

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

**FORM 10-Q**

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

**For the Quarterly Period Ended March 31, 2017**

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)

**NEVADA**

\_\_\_\_\_  
(State or Other Jurisdiction of Incorporation  
or Organization)

**26-3062661**

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

**2040 Main Street, Suite 225  
Irvine, California**

\_\_\_\_\_  
(Address of Principal Executive Offices)

**92614**

\_\_\_\_\_  
(Zip Code)

**(855) 447-6967**

(Registrant's Telephone Number, Including Area Code)

**4700 Von Karman, Suite 110, Newport Beach, California 92660**

(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  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  No

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

Large accelerated filer   
Non-accelerated filer   
Emerging growth company

Accelerated filer   
Smaller reporting company

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

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

As of May 5, 2017, there were 586,696,306 shares of common stock outstanding, 100 shares of Series A Preferred Stock, convertible at any time into 100 shares of common stock, 37,425,953 shares of Series B Preferred Stock, convertible into approximately 201,513,515 shares of common stock, 15,007,505 shares of common stock issuable upon the exercise of all of our outstanding warrants, and 2,791,667 shares of common stock issuable upon the exercise of all vested stock options.



TERRA TECH CORP. AND SUBSIDIARIES  
FORM 10-Q  
QUARTERLY PERIOD ENDED MARCH 31, 2017

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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 10,252,700	\$ 9,749,572
Accounts Receivable	419,282	747,792
Inventory	2,117,857	1,909,330
Prepaid Expenses	1,860,612	704,721
Total Current Assets	14,650,451	13,111,415
Property, Equipment and Leasehold Improvements, Net	10,525,431	10,464,764
Intangible Assets, Net	23,197,573	23,627,098
Goodwill	28,921,260	28,921,260
Other Assets	282,987	54,193
<b>TOTAL ASSETS</b>	<b>\$ 77,577,702</b>	<b>\$ 76,178,730</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 3,692,329	\$ 2,417,400
Derivative Liabilities	4,848,600	6,987,000
Short-Term Debt	505,000	564,324
Income Taxes Payable	615,830	615,830
Contingent Consideration	16,434,620	12,085,859
Total Current Liabilities	26,096,379	22,670,413
Long-Term Liabilities:		
Long-Term Debt	1,706,378	1,354,352
Total Long-Term Liabilities	1,706,378	1,354,352
Total Liabilities	27,802,757	24,024,765
<b>COMMITMENT AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred Stock, Convertible Series A, Par Value \$0.001:		
100 Shares Authorized as of March 31, 2017 and December 31, 2016;		
100 Shares Issued and Outstanding as of March 31, 2017 and December 31, 2016	-	-
Preferred Stock, Convertible Series B, Par Value \$0.001:		
49,999,900 Shares Authorized as of March 31, 2017 and December 31, 2016;		
37,425,953 Shares Issued and Outstanding as of March 31, 2017;		
36,825,953 Shares Issued and Outstanding as of December 31, 2016	37,426	36,826
Common Stock, Par Value \$0.001:		
990,000,000 Shares Authorized as of March 31, 2017 and December 31, 2016;		
577,022,942 Shares Issued and Outstanding as of March 31, 2017;		
553,863,812 Shares Issued and Outstanding as of December 31, 2016	577,023	553,864
Additional Paid-In Capital	133,004,724	124,915,182
Accumulated Deficit	(82,982,987)	(72,870,999)
Total Terra Tech Corp. Stockholders' Equity	50,636,186	52,634,873
Non-Controlling Interest	(861,241)	(480,908)
Total Stockholders' Equity	49,774,945	52,153,965
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 77,577,702</b>	<b>\$ 76,178,730</b>

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
Total Revenues	\$ 6,824,456	\$ 1,548,167
Cost of Goods Sold	6,465,393	1,414,193
Gross Profit	359,063	133,974
Selling, General and Administrative Expenses	6,386,300	2,046,348
Loss from Operations	(6,027,237)	(1,912,374)
Other Income (Expense):		
Amortization of Debt Discount	(610,616)	(94,406)
Loss on Extinguishment of Debt	(1,039,458)	(920,797)
Gain (Loss) on Fair Market Valuation of Derivatives	1,610,750	(1,160,700)
Interest Expense	(157,833)	(55,995)
Loss on Fair Market Valuation of Contingent Consideration	(4,348,761)	-
Total Other Income (Expense)	(4,545,918)	(2,231,898)
Loss Before Provision for Income Taxes	(10,573,155)	(4,144,272)
Provision for Income Taxes	-	-
Net Loss	(10,573,155)	(4,144,272)
Net Loss Attributable to Non-Controlling Interest	461,167	18,208
<b>NET LOSS ATTRIBUTABLE TO TERRA TECH CORP.</b>	<b><u>\$ (10,111,988)</u></b>	<b><u>\$ (4,126,064)</u></b>
Net Loss Per Common Share Attributable to Terra Tech Corp. Common Stockholders – Basic and Diluted	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted-Average Number of Common Shares Outstanding – Basic and Diluted	<u>567,271,642</u>	<u>326,500,982</u>

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$(10,111,988)	\$(4,126,064)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Loss (Gain) on Fair Market Valuation of Derivatives	(1,610,750)	1,160,700
Loss on Fair Market Valuation of Contingent Consideration	4,348,761	–
Loss on Extinguishment of Debt	1,039,458	920,797
Amortization of Debt Discount	610,616	94,406
Depreciation and Amortization	892,598	161,349
Warrants Issued with Common Stock and Debt	107,035	–
Stock Issued for Interest Expense	129,639	–
Stock Issued for Compensation	1,061,506	–
Stock Issued for Director Fees	37,500	–
Stock Issued for Services	145,011	60,550
Stock Option Expense	47,589	47,589
Change in Allowance for Doubtful Accounts	–	(6,659)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	328,510	(55,413)
Inventory	(208,527)	(310,991)
Prepaid Expenses	(1,155,891)	127,862
Other Assets	(228,795)	3,892
Accounts Payable and Accrued Expenses	1,274,929	265,177
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,292,799)</b>	<b>(1,656,805)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property, Equipment and Leasehold Improvements	(523,740)	(770,203)
Purchase of Intangible Assets – Domain Names	–	(50,000)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(523,740)</b>	<b>(820,203)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of Notes Payable	3,000,000	–
Proceeds from Issuance of Common Stock	1,700,000	3,208,134
Net Loss Attributable to Non-Controlling Interest	(461,167)	(18,208)
Cash Contribution from Non-Controlling Interest	80,834	–
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>4,319,667</b>	<b>3,189,926</b>
<b>NET CHANGE IN CASH</b>	<b>503,128</b>	<b>712,918</b>
Cash at Beginning of Period	9,749,572	418,082
<b>CASH AT END OF PERIOD</b>	<b>\$ 10,252,700</b>	<b>\$ 1,131,000</b>
<b>SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:</b>		
Cash Paid for Interest	\$ –	\$ 9,000
<b>SUPPLEMENTAL DISCLOSURE FOR FINANCING ACTIVITIES:</b>		
Derivative Debt Converted into Equity	\$ 2,770,650	\$ –
Issuance of Common Stock for Debt and Interest Expense	\$ 3,688,963	\$ –

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

**NOTE 1 – DESCRIPTION OF BUSINESS**

**Organization**

References in the notes to unaudited consolidated financial statements 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.

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 the Company owns interests, the Company operates and/or plans to operate medical marijuana dispensary facilities, cultivation, and production facilities in Nevada. Through IVXX, LLC, a Nevada limited liability company (“IVXX LLC”), and IVXX, Inc., a California corporation (“IVXX Inc.”; together with IVXX LLC, “IVXX”), the Company’s wholly-owned subsidiary, the Company produces and sells a line of cannabis flowers, as well as a line of cannabis pure concentrates. Most recently, the Company formed another wholly-owned subsidiary, MediFarm I Real Estate, LLC, a Nevada limited liability company (“MediFarm I RE”), which owns the real property on which a medical marijuana dispensary will be constructed. The dispensary will be operated by MediFarm I. Through Black Oak Gallery, we operate a medical marijuana retail dispensary, a medical marijuana cultivation facility, and have a second medical marijuana cultivation facility in the early stages of construction, all in Oakland, California. The Company is a wholesale seller of locally grown hydroponic produce, herbs and floral products through its wholly-owned subsidiary, Edible Garden Corp., a Nevada corporation (“Edible Garden”).

On April 1, 2016, the Company acquired Black Oak Gallery, a California corporation (“Black Oak”). Black Oak operates a medical marijuana retail 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.

Since the Merger was completed on April 1, 2016, Black Oak’s financial results are not included in our unaudited consolidated financial statements for the three months ended March 31, 2016.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The consolidated balance sheet at December 31, 2016 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Terra Tech’s annual report on Form 10-K for the year ended December 31, 2016.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Non-Controlling Interest**

Non-controlling interest is shown as a component of shareholders' equity on the consolidated balance sheets and the share of income (loss) attributable to non-controlling interest is shown as a component of income (loss) in the consolidated statements of operations.

**Use of Estimates**

The preparation of 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.

**Inventory**

We value our inventory at the lower of the actual cost of our inventory, as determined using the first-in, first-out method, or its current estimated net realizable value ("NRV"). ASU No. 2015-11, "*Inventory (Topic 330): Simplifying the Measurement of Inventory*", defines NRV as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We periodically review our physical inventory for excess, obsolete, and potentially impaired items and reserve accordingly. Our reserve estimate for excess and obsolete is based on expected future use. Our reserve estimates have historically been consistent with our actual experience as evidenced by actual sale or disposal of the goods.

**Property, Equipment and Leasehold Improvements**

Property, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The approximate useful lives for depreciation of our property, equipment and leasehold improvements are as follows: 32 years for buildings; three to eight years for furniture and equipment; and the shorter of the estimated useful life or the underlying lease term for leasehold improvements. Repairs and maintenance expenditures that do not extend the useful lives of related assets are expensed as incurred.

**Goodwill**

Goodwill is measured as the excess of consideration transferred and the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is not amortized for accounting purposes.

We review the goodwill allocated to each of our reporting units for possible impairment annually on August 1 and whenever events or changes in circumstances indicate its carrying amount may not be recoverable. When assessing goodwill for impairment, we have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a two-step impairment test. If we conclude otherwise, then no further action is taken. We also have the option to bypass the qualitative assessment and only perform a quantitative assessment, which is the first step of the two-step impairment test. In the two-step impairment test, we measure the recoverability of goodwill by comparing a reporting unit's carrying amount, including goodwill, to the estimated fair value of the reporting unit.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Intangibles**

Intangible assets are stated at historical cost and amortized 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	5 to 12 Years
Trade Names	2 to 8 Years
Dispensary License	14 Years
Patent	2 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. Intangible assets that have indefinite useful lives are tested annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount of the reporting unit exceeds its fair value.

**Impairment of Long-Lived Assets**

We have adopted paragraph 360-10-35-17 of FASB Accounting Standards Codification (“ASC”) for our long-lived assets. Our long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. We assess the recoverability of our 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.

**Other Assets**

Other assets are comprised primarily of security deposits for leased properties in California, Nevada and New Jersey. The deposits will be returned at the end of the lease term.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Revenue Recognition**

We recognize revenue in accordance with ASC 605, “*Revenue Recognition*,” by recognizing as revenue the fees we charge customers because persuasive evidence of an arrangement exists, the fees we charge are substantially fixed or determinable during the period that we provide the goods or services, we and our customers understand the specific nature and terms of the agreed upon transactions, and payment is made for the goods or services when they have been rendered.

*Cannabis Dispensary, Cultivation and Production*

We recognize revenue from manufacturing and distribution product sales and upon transfer of title and risk to the customer, which occurs either at shipping (F.O.B. terms) or upon sell through depending on the arrangement.

Revenue from our retail dispensaries is recognized net of discounts, rebates, promotional adjustments, price adjustments and returns, and net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant government authority. Revenue is recorded upon transfer of title and risk to the customer which occurs at the time customers take delivery of our products at our retail dispensaries. Upon purchase, we have no further performance obligations and collection is assured as sales are paid for at time of purchase.

Revenue related to the sale of consignment inventory is not recognized until the product is pulled from inventory and sold directly to end-customers. We recognize revenue from the sale of consignment inventory on a gross basis, as we have determined that: 1) we are the primary obligor to the customer; 2) we have latitude in establishing the sales prices and profit margins of our products; 3) we have discretion in selecting our suppliers; 4) we are responsible for loss or damage to consigned inventory; and 5) our customer validation process performs an important part of the process of providing such products to authorized customers. We believe that these factors outweigh the fact that we do not have title to the consigned inventory prior to its sale.

*Herbs and Produce Products*

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, we have no further performance obligations, selling price is fixed, and collection is reasonably assured.

**Cost of Goods Sold**

*Cannabis Dispensary, Cultivation and Production*

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and other supplies, fees for services and processing, other expenses for services, and allocated overhead. Overhead expenses include allocations of rent, administrative salaries, utilities, and related costs. It also includes the cost incurred in producing the oils, waxes, shatters, and clears sold by IVXX.

*Herbs and Produce Products*

Cost of goods sold are for the plants grown, packaging, other supplies and in addition to purchased plants which are sold into the retail marketplace by Edible Garden. Other expenses include freight, allocations of rent, utilities and repairs and maintenance.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Stock-Based Compensation**

The Company accounts for its stock-based awards in accordance with ASC subtopic 718-10, “*Compensation*,” which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted stock awards. For stock options, the Company estimates the fair value using a closed option valuation (Black-Scholes) model. The fair value of restricted stock awards is based upon the quoted market price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, net of estimated forfeitures, which is generally the performance period and the related amount is recognized in the consolidated statements of operations.

**Warrants**

ASC 815-40, “*Contracts in Entity’s Own Equity*” (“ASC 815-40”), requires freestanding contracts that are settled in a company’s own stock, including common stock warrants, to be designated as an equity instrument, asset or a liability. Under the provisions of ASC 815-40, a contract designated as an asset or a liability must be carried at fair value on a company’s balance sheet, with any changes in fair value recorded in the company’s results of operations. A contract designated as an equity instrument must be included within equity, and no fair value adjustments are required from period to period.

ASC 815, “*Derivatives and Hedging*” (“ASC 815”) requires all derivatives to be recorded on the balance sheet at fair value. Furthermore, ASC 815 precludes contracts issued or held by a reporting entity that are both (1) indexed to its own stock and (2) classified as stockholders’ equity in its statement of financial position from being treated as derivative instruments.

**Research and Development**

Research and development costs are expensed as incurred.

**Income Taxes**

We provide for income taxes based on enacted tax law and statutory tax rates at which items of income and expense 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. At March 31, 2017 and December 31, 2016, such net operating losses were offset entirely by a valuation allowance.

The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50% likely of being ultimately realized upon settlement. The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax related interest and penalties as interest expense and selling, general and administrative expense, respectively, on the consolidated statements of operations.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 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 loss per share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the three months ended March 31, 2017 and 2016. Therefore, the basic and diluted weighted-average shares of common stock outstanding were the same for both periods.

**Fair Value of Financial Instruments**

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.

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**

*FASB ASU 2017-04 (Topic 350), “Intangibles - Goodwill and Others”* – Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. We are currently evaluating the effect that ASU 2017-04 will have on our consolidated financial statements and related disclosures.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*FASB ASU No. 2016-02 (Topic 842), “Leases”* – Issued in February 2016, ASU No. 2016-02 will require 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.

*FASB ASU No. 2014-09 (Topic 606), “Revenue from Contracts with Customers”* – Issued in May 2014, ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, *“Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date”*. This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016-08, *“Principal versus Agent Considerations (Reporting Gross versus Net)”*, which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, *“Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers”* and 2016-12, *“Narrow-Scope Improvements and Practical Expedients”*, both of which provide additional clarification of certain provisions in Topic 606. These Accounting Standards Codification (“ASC”) updates are effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted. Early adoption is permitted only as of annual reporting periods after December 15, 2016. The standard permits the use of either the retrospective or retrospectively with the cumulative effect transition method. We are currently in the process of evaluating all revenue streams, accounting policies, practices and reporting to identify and understand any impact on our consolidated financial statements.

**NOTE 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. At times, the Company’s cash balance exceeds these 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.

**NOTE 4 – INVENTORY**

Raw materials consist of 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 lines, live plants grown at Black Oak, and IVXX’s line of cannabis pure concentrates. Finished goods consists of IVXX’s line of cannabis packaged products to be sold into dispensaries, and Edible Gardens products to be sold via food, drug, and mass channels.

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.

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**NOTE 4 – INVENTORY** (Continued)

As of March 31, 2017 and December 31, 2016, inventory consisted of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Raw Materials	\$ 453,442	\$ 486,119
Work-in-Progress	740,877	570,145
Finished Goods	<u>923,538</u>	<u>853,066</u>
<b>Total Inventory</b>	<b><u>\$2,117,857</u></b>	<b><u>\$1,909,330</u></b>

**NOTE 5 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

As of March 31, 2017 and December 31, 2016, property, equipment and leasehold improvements at cost, less accumulated depreciation, consisted of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Land and Building	\$ 1,454,124	\$ 1,454,124
Furniture and Equipment	3,326,103	3,141,244
Computer Hardware and Software	435,093	396,479
Leasehold Improvements	<u>8,328,059</u>	<u>8,027,792</u>
Subtotal	13,543,379	13,019,639
Less Accumulated Depreciation	<u>(3,017,948)</u>	<u>(2,554,875)</u>
<b>Property, Equipment and Leasehold Improvements, Net</b>	<b><u>\$10,525,431</u></b>	<b><u>\$10,464,764</u></b>

Depreciation expense related to property, equipment and leasehold improvements for the three months ended March 31, 2017 and 2016 was \$463,073 and \$150,729, respectively.

**NOTE 6 – INTANGIBLE ASSETS**

As of March 31, 2017 and December 31, 2016, intangible assets consisted of the following:

	Estimated Useful Life in Years	<b>March 31, 2017</b>			<b>December 31, 2016</b>		
		<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Value</b>
Amortized Intangible Assets:							
Customer Relationships	5 to 12	\$ 8,960,700	\$ (999,744)	\$ 7,960,956	\$ 8,960,700	\$ (780,960)	\$ 8,179,740
Trade Brands and Patent Dispensary License	2 to 8	498,598	(118,409)	380,189	498,598	(91,061)	407,537
	14	<u>10,270,000</u>	<u>(733,572)</u>	<u>9,536,428</u>	<u>10,270,000</u>	<u>(550,179)</u>	<u>9,719,821</u>
<b>Total Amortized Intangible Assets</b>		<b><u>19,729,298</u></b>	<b><u>(1,851,725)</u></b>	<b><u>17,877,573</u></b>	<b><u>19,729,298</u></b>	<b><u>(1,422,200)</u></b>	<b><u>18,307,098</u></b>
Unamortized Intangible Assets:							
Trade Name	Indefinite	<u>5,320,000</u>	–	<u>5,320,000</u>	<u>5,320,000</u>	–	<u>5,320,000</u>
<b>Total Unamortized Intangible Assets</b>		<b><u>5,320,000</u></b>	<b><u>–</u></b>	<b><u>5,320,000</u></b>	<b><u>5,320,000</u></b>	<b><u>–</u></b>	<b><u>5,320,000</u></b>
<b>Total Intangible Assets</b>		<b><u>\$25,049,298</u></b>	<b><u>\$ (1,851,725)</u></b>	<b><u>\$23,197,573</u></b>	<b><u>\$25,049,298</u></b>	<b><u>\$ (1,422,200)</u></b>	<b><u>\$23,627,098</u></b>

Intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of \$429,525 and \$10,620 for the three months ended March 31, 2017 and 2016, respectively.

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**NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

As of March 31, 2017 and December 31, 2016, accounts payable and accrued expenses consisted of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Accounts Payable	\$2,155,895	\$1,986,907
Sales Tax Payable	1,008,479	122,470
Accrued Interest Payable	124,827	96,633
Accrued Expenses	<u>403,128</u>	<u>211,390</u>
<b>Total Accounts Payable and Accrued Expenses</b>	<b><u>\$3,692,329</u></b>	<b><u>\$2,417,400</u></b>

**NOTE 8 – NOTES PAYABLE**

As of March 31, 2017 and December 31, 2016, notes payable consisted of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Unsecured promissory demand notes issued to an accredited investor, which bear interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share.	\$ 5,000	\$ 64,324
Convertible promissory note dated December 14, 2015, issued to accredited investors, which matured December 13, 2016 and bears interest at a rate of 12% per annum. The holder of the note extended the maturity to December 13, 2017. The conversion price is \$0.1211, subject to adjustment.	500,000	500,000
Senior convertible promissory note dated October 28, 2016, issued to accredited investors, which matures April 28, 2018 and bears interest at a rate of 1% per annum. The conversion price is 90% of the average of the lowest three (3) VWAPs for the five (5) consecutive trading days prior to the conversion date.	–	102,582
Senior convertible promissory note dated November 1, 2016, issued to accredited investors, which matures May 1, 2018 and bears interest at a rate of 12% per annum. The conversion price is \$0.35, subject to adjustment.	53,539	31,615
Senior convertible promissory note dated December 16, 2016, issued to accredited investors, which matures June 16, 2018 and bears interest at a rate of 12% per annum. The conversion price is \$0.27, subject to adjustment.	743,841	1,220,155
Senior convertible promissory note dated February 23, 2017, issued to accredited investors, which matures August 22, 2018 and bears interest at a rate of 12% per annum. The conversion price is \$0.25, subject to adjustment.	<u>908,998</u>	<u>–</u>
<b>Total Debt</b>	<b>2,211,378</b>	<b>1,918,676</b>
<b>Less Short-Term Portion</b>	<b><u>505,000</u></b>	<b><u>564,324</u></b>
<b>Long-Term Portion</b>	<b><u>\$ 1,706,378</u></b>	<b><u>\$ 1,354,352</u></b>

As of March 31, 2017 and December 31, 2016, total debt was \$2,211,378 and \$1,918,676, respectively, which included unamortized debt discount of \$3,443,622 and \$4,295,648, respectively. The senior secured promissory notes are secured by shares of common stock. There was accrued interest payable of \$124,827 and \$96,633 as of March 31, 2017 and December 31, 2016, respectively.

*Securities Purchase Agreement Dated February 22, 2017 and 12% Senior Convertible Promissory Note Due August 22, 2018*

On February 22, 2017, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with an accredited investor (the “Purchaser”) pursuant to which the Company sold to the Purchaser a 12% Senior Convertible Promissory Note due August 22, 2018 (the “Note”) in the principal amount of \$3,000,000 for a purchase price of \$3,000,000 (the “Offering”). There were no fees or expenses deducted from the net proceeds received by the Company in the Offering. The Note and the shares of the Company’s common stock, par value \$0.001 per share (the “Common Stock”) issuable upon conversion of the Note (the “Conversion Shares”) are collectively referred to herein as the “Securities.”



**NOTE 8 – NOTES PAYABLE** (Continued)

All principal and interest due and owing under the Note is convertible into shares of Common Stock at any time at the election of the holder at a conversion price per share equal to the lower of (i) \$0.2495 or (ii) 85% of the lowest daily volume weighted average price of the Common Stock in the fifteen (15) trading days prior to the conversion date (the “Conversion Price”), which Conversion Price is subject to adjustment for (i) stock splits, stock dividends, combinations, or similar events and (ii) full ratchet anti-dilution protection. The Company accounts for debt discount according to ASC 470-20 *Debt With Conversion And Other Options*. Debt discount in the amount of \$2,243,000 associated with the *Convertible Note* was recorded and will be amortized over the term of the note. Upon certain events of default, the conversion price of the Note will automatically become 70% of the average of the three (3) lowest volume weighted average prices of the Common Stock in the twenty (20) consecutive trading days prior to the conversion date for so long as such event of default remains in effect. All interest payments under the Note are payable, at the Company’s option, in cash or shares of Common Stock.

In addition, at any time that (i) the daily volume weighted average price of the Common Stock for the prior ten (10) consecutive trading days is \$0.70 or more and (ii) the average daily trading value of the Common Stock is greater than \$2,500,000 for the prior ten (10) consecutive trading days, then the Company may demand, upon one (1) day’s notice, that the holder convert the Note at the Conversion Price.

The Company may prepay in cash any portion of the outstanding principal amount of the Note and any accrued and unpaid interest by, upon ten (10) days’ written notice to the holder, paying an amount equal to (i) 110% of the sum of the then-outstanding principal amount of the Note plus accrued but unpaid interest, if the prepayment date is within 90 days of the issuance date of the Note; (ii) 115% of the sum of the then-outstanding principal amount of the Note plus accrued but unpaid interest, if the prepayment date is between 91 days and 180 days of the issuance date of the Note; or (iii) 125% of the sum of the then-outstanding principal amount of the Note plus accrued but unpaid interest, if the prepayment date is after 180 days of the issuance date of the Note.

**NOTE 9 – CONTINGENT CONSIDERATION LIABILITY**

The Company accounts for “contingent consideration” according to FASB ASC 805, “*Business Combinations*” (“FASB ASC 805”). Contingent consideration typically represents the acquirer’s obligation to transfer additional assets or equity interests to the former owners of the acquiree if specified future events occur or conditions are met. FASB ASC 805 requires that contingent consideration be recognized at the acquisition-date fair value as part of the consideration transferred in the transaction.

In the acquisition of Black Oak Gallery, the Company valued the contingent consideration based on an analysis using a cash flow model to determine the expected contingent consideration payment, which model determined that the aggregate expected contingent consideration liability was \$15,305,463 and the present value of the contingent consideration liability was \$12,754,553. Accordingly, the Company recognized at April 1, 2016, the closing date of the Black Oak merger, a \$12,754,553 contingent consideration liability associated with the contingent consideration paid pursuant to the Merger Agreement.

On April 1, 2017, the anniversary date of the acquisition, as well as the settlement date of the contingent consideration, the final contingent consideration was \$16,434,620, or approximately \$1.1 million greater than the expected contingent consideration liability of \$15,305,463 which the Company estimated on April 1, 2016, the closing date of the Black Oak acquisition.

At March 31, 2017 and December 31, 2016, the total contingent consideration based upon the analysis using the cash flow model to determine the expected contingent consideration payment was \$16,434,620 and \$12,085,858, respectively, a difference of approximately \$4.3 million. The increase was primarily due to i.) revisions in the estimated probability that the upper threshold of \$16,667,000 of the revenue target component of the contingent consideration would be met, which revenue target was met as of April 1, 2017, and ii.) the change in the quoted price of the underlying shares of the Company’s common stock which change affected the number of shares to be issued pursuant to the contingent consideration.

Changes in the fair market valuation of contingent consideration are recognized in the consolidated statements of operations. For the three months ended March 31, 2017, the change in the fair market valuation of contingent consideration was \$4,348,761 which amount reflects the final settlement of the change in fair value of the Contingent Consideration liability.

See “*Note 10 – Fair Value Measurements*” for further information.

See “*Note 16 – Subsequent Events*” for further information on the final settlement of the contingent consideration liability during the month ended April 2017.

**NOTE 10 – FAIR VALUE MEASUREMENTS**

**Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following tables set forth the financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of the dates indicated:

<b>Description</b>	<b>Fair Value at March 31, 2017</b>	<b>Fair Value Measurement Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative Liabilities – Conversion Feature	\$ 4,848,600	\$ –	\$ –	\$ 4,848,600
Liability – Contingent Consideration	16,434,620	–	–	16,434,620
	<b><u>\$21,283,220</u></b>	<b><u>\$ –</u></b>	<b><u>\$ –</u></b>	<b><u>\$21,283,220</u></b>

<b>Description</b>	<b>Fair Value at December 31, 2016</b>	<b>Fair Value Measurement Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative Liabilities – Conversion Feature	\$ 6,987,000	\$ –	\$ –	\$ 6,987,000
Liability – Contingent Consideration	12,085,859	–	–	12,085,859
	<b><u>\$19,072,859</u></b>	<b><u>\$ –</u></b>	<b><u>\$ –</u></b>	<b><u>\$19,072,859</u></b>

No financial assets were measured on a recurring basis as of March 31, 2017 and December 31, 2016.

The following table presents a reconciliation of the derivative liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2017 and 2016:

<b>Balance at December 31, 2016</b>	<b>\$ 6,987,000</b>
Change in Fair Market Value of Conversion Feature	(1,610,750)
Derivative Debt Converted into Equity	(2,770,650)
Issuance of Debt Instruments with Derivatives	2,243,000
<b>Balance at March 31, 2017</b>	<b><u>\$ 4,848,600</u></b>

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**NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)**

The following table presents a reconciliation of the Contingent Consideration liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2017:

<b>Balance at December 31, 2016</b>	<b>\$12,085,859</b>
Change in Fair Market Valuation of Contingent Consideration	4,348,761
<b>Balance at March 31, 2017</b>	<b>\$16,434,620</b>

**Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis**

Non-financial assets, such as property, equipment and leasehold improvements, goodwill, and intangible assets, are required to be measured at fair value only when an impairment loss is recognized. The Company did not record an impairment charge related to these assets during the three months ended March 31, 2017 and 2016.

**NOTE 11 – INCOME TAXES**

For the three months ended March 31, 2017 and 2016, the Company had no income tax expense (benefit).

As of March 31, 2017 and December 31, 2016, the components of deferred income tax assets and deferred income tax liabilities consisted of the following:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Deferred Income Tax Assets:		
Allowance for Bad Debt	\$ –	\$ –
Warrants Expense	4,523,171	4,186,000
Derivatives Expense	5,958,719	4,067,000
Net Operating Losses	16,763,194	15,242,000
Deferred Income Tax Liabilities:		
Depreciation	(1,467,893)	(1,334,000)
<b>Total</b>	<b>25,777,191</b>	<b>22,161,000</b>
Valuation Allowance	(25,777,191)	(22,161,000)
<b>Net Deferred Tax Liabilities</b>	<b>\$ –</b>	<b>\$ –</b>

For the three months ended March 31, 2017 and 2016, certain of the Company's subsidiaries produced and sold cannabis or cannabis pure concentrates, subjecting the Company to the limits of IRC Section 280E. Pursuant to IRC Section 280E, the Company is allowed only to deduct expenses directly related to sales of product.

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

**NOTE 11 – INCOME TAXES** *(Continued)*

As of March 31, 2017 and December 31, 2016, the Company had net operating loss carryforwards of approximately \$37,885,008 and \$34,940,000, respectively, which, if unused, will expire beginning in the year 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 (“IRC”) 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.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. All tax years from 2012 to 2016 are subject to examination.

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, 2017. 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, 2017, a valuation allowance 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.

**NOTE 12 – EQUITY**

**Preferred Stock**

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.

Each share of Series B Preferred Stock: (i) is entitled to 100 votes for each share of common stock into which a share of Series B Preferred Stock is convertible 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.

During the three months ended March 31, 2017, the Company issued 600,000 shares of Series B preferred stock for compensation in the amount of \$1,035,406.

**Common Stock**

During the three months ended March 31, 2017, senior secured convertible promissory notes and accrued interest in the amount of \$3,688,963 were converted into 16,281,088 shares of common stock.

During the three months ended March 31, 2017, the Company sold 6,185,395 shares of common stock for the net amount of \$1,700,000 pursuant to an equity financing facility with an accredited investor.

During the three months ended March 31, 2017, the Company issued 125,000 shares of common stock for director fees in the amount of \$37,500, issued 467,647 shares of common stock for services performed in the amount of \$145,011 and issued 100,000 shares of common stock for compensation in the amount of \$26,100.

During the three months ended March 31, 2016, senior secured convertible promissory notes and accrued interest in the amount of \$961,740 were converted into 13,906,149 shares of common stock.

During the three months ended March 31, 2016, the Company sold 25,715,674 shares of common stock for the net amount of \$3,208,134 pursuant to an equity financing facility with an accredited investor.

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**NOTE 12 – EQUITY** (Continued)

**Stock-Based Compensation Expense**

A summary of stock based compensation for the three months ended March 31, 2017 and 2016 is as follows:

<b>Type of Award</b>	<b>March 31, 2017</b>		<b>March 31, 2016</b>	
	<b>Number of Shares or Options Granted</b>	<b>Stock-Based Compensation Expense</b>	<b>Number of Shares or Options Granted</b>	<b>Stock-Based Compensation Expense</b>
Stock Options	–	\$ 47,589	6,700,000	\$ 47,589
Stock Grants:				
Employees (Common Stock)	100,000	26,100	–	–
Employees (Series B Preferred Stock)	600,000	1,035,406	–	–
Directors (Common Stock)	125,000	37,500	350,000	60,550
Non-Employee Consultants (Common Stock)	467,647	145,011	–	–
<b>Total Stock-Based Compensation Expense</b>	<b>1,292,647</b>	<b>\$ 1,291,606</b>	<b>7,050,000</b>	<b>\$ 108,139</b>

**NOTE 13 – OPERATING LEASE COMMITMENTS**

The Company leases certain business facilities under operating lease agreements that specify minimum rentals. Many of these have renewal provisions. The Company's net rent expense for the three months ended March 31, 2017 and 2016 was \$314,813 and \$133,867, respectively.

**NOTE 14 – 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:

- Herbs and Produce Products – Includes herbs and leafy greens that are grown using classic Dutch hydroponic farming methods.
- Cannabis Dispensary, Cultivation and Production – Includes cannabis-focused retail, cultivation and production

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 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 2 of the Notes to the Consolidated Financial Statements.

**NOTE 14 – SEGMENT INFORMATION (Continued)*****Herbs and Produce Products***

Either independently or in conjunction with third parties, we are a retail seller of locally grown hydroponic herbs, produce, and floral products, which are distributed through major grocery stores throughout the East and Midwest regions of the U.S.

***Cannabis Dispensary, Cultivation and Production***

Either independently or in conjunction with third parties, we operate medical marijuana retail dispensaries, medical marijuana cultivation and production facilities in California and Nevada. We own real property in Nevada on which we plan to build a medical marijuana dispensary. All of our retail dispensaries in California and Nevada offer a broad selection of medical cannabis products including flowers, concentrates and edibles. We also produce and sell a line of medical cannabis flowers, as well as a line of medical cannabis-extracted products, which include concentrates, cartridges, vape pens and wax products.

Summarized financial information concerning the Company's reportable segments is shown in the following tables. Total asset amounts at March 31, 2017 and 2016, exclude intercompany receivable balances eliminated in consolidation.

	<b>Three Months Ended March 31, 2017</b>			
	<b>Herbs and Produce Products</b>	<b>Cannabis Dispensary, Cultivation and Production</b>	<b>Eliminations and Other</b>	<b>Total</b>
Total Revenues	\$ 917,143	\$ 5,887,038	\$ 20,275	\$ 6,824,456
Cost of Goods Sold	969,815	5,495,578	-	6,465,393
Gross Profit	(52,672)	391,460	20,275	359,063
Selling, General and Administrative Expenses	659,063	2,627,005	3,100,232	6,386,300
Loss from Operations	(711,735)	(2,235,545)	(3,079,957)	(6,027,237)
Other Expense:				
Amortization of Debt Discount	-	-	(610,616)	(610,616)
Loss on Extinguishment of Debt	-	-	(1,039,458)	(1,039,458)
Loss on Fair Market Valuation of Derivatives	-	-	1,610,750	1,610,750
Interest Income (Expense)	-	-	(157,833)	(157,833)
Loss on Fair Market Valuation of Contingent Consideration	-	(4,348,761)	-	(4,348,761)
Total Other Expense	-	(4,348,761)	(197,157)	(4,545,918)
Loss Before Provision for Income Taxes	\$ (711,735)	\$ (6,584,306)	\$ (3,277,114)	\$ (10,573,155)
Total Assets at March 31, 2017	\$ 7,133,499	\$59,367,012	\$ 11,077,191	\$ 77,572,702

**NOTE 14 – SEGMENT INFORMATION** (Continued)

	<b>Three Months Ended March 31, 2016</b>			
	<b>Herbs and Produce Products</b>	<b>Cannabis Dispensary, Cultivation and Production</b>	<b>Eliminations and Other</b>	<b>Total</b>
Total Revenues	\$ 1,401,443	\$ 130,203	\$ 16,521	\$ 1,548,167
Cost of Goods Sold	1,200,932	213,261	–	1,414,193
Gross Profit	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 Expense:				
Amortization of Debt Discount	-	-	(94,406)	(94,406)
Loss on Extinguishment of Debt	-	-	(920,797)	(920,797)
Gain on Fair Market Valuation of Derivatives	-	-	(1,160,700)	(1,160,700)
Interest Expense	-	-	(55,995)	(55,995)
Total Other Expense	-	-	(2,231,898)	(2,231,898)
Loss Before Provision for Income Taxes	\$ (318,141)	\$ (285,194)	\$ (3,540,937)	\$ (4,144,272)
Total Assets at March 31, 2016	<u>\$ 6,667,866</u>	<u>\$ 2,734,868</u>	<u>\$ 2,750,386</u>	<u>\$12,153,120</u>

**NOTE 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 follows 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, 2017, nor were there any asserted or unasserted material claims for which material losses are reasonably possible.

**NOTE 16 – SUBSEQUENT EVENTS*****Put on Equity Financing Facility***

In the second quarter of 2017, the Company sold 3,689,701 shares of common stock for the net amount of \$750,000 pursuant to an equity financing facility with an accredited investor.

***Debt and Interest Converted into Equity***

During the second quarter of 2017, senior secured convertible promissory notes and accrued interest in the amount of \$1,267,537 was converted into 6,060,886 shares of common stock.

***Black Oak Gallery Contingent Consideration Liability***

Subsequent to the quarter ended March 31, 2017, the Company is required to release from escrow common stock equivalent of approximately 18,090,000 shares of its common stock and make a cash payment of \$2,088,000 in connection with the Black Oak Gallery acquisition and the associated contingent consideration liability. Common stock equivalent of approximately 32,336,000 shares were clawed-back pursuant to the appreciation of the quoted price of the Company's stock underlying the market-based component of the contingent consideration.

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

### FORWARD-LOOKING STATEMENTS

*In addition to historical information, this Quarterly Report on Form 10-Q may contain "forward-looking statements" 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, 2016, 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

Terra Tech is a holding company with the following subsidiaries:

- Edible Garden Corp., a Nevada corporation ("Edible Garden");
- MediFarm, LLC, a Nevada limited liability company ("MediFarm");
- MediFarm I, LLC, a Nevada limited liability company ("MediFarm I");
- MediFarm I Real Estate, LLC, a Nevada limited liability company ("MediFarm I RE");
- MediFarm II, LLC, a Nevada limited liability company ("MediFarm II");
- IVXX, LLC, a Nevada limited liability company ("IVXX LLC");
- IVXX, Inc., a California corporation ("IVXX Inc.," together with IVXX LLC, "IVXX");
- Blüm San Leandro, a California corporation ("Blüm San Leandro");
- Black Oak Gallery, a California corporation ("Black Oak");
- GrowOp Technology Ltd., a Nevada corporation ("GrowOp Technology"); and
- EG Transportation, LLC, a Nevada limited liability company ("EG Transportation").



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Our corporate headquarters is located at 2040 Main Street, Suite 225, Irvine, California 92614 and our telephone number is (855) 447-6967. Our website addresses are as follows: [www.terratechcorp.com](http://www.terratechcorp.com), [www.blumoak.com](http://www.blumoak.com), [www.letsblum.com](http://www.letsblum.com), [www.ivxx.com](http://www.ivxx.com), and [www.ediblegarden.com](http://www.ediblegarden.com). No information available on or through our websites shall be deemed to be incorporated into this Quarterly Report on Form 10-Q. Our common stock, par value \$0.001 (the "Common Stock"), is quoted on the OTC Markets Group, Inc.'s OTCQX tier under the symbol "TRTC."

### **History and Background**

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.

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. 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 seven wholly-owned subsidiaries. We also own interests in four other subsidiaries.

### **Our Business**

We are a vertically integrated cannabis-focused agriculture company that is committed to cultivating and providing the highest quality medical cannabis, as well as other agricultural products, such as herbs and leafy greens that are grown using classic Dutch hydroponic farming methods.

Through Black Oak, we operate a medical marijuana retail dispensary, a medical marijuana cultivation, and have a second medical marijuana cultivation facility in the early stages of construction, all in Oakland, California. Through MediFarm, MediFarm I, and MediFarm II (together "MediFarm"), we operate four retail medical marijuana dispensary facilities in Nevada, and have in various stages of construction medical marijuana cultivation and production facilities in Nevada. Through MediFarm I RE, we own the real property in Nevada on which we plan to build a medical marijuana dispensary of which we are in the early planning phase. All of our retail dispensaries in California and Nevada operate under the name Blüm, which offer a broad selection of medical cannabis products including flowers, concentrates and edibles. Through IVXX, we produce and sell a line of medical cannabis flowers, as well as a line of medical cannabis-extracted products, which include concentrates, cartridges, vape pens and wax products. Through Edible Garden, we are a retail seller of locally grown hydroponic produce, herbs and floral products, which are distributed through major grocery stores such as ShopRite, Walmart, Winn-Dixie, Raley's, Meijer, Kroger, and others throughout New Jersey, New York, Delaware, Maryland, Connecticut, Pennsylvania and the Midwest. EG Transportation is a company in good standing and no operations to date.

We have a "rollup" growth strategy, which includes the following components:

- With our brand recognition and experienced management team, maximize productivity, provide economies of scale, and increase profitability through our public market vehicle;
- Acquire unique products and niche players where barriers to entry are high and margins are robust, providing them with a broader outlet for their products; and
- Acquire multiple production facilities to capture the market vertical from manufacturing to production up to retail.

### *Marijuana Industry Overview*

Marijuana cultivation refers to the planting, tending, improving and harvesting of the flowering plant Cannabis, primarily for the production and consumption of cannabis flowers, often referred to as "buds". The cultivation techniques for marijuana cultivation differ than for other purposes such as hemp production and generally references to marijuana cultivation and production do not include hemp.

Cannabis belongs to the genus Cannabis in the family Cannabaceae and for the purposes of production and consumption, includes three species, *C. sativa* ("Sativa"), *C. indica* ("Indica"), and *C. ruderalis* ("Ruderalis"). Sativa and Indica generally grow tall with some varieties reaching approximately 4 meters. The females produce flowers rich in tetrahydrocannabinol ("THC"). Ruderalis is a short plant and produces trace amounts of THC, but is very rich in cannabidiol ("CBD") and which is an antagonist (inhibits the physiological action) to THC.

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As of May 2017, there are a total of 29 states, plus the District of Columbia, with legislation passed as it relates to medicinal cannabis. These state laws are in direct conflict with the United States Federal Controlled Substances Act (21 U.S.C. § 811) (“CSA”), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug, which is viewed as having a high potential for abuse, has no currently-accepted use for medical treatment in the U.S., and lacks acceptable safety for use under medical supervision.

These 29 states, and the District of Columbia, have adopted laws that exempt patients who use medicinal cannabis under a physician’s supervision from state criminal penalties. These are collectively referred to as the states that have decriminalized medicinal cannabis, although there is a subtle difference between de-criminalization and legalization, and each state’s laws are different.

The states that have legalized medicinal cannabis are as follows (in alphabetical order):

1. Alaska	11. Maine	21. New York
2. Arizona	12. Maryland	22. North Dakota
3. Arkansas	13. Massachusetts	23. Ohio
4. California	14. Michigan	24. Oregon
5. Colorado	15. Minnesota	25. Pennsylvania
6. Connecticut	16. Montana	26. Rhode Island
7. Delaware	17. Nevada	27. Vermont
8. Florida	18. New Hampshire	28. Washington
9. Hawaii	19. New Jersey	29. West Virginia
10. Illinois	20. New Mexico	

Medical cannabis decriminalization is generally referred to as the removal of all criminal penalties for the private possession and use of cannabis by adults, including cultivation for personal use and casual, nonprofit transfers of small amounts. Legalization is generally referred to as the development of a legally controlled market for cannabis, where consumers purchase from a safe, legal, and regulated source.

The dichotomy between federal and state laws has also limited the access to banking and other financial services by marijuana businesses. Recently the U.S. Department of Justice and the U.S. Department of Treasury issued guidance for banks considering conducting business with marijuana dispensaries in states where those businesses are legal, pursuant to which banks must now file a Marijuana Limited Suspicious Activity Report that states the marijuana business is following the government’s guidelines with regard to revenue that is generated exclusively from legal sales. However, since the same guidance noted that banks could still face prosecution if they provide financial services to marijuana businesses, it has led to the widespread refusal of the banking industry to offer banking services to marijuana businesses operating within state and local laws.

In November 2016, California and Nevada voters both approved marijuana use for adults over the age of 21 without a physician’s prescription or recommendation, so called recreational marijuana, and permitted the cultivation and sale of marijuana, in each case subject to certain limitations. We intend to seek to obtain the necessary permits and licenses to expand our existing business to cultivate and distribute marijuana in compliance with these laws, although there is no guarantee that we will be successful in doing so. Despite the changes in state laws, marijuana remains illegal under federal law.

In November 2016, California voters approved Proposition 64, which is also known as the Adult Use of Marijuana Act (“the AUMA”), in a ballot initiative. Among other things, the AUMA makes it legal for adults over the age of 21 to use marijuana and to possess up to 28.5 grams of marijuana flowers and 8 grams of marijuana concentrates. Individuals are also permitted to grow up to six marijuana plants for personal use. In addition, the AUMA establishes a licensing system for businesses to, among other things, cultivate, process and distribute marijuana products under certain conditions. Many of the provisions of the AUMA do not become effective until January 1, 2018 and the California Bureau of Marijuana Control is expected to enact regulations to implement the AUMA by that date.

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Nevada voters approved Question 2 in a ballot initiative in November 2016. Among other things, Question 2 makes it legal for adults over the age of 21 to use marijuana and to possess up to one ounce of marijuana flowers and one-eighth of an ounce of marijuana concentrates. Individuals are also permitted to grow up to six marijuana plants for personal use. In addition, Question 2 authorizes businesses to cultivate, process and distribute marijuana products under certain conditions. The Nevada Department of Taxation has indicated that it will enact regulations to implement Question 2 by the summer of 2017.

In an effort to provide guidance to federal law enforcement, the Department of Justice (the “DOJ”) has issued Guidance Regarding Marijuana Enforcement to all United States Attorneys in a memorandum from Deputy Attorney General David Ogden on October 19, 2009, in a memorandum from Deputy Attorney General James Cole on June 29, 2011 and in a memorandum from Deputy Attorney General James Cole on August 29, 2013. Each memorandum provides that the DOJ is committed to the enforcement of the CSA, but the DOJ is also committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way.

The August 29, 2013 memorandum provides updated guidance to federal prosecutors concerning marijuana enforcement in light of state laws legalizing medical and recreational marijuana possession in small amounts. The memorandum sets forth certain enforcement priorities that are important to the federal government:

- Distribution of marijuana to children;
- Revenue from the sale of marijuana going to criminals;
- Diversion of medical marijuana from states where it is legal to states where it is not;
- Using state authorized marijuana activity as a pretext of other illegal drug activity;
- Preventing violence in the cultivation and distribution of marijuana;
- Preventing drugged driving;
- Growing marijuana on federal property; and
- Preventing possession or use of marijuana on federal property.

The DOJ has not historically devoted resources to prosecuting individuals whose conduct is limited to possession of small amounts of marijuana for use on private property, but has relied on state and local law enforcement to address marijuana activity. In the event the DOJ reverses its stated policy and begins strict enforcement of the CSA in states that have laws legalizing medical marijuana and recreational marijuana in small amounts, there may be a direct and adverse impact to our business and our revenue and profits.

Furthermore, H.R. 83, enacted by Congress on December 16, 2014, provides that none of the funds made available to the DOJ pursuant to the 2015 Consolidated and Further Continuing Appropriations Act may be used to prevent certain states, including Nevada and California, from implementing their own laws that authorized the use, distribution, possession, or cultivation of medical marijuana. This prohibition is currently in place until April 28, 2017.

We are monitoring the Trump administration’s, the DOJ’s and Congress’ positions on federal marijuana law and policy. Based on public statements and reports, we understand that certain aspects of those laws and policies are currently under review, but no official changes have been announced. It is possible that certain changes to existing laws or policies could have a negative effect on our business and results of operations.

We currently operate medical marijuana businesses in California and Nevada. Although the possession, cultivation and distribution of marijuana for medical use is permitted in California and Nevada, provided compliance with applicable state and local laws, rules, and regulations, marijuana is illegal under federal law. We believe we operate our business in compliance with applicable Nevada and California law and regulations. Any changes in federal, state or local law enforcement regarding marijuana may affect our ability to operate our business. Strict enforcement of federal law regarding marijuana would likely result in the inability to proceed with our business plans, could expose us to potential criminal liability and could subject our properties to civil forfeiture. Any changes in banking, insurance or other business services may also affect our ability to operate our business.

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### *Our Medical Marijuana Dispensaries, Cultivation and Manufacturing*

#### *Black Oak Gallery*

On April 1, 2016, we acquired Black Oak Gallery, a California corporation that operates a medical marijuana dispensary in Oakland, California under the name Blüm. Black Oak opened its retail storefront in Oakland, California in November of 2012.

Black Oak sells a combination of our own cultivated products as well as high quality name-brand products from outside suppliers. In addition to multiple grades of medical marijuana, Black Oak sell “edibles”, which include cannabis-infused baked goods, chocolates, and candies; cannabis-infused topical products, such as lotions, massage oils and balms; clones of marijuana plants; and numerous kinds of cannabis concentrates, such as hash, shatter and wax.

Black Oak’s target markets are those individuals located in the areas surrounding its dispensary and qualify as “patients” under state and local rules and regulations. Black Oak services approximately 1,000 patients per day and has over 42,000 registered patients. Collectively known as the Blüm Campus, Black Oak’s location consists of a retail dispensary storefront, indoor cultivation area, laboratory and a 20-car capacity parking lot.

During March 2017, we executed a lease for 13,000 square feet of industrial space on over 30,000 square feet of land in Oakland’s industrial corridor. We are in the final designing stages of our cultivation facility. We expect to complete construction by late 2017.

#### *Blüm San Leandro*

We incorporated Blüm San Leandro, a California corporation, a wholly-owned subsidiary, on October 14, 2016. Blüm San Leandro has received the necessary governmental approvals and permitting to operate a medical marijuana dispensary and production facility in San Leandro, California. We have executed a lease for 13,300 square feet of industrial space in San Leandro’s industrial corridor and are in the final planning and design stages of the retail dispensary and production facility. We also plan on incorporating community meeting space at this facility. We expect to complete construction of the dispensary by late 2017 and we expect to complete construction of the production facility and community meeting space by early 2018.

#### *MediFarm, MediFarm I, and MediFarm II*

We formed three subsidiaries for the purposes of cultivation or production of medical marijuana and/or operation of dispensary facilities in various locations in Nevada. MediFarm, MediFarm I, and MediFarm II have received four final dispensary licenses, two provisional cultivation licenses and two provisional production licenses from the State of Nevada, and we have received approval from local authorities with respect to all eight of such licenses. The receipt of both the provisional licenses from the State of Nevada and approval from local authorities are necessary to commence the final permitting process for the cultivation and production licenses. The receipt of final permits and licenses, as to which there can be no assurance, is necessary to commence the proposed cultivation and production businesses of MediFarm, MediFarm I, and MediFarm II. Effectuation of the proposed business of each of (i) MediFarm, (ii) MediFarm I, and (iii) MediFarm II is also dependent upon the continued legislative authorization of medical marijuana at the state level.

Each subsidiary was formed with different investors, thus necessitating the need for multiple entities with different strategic partners and advisory board members. In addition, we anticipate each subsidiary will service a different geographical market in Nevada. We expect to allocate future business opportunities among MediFarm, MediFarm I, and MediFarm II based on the locations of such opportunities.

We formed MediFarm, LLC 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. MediFarm has received the necessary governmental approvals and permitting to operate medical marijuana cultivation, production, and/or dispensary facilities in Clark County, Nevada and a medical marijuana dispensary facility in the City of Las Vegas. As of March 31, 2017, MediFarm has three fully operational retail medical marijuana dispensaries in the greater Las Vegas region.

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We formed MediFarm I, LLC 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 that also owns certain membership interests in MediFarm II. MediFarm I has the necessary governmental approvals and permitting to operate a medical marijuana dispensary in Reno, Nevada. As of March 31, 2017, MediFarm I has one fully operational retail medical marijuana dispensary in Reno, Nevada.

We formed MediFarm II, LLC 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 entities. Forever Green NV, LLC also owns certain membership interests in MediFarm I. MediFarm II has received provisional licenses from the State of Nevada to operate a medical marijuana cultivation and production facility in Spanish Springs, Nevada.

MediFarm, MediFarm I, and MediFarm II may face substantial competition in the operation of cultivation, production, and dispensary facilities in Nevada. Numerous other companies were also granted licenses, and, therefore, we anticipate that we will face competition with these other companies if such companies operate cultivation, production, and dispensary facilities in and around the locations at which we operate our facilities. Our management has extensive experience in successfully developing, implementing, and operating all facets of equivalent businesses in other markets. We believe this experience will provide MediFarm, MediFarm I, and MediFarm II with a competitive advantage over these other companies.

MediFarm, MediFarm I, and MediFarm II rely on a combination of trademark laws, trade secrets, confidentiality provisions, and other contractual provisions to protect their proprietary rights. MediFarm, MediFarm I, and MediFarm II do not own any patents.

### *IVXX and IVXX Branded Products*

On September 16, 2014, Terra Tech formed IVXX, a wholly-owned subsidiary, for the purposes of producing a line of IVXX branded cannabis flowers as well as a complete line of IVXX branded pure cannabis concentrates including: oils, waxes, shatters, and clears.

The science of cannabis concentrate extraction functions on the solubility of the cannabinoids and other active ingredients in the cannabis plant. Cannabinoids are not water soluble, so to extract them properly, the cannabinoids must be dissolved in a solvent. IVXX utilizes multiple proprietary extraction methods to produce its concentrates in its lab located in Oakland, California. The Company's extractors process raw cannabis plants and separate the chemical cannabinoids from the cannabis plant material, producing a concentrate. IVXX also sells clothing, apparel, and other various branded products.

IVXX currently sells its branded products at wholesale to multiple medical cannabis dispensaries throughout California. None of IVXX's products cross state lines. IVXX continues to actively seek opportunities to sell its products to other retailers located throughout the State of California. IVXX anticipates expanding its business into other states in which the sale of marijuana is legally permitted. In order for such expansion to occur, IVXX must secure the necessary licenses and permits required to operate in any given state, the timing and occurrence of which there can be no assurance. Initially, IVXX anticipates selling its products in Nevada in the four dispensaries operated by MediFarm and MediFarm I. They will be produced at our extraction lab operated by MediFarm II once they are issued final permits and commence operations, as to the occurrence of which there can be no assurance.

IVXX's target markets are those individuals located in the areas surrounding the dispensaries that sell IVXX's products and that qualify as "patients" under state and local rules and regulations.

IVXX also intends to produce, market and sell their line of IVXX branded cannabis products in the adult use, recreational cannabis markets in both California and Nevada pursuant to Proposition 64 and Question 2, respectively, which made marijuana consumption legal, with certain restrictions and rules, for adults over the age of 21. IVXX is consistently engaged in research and development with respect to increasing the efficiency of the processes used to produce its products, as well as improving the quality of its products for the benefit of its patients.

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### *MediFarm I RE*

On October 14, 2015, we formed MediFarm I RE, LLC. 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. MediFarm I RE is a real estate holding company that owns the real property and a building that is situated on such real property, at which a medical marijuana dispensary facility is expected to be located. This facility is in the early stages of planning. It is our intention that MediFarm I will operate the medical marijuana dispensary.

### *Herbs and Produce Products*

#### *Edible Garden*

Edible Garden was incorporated on April 9, 2013. Edible Garden is a retail seller of locally grown hydroponic produce, herbs, and floral products that are distributed throughout the Northeast and Midwest United States. Currently, Edible Garden's products are sold at approximately 1,800 retailers throughout these markets. Most of the produce and herbs grown by Edible Garden are certified organic. Our target customers are those individuals seeking organic and fresh produce locally grown using environmentally sustainable methods.

Pursuant to letter agreements with Gro-Rite Inc., a New Jersey corporation, and Heartland Growers Inc. (collectively the "Farmers"), have agreed to cultivate the various parts of the line of Edible Garden produce to be sold into the retail grocery channel. Pursuant to the terms of the agreements, Edible Garden will manage the marketing and sales, while the Farmers will be responsible for the cultivation, packaging, and shipping of the product for retail sale under the Edible Garden brand. The terms of the agreements are now month-to-month.

There are numerous growers that are available to us, and therefore, we are not limited in the number of growers available nor are we dependent on any one grower. We completed construction of a greenhouse structure in 2014, which can be used to grow plants to satisfy selling demands; however, we may incur additional freight costs to distribute these plants until growers are replaced.

Edible Garden's main competitors are Shenandoah Growers and Sun Aqua Farms. To a lesser extent, Edible Garden competes with Green Giant, Del Monte, Rock Hedge Herbs, and Infinite Herbs. Edible Garden is an up and coming brand that has increased its retailers to approximately 1,800 retail sellers since we acquired Edible Garden in March 2013. Edible Garden believes the following three factors set it apart from its competitors: (1) its branding and marketing displays, which are predominately placed in high traffic areas on its proprietary racks; (2) it uses proprietary strands and seeds for its produce and its methodology for growing such produce; and (3) all of its produce is hydroponically grown and sold "alive" (*i.e.*, the produce is sold "rooted").

Edible Garden relies on a combination of trademark laws, trade secrets, confidentiality provisions, and other contractual provisions to protect its proprietary rights, which are primarily its brand names, marks, and proprietary pods and seeds. Edible Garden owns trademarks, but does not own any patents. Edible Garden signed an exclusive license agreement with Nutrasorb LLC, a spin-off from Rutgers University, to grow and commercialize nutritionally-enhanced lettuce varieties. Under the terms of the agreement, Edible Garden has the right to grow and sell Green and Red Superleaf Lettuce across the North American and European continents as well as Australia. With five times more antioxidants than ordinary lettuce, the produce is high in vitamins A and C, magnesium, iron and potassium contents. It also has high levels of fiber and chlorogenic acid for superior digestion. These nutritionally-enhanced, proprietary Green and Red Superleaf Lettuces were developed by scientists at Rutgers University following years of intensive research. Edible Garden pays a license fee to Nutrasorb, LLC for each unit sold.

Edible Garden's produce is Global Food Safety Initiative certified. Edible Garden also obtained certain organic certifications for its products. No other governmental regulations or approvals are needed or affect its business.

Edible Garden's research and development activities have primarily focused on developing and testing new pods and seeds, as well as different fertilizers, nutrient blends, and lighting.

## **Our Operations**

We are organized into two reportable segments:

- ***Herbs and Produce Products*** – Includes herbs and leafy greens that are grown using classic Dutch hydroponic farming methods; and
- ***Cannabis Dispensary, Cultivation and Production*** – Includes cannabis-focused retail, cultivation and production.

### *Herbs and Produce Products*

Either independently or in conjunction with third parties, we are a retail seller of locally grown hydroponic herbs, produce, and floral products, which are distributed through major grocery stores throughout the East and Midwest regions of the U.S.

### *Cannabis Dispensary, Cultivation and Production*

Either independently or in conjunction with third parties, we operate medical marijuana retail dispensaries and a medical marijuana cultivation in California. In addition, we operate four retail medical marijuana dispensary facilities in Nevada, and have in various stages of construction, medical marijuana cultivation and production facilities in Nevada. We own real property in Nevada on which we plan to build a medical marijuana dispensary. All of our retail dispensaries in California and Nevada offer a broad selection of medical cannabis products including flowers, concentrates and edibles. We also produce and sell a line of medical cannabis flowers, as well as a line of medical cannabis-extracted products, which include concentrates, cartridges, vape pens and wax products.

## RESULTS OF OPERATIONS

### Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

#### *Revenues*

For the three months ended March 31, 2017, we generated revenues of approximately \$6.82 million, compared to approximately \$1.55 million for the three months ended March 31, 2016, an increase of approximately \$5.27 million or approximately 340 percent. The increase was primarily due to revenue generated by Black Oak Gallery and IVXX from the sale of their cannabis products, and revenue generated by Edible Garden from the sales of its produce and herbs products which was partially offset by a decrease in revenues from floral sales resulting from the expiration of a contract for floral product which expired at December 31, 2016. At this stage in our development, revenues are not yet sufficient to cover ongoing operating expenses.

#### *Gross Profit*

Our gross profit for the three months ended March 31, 2017 was approximately \$359,000, compared to a gross profit of approximately \$134,000 for the three months ended March 31, 2016, an increase of approximately \$225,000. Our gross margin percentage for the three months ended March 31, 2017 was approximately 5 percent, compared to approximately 9 percent for the three months ended March 31, 2016. The decrease was attributable to the cannabis segment, which had \$392,000 gross profit or approximately 7 percent gross margin, the produce and herbs segment, which had (\$52,762) gross profit or approximately (6 percent) gross margin, which herbs segment decrease was partially offset by an increase in gross margin related to the expiration of the floral products contract.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the three months ended March 31, 2017 were approximately \$6.39 million, compared to approximately \$2.05 million for the three months ended March 31, 2016, an increase of approximately \$4.34 million or approximately 212 percent. The increase was primarily due to: (i) an approximately \$202,000 increase in advertising and promotion for the overall cannabis business; (ii) an approximately \$419,000 increase in amortization expense due to intangible assets acquired in the Black Oak Gallery acquisition; (iii) an approximately \$287,000 increase in depreciation incurred at Black Oak Gallery and the assets placed in service at the MediFarm dispensaries; (iv) an approximately \$2,513,000 increase in salaries and wages for the staff hired at the Black Oak Gallery and MediFarm dispensaries; (v) an approximately \$423,000 increase in consulting in connection with Black Oak Gallery, MediFarm's, MediFarm I's, and MediFarm II's cannabis business; (vi) an approximately \$278,000 increase in security incurred at the Black Oak Gallery and MediFarm dispensaries; (vii) an approximately \$181,000 increase in rent incurred at the Black Oak Gallery and San Leandro dispensaries and the Hegenberger grow; (viii) an approximately \$300,000 increase in accounting and compliance personnel costs as well as costs associated with implementation of accounting systems and processes; and (ix) an approximately \$59,000 increase in computer systems, technical help incurred to build the infrastructure of systems and processes for the MediFarm dispensaries.

#### *Operating Income (Loss)*

We realized an operating loss of approximately \$6.03 million for the three months ended March 31, 2017, compared to an operating loss of approximately \$1.91 million for the three months ended March 31, 2016, an increase of approximately \$4.12 million or approximately 215 percent.

#### *Other Income (Expense)*

Other expense for the three months ended March 31, 2017 was approximately \$4.55 million, compared to approximately \$2.23 million for the three months ended March 31, 2016, an increase of approximately \$2.32 million or approximately 103 percent. This increase was primarily attributable to a loss on change in fair market valuation of the contingent consideration related to the Black Oak Gallery acquisition. For the three months ended March 31, 2017, we had an increase in amortization of debt discount of approximately \$611,000 compared to \$94,000 in the prior year period. We had a loss on extinguishment of debt of approximately \$1.04 million compared to \$921,000 in the prior year's period. We had a gain on fair market valuation of derivatives in the amount of \$1.61 million for the three months ended March 31, 2017, compared to a loss of approximately \$1.16 million in the prior year's period. Interest expense totaled approximately \$158,000 for the three months ended March 31, 2017, compared to approximately \$56,000 for the three months ended March 31, 2016. This increase was due to more debt outstanding during the three months ended March 31, 2017.



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### *Net Loss*

We incurred a net loss of approximately \$10.11 million, or \$0.02 per share, for the three months ended March 31, 2017, compared to a net loss of approximately \$4.13 million, or \$0.01 per share, for the three months ended March 31, 2016. The primary reasons for the increase in net loss were an increase in revenue, a decrease in cost of goods sold (as a percentage of revenue), a significant increase in sales, general and administrative expenses during the three months ended March 31, 2017, compared to the prior year's first 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.

### **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 AND ESTIMATES**

Our "Management's Discussion and Analysis of Financial Condition and Results of Operations" section discusses our unaudited consolidated 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 2 - Summary of Significant Accounting Policies" to the unaudited consolidated financial statements included in this report.

### **LIQUIDITY AND CAPITAL RESOURCES**

We have never reported net income. We incurred net losses for the three months ended March 31, 2017, and have an accumulated deficit of \$83 million as of March 31, 2017. As of March 31, 2017, we had a working capital deficit of \$11.45 million. At March 31, 2017, we had a cash balance of \$10.25 million, compared to a cash balance of \$9.75 million at December 31, 2016.

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.

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We anticipate requiring additional capital for the commercial development of our subsidiaries. Assuming MediFarm and MediFarm II receive all the necessary permits and licenses applied for, we anticipate we will need an additional \$8 million in capital for the commercial development of these subsidiaries. MediFarm has commenced operations, the \$8 million budget as described herein is prospective. With respect to MediFarm, the estimated operation budget (for the first five years of operation) is approximately \$500,000 for the dispensary facilities and approximately \$4 million for the cultivation and production facility. With respect to MediFarm I's dispensary facility, the estimated 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 \$4 million. Forever Green NV, LLC, a member of MediFarm II, has agreed to contribute approximately \$750,000 in the form of debt to MediFarm II. We will be obligated to contribute the remaining amount, or approximately \$3.25 million.

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 second quarter of 2018. 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 our operations, or if we are able to raise capital, that it will be available to us on acceptable terms, on an acceptable schedule, or at all.

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.

### **Operating Activities**

Cash used in operations for the three months ended March 31, 2017 was \$3.29 million, compared to \$1.66 million for the three months ended March 31, 2016, an increase of \$1.64 million, or approximately 99 percent. Increases in cash used in operations were primarily due to: (i) a \$10.12 million net loss for the three months ended March 31, 2017, compared to a \$4.13 million loss for the three months ended March 31, 2016, an increase of \$5.99 million; and (ii) an increase in accounts payable and accrued expenses of \$1.40 million for the three months ended March 31, 2017, compared to \$265,000 for the three months ended March 31, 2016, an increase of \$1.14 million. Decreases in cash used in operations were primarily due to an increase in prepaid expenses of \$1.16 million for the three months ended March 31, 2017, compared to \$128,000 for the three months ended March 31, 2016, a decrease of \$1.03 million.

### **Investing Activities**

Cash used in investing activities for the three months ended March 31, 2017 was \$524,000, compared to cash used by investing activities of \$820,000 for the three months ended March 31, 2016. During the first three months of 2017, cash used in investing activities was primarily comprised of expenditures related to the construction of the San Leandro and Hegenberger facilities in addition to the capital expenditures at Edible Garden in Belvidere, N.J.

### **Financing Activities**

Cash provided by financing activities for the three months ended March 31, 2017 was \$4.32 million, compared to \$3.19 million for the three months ended March 31, 2016, an increase of \$1.13 million or approximately 35 percent. Cash provided by financing activities for the three months ended March 31, 2017 was primarily due to \$3.0 million from the issuance of debt and \$1.70 million from the sale of common stock.

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

Our primary market risks are attributable to fluctuations in commodity prices and interest rates. These fluctuations can affect revenues and cash flow from operating, investing and financing activities.

**Commodity Price Risk**

Our most significant market risk relates to fluctuations in marijuana prices. Management expects the prices of these commodities to remain volatile and unpredictable. As these prices decline or rise significantly, revenues and cash flow will also decline or rise significantly.

**Interest Rate Risk**

As of March 31, 2017, we had no outstanding variable-rate debt and \$5.66 million of principal fixed-rate debt.

**Credit Risk**

Our exposure to non-payment or non-performance by our customers and counterparties presents a credit risk. Generally, non-payment or non-performance results from a customer's or counterparty's inability to satisfy obligations. We may also be exposed to credit risk due to the concentration of our customers in the medical marijuana industry, as our customers may be similarly affected by changes in regulatory and legal conditions in the states and municipalities in which we operate.

**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 March 31, 2017.

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 the year ended December 31, 2016. 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)

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: May 10, 2017

By: /s/ Michael C. James

Michael C. James  
Chief Financial Officer  
Chief Accounting Officer

**Certifications pursuant to Securities and Exchange Act of 1934  
Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002**

I, Derek Peterson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Terra Tech Corp. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 10, 2017

By: /s/ Derek Peterson

Derek Peterson  
President and Chief Executive Officer

**Certifications pursuant to Securities and Exchange Act of 1934  
Rule 13a-14 as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002**

I, Michael C. James, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Terra Tech Corp. (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 10, 2017

By: /s/ Michael C. James

Michael C. James  
Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Terra Tech Corp. (the "Company") on Form 10-Q for the three months ended March 31, 2017 (the "Form 10-Q"), I, Derek Peterson, Chief Executive Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, that the Company's Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2017

By: /s/ Derek Peterson

Derek Peterson  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Terra Tech Corp. (the "Company") on Form 10-Q for the three months ended March 31, 2017 (the "Form 10-Q"), I, Michael C. James, Chief Financial Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, that the Company's Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q, fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2017

By: /s/ Michael C. James

Michael C. James  
Chief Financial Officer