following to be some examples of important indicators that may trigger an impairment review: (i) significant under-performance or losses of assets relative to expected historical or projected future operating results; (ii) significant changes in the manner or use of assets or in the Company's overall strategy with respect to the manner of use of the acquired assets or changes in the Company's overall business strategy; (iii) significant negative industry or economic trends; (iv) increased competitive pressures; (v) a significant decline in the Company's stock price for a sustained period of time; and (vi) regulatory changes. The Company evaluates acquired assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events. The impairment charges, if any, are included in operating expenses in the accompanying statements of operations. Based on the test results, no impairments have occurred.

Deposits

Deposits are for contractors, stores, and land in California and Nevada.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Cannabis Products – We recognize revenue from product sales 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, the Company has no further performance obligations, selling price is fixed, and collection is reasonably assured.

Hydroponic Produce – We recognize revenue from products grown in our greenhouses and sold 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, the Company has no further performance obligations, selling price is fixed, and collection is reasonably assured.

For sales for which the Company uses an outside grower, the Company evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. The Company determines the product specifications, cultivation, and packaging, while disclosing trade and operational secrets, greenhouse technologies, and nutrients used to grow. The Company is the primary obligor in the transaction because it is the Company's brand that is sold into the retail channel. The Company is subject to inventory risk until product is accepted by the retailer. The Company bears credit risk for the amount billed to the Retailer and, thus, must pay the Grower in the event the selling price is not collected. This revenue is recorded at the gross sale price once the Retailer has accepted delivery, selling price is fixed, and collection is reasonably assured.

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.

Income Taxes

The Company provides 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. The Company has 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 quarter ended March 31, 2016.

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 quarter ended March 31, 2016; therefore, the basic and diluted weighted average shares of common stock outstanding were the same.

Fair Value of Financial Instruments

The Company applies 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. The Company defines 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, the Company considers the principal or most advantageous market in which the Company 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Company's 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. The Company has not elected the fair value option for any eligible financial instruments.

Recently Issued Accounting Standards

Leases – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new standard will be effective for the Company on January 1, 2019. Early adoption is permitted. The Company is in the process of evaluating the impact the adoption of this standard will have on its consolidated financial statements and related disclosures.

Balance Sheet Classification of Deferred Taxes – In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"). ASU 2015-17 requires entities to present deferred tax assets and deferred tax liabilities as noncurrent in a classified balance sheet. The new standard is effective for public entities for annual periods beginning after December 15, 2016, with early adoption allowed on either a prospective or retrospective basis. The Company adopted ASU 2015-17, on a prospective basis, for its annual period ending December 31, 2015. Accordingly, the accompanying consolidated balance sheet at March 31, 2016 reflects the presentation of deferred tax assets and deferred tax liabilities in accordance with ASU 2015-17.

Inventory Measurement – In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"), which requires entities to measure inventory at the lower of cost and net realizable value ("NRV"). ASU 2015-11 defines NRV as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU will not apply to inventories that are measured by using either the last-in, first-out method or the retail inventory method. The guidance in ASU 2015-11 is effective prospectively for fiscal years beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. Upon transition, entities must disclose the nature of and reason for the accounting change. The Company does not expect that the adoption of this standard will have a material effect on its consolidated financial statements.

Going Concern Disclosures – In August 2014, the FASB issued ASU No. 2014-15: Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued and provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. Certain disclosures will be required if conditions give rise to substantial doubt about an entity's ability to continue as a going concern. ASU 2014-15 is effective for annual and interim reporting periods ending after December 15, 2016, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on its consolidated financial statements.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. GOING CONCERN

The Company's future success is dependent upon its 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, the Company incurred net losses for the quarter ended March 31, 2016, and has an accumulated deficit of approximately \$50.1 million at March 31, 2016. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. These factors raise substantial doubt about the Company's 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 the Company be unable to continue as a going concern.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash balances in several financial institutions that are insured by the Federal Deposit Insurance Corporation up to certain federal limitations.

The Company provides credit in the normal course of business to customers located throughout the U.S. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information.

4. SHARE EXCHANGE

On March 23, 2013, the Company entered into the Share Exchange Agreement pursuant to which Edible Garden's stockholders exchanged common stock of Edible Garden for the Company's common stock. Pursuant to the Share Exchange Agreement, the Company offered and sold 1,250,000 shares of its common stock, valued at \$212,500, in consideration for all the issued and outstanding shares in Edible Garden. The Company 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 value as of the date of the transaction. The Company 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 \$10,620 for the quarter ended March 31, 2016.

TERRA TECH CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****5. ACQUISITION**

In March 2016, the Company acquired certain assets from Therapeutics Medical. The fair value of total consideration transferred in connect with the close was \$1,250,000. Of the total purchase price, \$58,622 was attributed to finished goods inventory, \$191,378 was attributed to the existing brands and \$1,000,000 was attributed to the trademarks, patent, customer list and vendor numbers. The Company has determined that the trademarks, patent, customer list and vendor numbers have a useful life of 5 years.

6. INVENTORY

Inventory consists of raw materials for Edible Garden's herb, produce, and floral product lines and IVXX's line of cannabis pure concentrates. Work-In-Progress consists of live plants grown for Edible Garden's herb, produce, and floral product lines along with IVXX's line of cannabis pure concentrates. Finished goods consists of IVXX's line of cannabis packaged to be sold into dispensaries. Cost of goods sold is calculated using the average costing method. The Company reviews its inventory periodically to determine net realizable value. The Company writes 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 March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016	December 31, 2015
Raw Materials	\$ 615,010	\$ 277,340
Work-In-Progress	257,946	542,530
Finished Goods	446,105	129,578
	\$ 1,319,061	\$ 949,448

7. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements at cost, less accumulated depreciation, at March 31, 2016 and December 31, 2015 consisted of the following:

	March 31, 2016	December 31, 2015
Land	\$ 1,454,124	\$ 1,454,124
Furniture	131,547	70,786
Equipment	2,358,202	2,322,444
Leasehold improvements	4,567,014	3,893,330
Subtotal	8,510,887	7,740,684
Less accumulated depreciation	(1,196,438)	(1,045,709)
Total	\$ 7,314,449	\$ 6,694,975

Depreciation expense related to property and equipment for the quarter ended March 31, 2016 was \$150,729 and for the year ended December 31, 2015 was \$602,814.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSE

Accounts payable and accrued expenses consisted of the following:

	March 31, 2016	December 31, 2015
Accounts payable	\$ 1,359,175	\$ 1,105,994
Accrued interest	35,212	103,465
	\$ 1,394,387	\$ 1,119,459

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

Notes payable are as follows:

	March 31, 2016	December 31, 2015
Promissory note dated July 25, 2014 issued to an accredited investor, which matured July 24, 2015 and bore interest at a rate of 12% per annum. The holder of the note extended the maturity to July 25, 2016. 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, which bears interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share. In 2015, the investor exchanged the notes from other accredited investors.	114,306	114,306
5% Original issue discount senior secured convertible promissory note dated May 5, 2014 issued to accredited investors, which matured November 5, 2015, and bore interest at a rate of 12% per annum. The fixed conversion price in effect was set at 90% of the 20-day volume weighted average price ("VWAP") of our common stock on February 5, 2014, or \$0.30753 per share. In 2015, the holder of the note converted some of the debt and accrued interest into common stock. The remaining balance of the note and accrued interest was converted into common stock in March 2016.	-	96,491
Convertible promissory note dated April 7, 2015 issued to accredited investors, which matures October 7, 2016 and bears interest at a rate of 12% per annum. The conversion price in effect is \$0.1303, subject to adjustment. The remaining balance of the note and accrued interest was converted into common stock in January 2016.	-	170,856
	-	170,783

Convertible promissory note dated May 13, 2015 issued to accredited investors, which matures November 13, 2016 and bears interest at a rate of 12% per annum. The conversion price in effect is \$0.1211, subject to adjustment. The remaining balance of the note and accrued interest was converted into common stock in January 2016.

Convertible promissory note dated December 14, 2015, issued to accredited investors, which matures December 13, 2016 and bears interest at a rate of 12% per annum. The conversion price in effect is \$0.1211, subject to adjustment.

289,472 214,927

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

	March 31, 2016	December 31, 2015
Convertible promissory note dated March 10, 2016, issued to accredited investors, which matures September 10, 2017 and bears interest at a rate of 1% per annum. The conversion price in effect is 90% of the average of the lowest three (3) VWAPs for the five (5) consecutive trading days prior to the conversion date.	1,250,000	-
Total Debt	1,803,778	917,363
Less short-term portion	553,778	917,363
Long-term portion	\$ 1,250,000	\$ -

Total debt as of March 31, 2016 and December 31, 2015, was \$1,803,778 and \$917,363, respectively, which included unamortized debt discount of \$210,529 and \$693,435, respectively. The senior secured promissory notes are secured by shares of common stock. There was accrued interest of \$35,212 as of March 31, 2016.

On February 27, 2015, the Company 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 the Company's common stock, par value \$0.001 per share, and (ii) warrants (the "Warrants") to acquire shares (the "Warrant Shares") of the Company's common stock pursuant to the terms of the Purchase Agreement. The purchase of the Notes occurred in three (3) tranches (each, a "Tranche", and, collectively, the "Tranches"), with the first Tranche of \$750,000 closing simultaneously with the execution of the Purchase Agreement. The second tranche of \$450,000 closed on April 6, 2015. The third and final tranche of \$450,000 closed on May 12, 2015. The Company did not close on the remaining three (3) tranches.

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 the Company's ability to engage in subsequent equity sales for a certain period of time.

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 the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (ii) for the redemption of the Company's 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.

TERRA TECH CORP.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****10. FAIR VALUE MEASUREMENTS**

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

	Fair Value at March 31, 2016	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Derivative liability - Conversion Feature	\$ 1,334,000	-	-	\$ 1,334,000
	\$ 1,334,000	-	-	\$ 1,334,000

	Fair Value at December 31, 2015	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Derivative liability - Conversion Feature	\$ 743,400	-	-	\$ 743,400
	\$ 743,400	-	-	\$ 743,400

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

Balance at December 31, 2015	\$ 743,400
Change in fair market value of Conversion Feature	1,160,700
Issuance of equity instruments with debt greater than debt carrying amount	-
Derivative debt converted into equity	(570,100)
Issuance of equity instruments with derivatives	-
Balance at March 31, 2016	\$ 1,334,000

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

The expense (benefit) for income taxes consists of the following:

	March 31, 2016	December 31, 2015
Current:		
Federal	\$ -	\$ -
State	-	-
	-	-
Deferred:		
Federal	-	44,000
State	-	-
	-	-
Total	\$ -	\$ 44,000

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

	March 31, 2016	December 31, 2015
Deferred income tax assets:		
Allowance for bad debt	\$ 71,000	\$ 74,000
Warrants expense	3,904,000	3,412,000
Derivatives expense	1,239,000	729,000
Net operating losses	7,736,000	7,029,000
	12,950,000	11,244,000
Deferred income tax liabilities:		
Depreciation	(44,000)	(44,000)
Total	12,906,000	11,200,000
	-	-
Valuation allowance	(12,950,000)	(11,244,000)
	-	-

Net deferred tax assets	\$	(44,000)	\$	(44,000)
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Permanent differences include ordinary and necessary business expenses deemed by the Company as a non-allowable deduction under Internal Revenue Code Section 280E, and tax deductions related to equity compensation that are less than the compensation recognized for financial reporting.

As of March 31, 2016 and December 31, 2015, the Company had net operating loss carryforwards of approximately \$18,000,000 and \$18,000,000, 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, but expects these losses to be substantially limited. Accordingly, the Company has placed a reserve against any assets associated with these losses.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TAX EXPENSE, Continued

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 March 31, 2016. 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 March 31, 2016, a valuation allowance of has been recorded against all deferred tax assets as these assets are more likely than not to be unrealized. 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 growth.

For the quarter ended March 31, 2016, IVXX produced and sold cannabis pure concentrates, subjecting the Company to the limits of Internal Revenue Code Section 280E. Pursuant to IRC Section 280E, the Company is allowed only to deduct expenses directly related to sales of product. For the quarter ended March 31, 2016, these direct expenses exceeded gross sales subject to IRC Section 280E and accordingly the Company had no tax liability. The Company recorded a deferred tax liability related to the tax depreciation in excess of that reported for financial reporting purposes incurred in prior periods.

12. CAPITAL STOCK

Preferred Stock

The Company authorized 25 million shares of preferred stock with \$0.001 par value. The Company designated 100 shares of preferred stock as "Series A Preferred Stock," of which there were 100 shares of Series A Preferred Stock outstanding as of March 31, 2016. Series A Preferred Stock is convertible on a one-for-one basis into common stock and has all of the voting rights of the Company's common stock.

The Company designated 24,968,800 shares of preferred stock as "Series B Preferred Stock," of which there were 16,150,000 shares of Series B Preferred Stock outstanding as of March 31, 2016. 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 the Company's common stock.

The Company designated 21,600 shares of preferred stock as "Series Q Preferred Stock," of which there were no shares of Series Q Preferred Stock outstanding as of March 31, 2016. Each share of Series Q Preferred Stock is convertible into 5,000 shares of the Company's common stock and has all the voting rights of the Company's common stock.

The Company designated 8,300 shares of preferred stock as "Series Z Preferred Stock," of which there were no shares of Series Z Preferred Stock outstanding as of March 31, 2016. The Series Z Preferred Stock is intended to mirror the rights of the holders of the Series B Preferred Stock. Each share of Series Z Preferred Stock is convertible into 1,857 shares of Series B Preferred Stock.

Please refer to Note 17, *Subsequent Events*, to these Consolidated Financial Statements for additional disclosure regarding changes to the Company's capital stock subsequent to March 31, 2016.

Common Stock

The Company authorized 350 million shares of common stock, \$0.001 par value per share. As of March 31, 2016, 349,739,408 shares of common stock were issued and outstanding.

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

The Company has the following shares of common stock reserved for exercise of the warrants outstanding as of March 31, 2016:

	March 31, 2016	
	Shares	Weighted Average Exercise Price
Warrants outstanding – beginning of year	32,426,008	\$ 0.18
Warrants exercised	(9,206,330)	0.13
Warrants granted	6,842,104	0.13
Warrants expired	(150,000)	(0.46)
Warrants outstanding – end of period	29,911,782	\$ 0.15

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

Range of Exercise Prices	Number	Average	Weighted Average Exercise Price
	Outstanding at March 31, 2016	Remaining Contractual Life	
\$0.85	40,000	1 Months	\$ 0.85
\$0.40	333,333	5 Months	\$ 0.40
\$0.33	439,637	10 Months	\$ 0.33
\$0.16	750,000	12 Months	\$ 0.16
\$0.14	1,578,947	27 Months	\$ 0.14
\$0.21	14,946,119	27 Months	\$ 0.21
\$0.30	1,846,300	28 Months	\$ 0.14

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\$0.06	7,067,002	31 Months	\$	0.06
\$0.16	1,118,068	35 Months	\$	0.16
\$0.13	863,392	37 Months	\$	0.13
\$0.12	928,984	38 Months	\$	0.12
	29,911,782			

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

The Company leases certain business facilities under operating lease agreements that specify minimum rentals. Many of these have renewal provisions along with the option to acquire the property. The Company's net rent expense for the quarter ended March 31, 2016 and 2015 was \$133,867 and \$136,650, respectively. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

<u>Year Ending December 31:</u>	Scheduled Payments
2016	\$ 541,656
2017	487,518
2018	478,587
2019	342,336
2020	256,173
2021 and thereafter	2,021,484
Total minimum rental payments	\$ 4,127,754

15. LITIGATION AND CLAIMS

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. The Company reviews any such legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and it discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company's financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, 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. The Company does 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, the Company determined that there were no matters that required an accrual as of March 31, 2016, nor were there any asserted or unasserted claims for which material losses are reasonably possible.

16. SEGMENT INFORMATION

The Company's operating and reportable segments are currently organized around the following products that it offers as part of its core business strategy:

- Hydroponic Products
- Cannabis Products

These two reportable segments, which are described in greater detail below, had previously been reported on a combined basis as they had been operated and evaluated as one operating segment. The Company experienced significant growth over the last year in most of our product areas. As the Company has grown organically, and as the Company previously added to its capabilities through acquisitions, its products have increased in scale and become more strategically important and distinctly organized and managed under these two groupings. In addition, Derek Peterson, the Company's chief operating decision maker ("CODM") has begun reviewing results and managing and allocating resources between these two strategic business groupings, and has begun budgeting using these business segments. The Company's segment information for the quarter ended March 31, 2016 has been reclassified to conform to its current presentation.

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

The Company's 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 the Company does not allocate to its operating segments. These income and expense amounts include the results of the Company's 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 Financial Statements.

Hydroponic Products – The Company's locally grown hydroponic products, which include produce, herbs, and floral products, are started from seed and are grown in environmentally controlled greenhouses. When harvested, the products are sold through retailers targeted to customers seeking produce, herbs, or floral products locally grown using environmentally sustainable methods.

Cannabis Products – IVXX's cannabis products are currently produced in the Company's supercritical CO₂ lab in California and are sold in select dispensaries throughout California. The Company currently operates or plans to operate medical marijuana cultivation, production, and dispensary facilities in Nevada through its subsidiaries, MediFarm, MediFarm I, and MediFarm II. The Company was granted eight provisional permits in Nevada and have received approval from the local authorities with respect to all of the permits.

Summarized financial information concerning the Company's reportable segments is shown in the following tables. Total asset amounts at March 31, 2016 and 2015 exclude intercompany receivable balances eliminated in consolidation.

	3 Months Ended March 31, 2016			
	Hydroponic Produce	Cannabis Products	Eliminations and Other	Total
Total Revenues	\$ 1,401,443	\$ 130,203	\$ 16,521	\$ 1,548,167

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Cost of Goods Sold	1,200,932	213,261	-	1,414,193
	200,511	(83,058)	16,521	133,974
Selling, general and administrative expenses	518,652	202,136	1,325,560	2,046,348
Loss from operations	(318,141)	(285,194)	(1,309,039)	(1,912,374)
Other Income (Expenses)				
Amortization of debt discount	-	-	(94,406)	(94,406)
Loss on extinguishment of debt	-	-	(920,797)	(920,797)
Gain (Loss) on fair market valuation of derivatives	-	-	(1,160,700)	(1,160,700)
Interest Income (Expense)	-	-	(55,995)	(55,995)
Total Other Income (Expense)	-	-	(2,231,898)	(2,231,898)
Loss before Provision of Income Taxes	\$ (318,141)	\$ (285,194)	\$ (3,540,937)	\$ (4,144,272)
Total assets at March 31, 2016	\$ 6,667,866	\$ 2,734,868	\$ 2,750,386	\$ 12,153,120

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

	3 Months Ended March 31, 2015			
	Hydroponic Produce	Cannabis Products	Eliminations and Other	Total
Total Revenues	\$ 458,773	\$ 304,025	\$ 555	\$ 763,353
Cost of Goods Sold	288,093	257,319	-	545,412
	170,680	46,706	555	217,941
Selling, general and administrative expenses	472,065	215,515	1,634,931	2,322,511
Loss from operations	(301,385)	(168,809)	(1,634,376)	(2,104,570)
Other Income (Expenses)				
Amortization of debt discount	-	-	(41,126)	(41,126)
Loss from derivatives issued with debt greater than debt carrying value	-	-	(224,000)	(224,000)
Gain (Loss) on fair market valuation of derivatives	-	-	408,200	408,200
Interest Income (Expense)	-	-	(188,529)	(188,529)
Total Other Income (Expense)	-	-	(45,455)	(45,455)
Loss before Provision of Income Taxes	\$ (301,385)	\$ (168,809)	\$ (1,679,831)	\$ (2,150,025)
Total assets at March 31, 2015	\$ 6,009,693	\$ 794,180	\$ 426,508	\$ 7,230,381

17. RELATED PARTY TRANSACTIONS

During the quarter ended March 31, 2016, our subsidiary, IVXX, purchased raw materials totaling \$16,076 from Black Oak, an entity in which the Company's Chief Executive Officer then-held an ownership interest. On April 1, 2016, we completed the Merger, whereby Merger Sub merged with and into Black Oak, with Black Oak as the surviving corporation, and becoming a wholly-owned subsidiary of the Company. The terms of the purchases of the raw materials were at arms-length. There was no accounts receivable balance from this entity as of March 31, 2016.

18. SUBSEQUENT EVENTS

Issuances of Debt:

On March 31, 2016, the Company issued a demand promissory note in favor of Dominion Capital LLC ("Dominion") in the amount of \$750,000. The principal and interest under the demand note is due and payable on demand, but in no case later than June 30, 2016. Payment may be made in either cash or shares of the Company's common stock, at Dominion's option. Dominion may also, at its option, convert the demand note into a subsequent securities offering that is undertaken by the Company. Interest accrues at the simple rate of one percent (1%). The Company received the \$750,000 on April 1, 2016.

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS, Continued

On April 29, 2016, the Company issued a demand promissory note in favor of Dominion in the amount of \$500,000. The demand note matures on the earlier of July 31, 2016, or on demand. Payment may be made in either cash or shares of the Company's common stock, at Dominion's option. Dominion may also, at its option, convert the demand note into a subsequent securities offering that is undertaken by the Company. Interest accrues at the simple rate of one percent (1%). The Company received the \$500,000 on May 3, 2016.

Issuances and Sales of Common Stock:

In the second quarter of 2016, the Company issued 172,414 shares of common stock for the net amount of \$100,000 pursuant to an agreement for the sale and assignment of various trademarks. The \$100,000 liability was recorded on the books as March 31, 2015.

Designation of New Series of Preferred Stock:

Effective May 3, 2016, the Company designated two additional series of preferred stock: (i) Series G Preferred Stock and (ii) Series N Preferred Stock, by filing Certificate of Designations with the Secretary of State of the State of Nevada. The Certificate of Designation of Series G Preferred Stock (the "Series G Certificate") designates one share as Series G Preferred Stock. Each share of Series G Preferred Stock is convertible into 14,545,355 shares of the Company's common stock immediately upon the Company filing with the Secretary of State of the State of Nevada an Amendment to its Articles of Incorporation to increase its authorized capital. The holder of the Series G Preferred Stock is entitled to a liquidation preference equal to \$15,545.46 per share (subject to appropriate adjustment in the event of any stock dividend, forward stock split, or other similar recapitalization). Such liquidation preference is in preference (but equal to the holders of the Series Q Preferred Stock and the holder of the Series N Preferred Stock) to the holders of the Company's common stock, but subordinate in preference to any sum to which the holders of any shares of any other series of the Company's preferred stock are entitled.

The Certificate of Designation of Series N Preferred Stock (the "Series N Certificate") designates one share as Series N Preferred Stock. Each share of Series G Preferred Stock is convertible into 2,500,000 shares of the Company's

common stock immediately upon the Company filing with the Secretary of State of the State of Nevada an Amendment to its Articles of Incorporation to increase its authorized capital. The holder of the Series N Preferred Stock are entitled to a liquidation preference equal to \$2,500 per share (subject to appropriate adjustment in the event of any stock dividend, forward stock split, or other similar recapitalization). Such liquidation preference is in preference (but equal to the holder of the Series G Preferred Stock and the holders of the Series Q Preferred Stock) to the holders of the Company's common stock, but subordinate in preference to any sum to which the holders of any shares of any other series of the Company's preferred stock are entitled.

ITEM 6. EXHIBITS

(a)

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 *

* 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: July 29, 2016

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