

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 June 30, 2019**

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)

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 every Interactive Data File required to be submitted 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 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 | <input type="checkbox"/> | Accelerated filer         | <input checked="" type="checkbox"/> |
| Non-accelerated filer   | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> |                           |                                     |

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 August 2, 2019, there were 109,278,898 shares of common stock outstanding, 12 shares of Series A Preferred Stock, convertible at any time into 12 shares of common stock, 0 shares of Series B Preferred Stock, 1,052,615 shares of common stock issuable upon the exercise of all of our outstanding warrants and 2,560,555 shares of common stock issuable upon the exercise of all vested options.

**TERRA TECH CORP.**  
**INDEX TO FORM 10-Q FOR THE**  
**QUARTERLY PERIOD ENDED JUNE 30, 2019**

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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except Shares)

|   | <b>June 30,<br/>2019</b> | <b>December 31,<br/>2018</b> |
|---|--------------------------|------------------------------|
|   | <b>(Unaudited)</b>       |                              |
| <b>ASSETS</b>   |                          |                              |
| Current Assets:   |                          |                              |
| Cash  | \$ 1,922                 | \$ 7,193                     |
| Accounts Receivable   | 2,310                    | 1,247                        |
| Inventory   | 3,777                    | 2,280                        |
| Assets Held for Sale  | 11,122                   | 7,501                        |
| Prepaid Expenses and Other Current Assets   | 1,081                    | 741                          |
| <b>Total Current Assets</b>   | <b>20,212</b>            | <b>18,962</b>                |
| Property, Equipment and Leasehold Improvements, Net   | 43,441                   | 34,139                       |
| Intangible Assets, Net  | 28,137                   | 18,466                       |
| Goodwill  | 36,757                   | 35,173                       |
| Other Assets  | 10,671                   | 897                          |
| Other Investments   | 5,000                    | 12,451                       |
| <b>TOTAL ASSETS</b>   | <b>\$ 144,218</b>        | <b>\$ 120,088</b>            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                          |                              |
| <b>LIABILITIES:</b>   |                          |                              |
| Current Liabilities:  |                          |                              |
| Accounts Payable and Accrued Expenses   | \$ 8,612                 | \$ 6,901                     |
| <b>Total Current Liabilities</b>  | <b>8,612</b>             | <b>6,901</b>                 |
| Long-Term Liabilities:  |                          |                              |
| Long-Term Debt, Net of Discounts  | 15,863                   | 18,313                       |
| Long-Term Lease Liabilities   | 9,603                    | -                            |
| <b>Total Long-Term Liabilities</b>  | <b>25,466</b>            | <b>18,313</b>                |
| <b>Total Liabilities</b>  | <b>34,078</b>            | <b>25,214</b>                |
| <b>STOCKHOLDERS' EQUITY:</b>  |                          |                              |
| Preferred Stock, Convertible Series A, Par Value 0.001:   |                          |                              |
| 100 Shares Authorized as of June 30, 2019 and December 31, 2018; 12 Shares Issued and Outstanding as of June 30, 2019 and December 31, 2018   | -                        | -                            |
| Preferred Stock, Convertible Series B, Par Value 0.001:   |                          |                              |
| 41,000,000 Shares Authorized as of June 30, 2019 and December 31, 2018; 0 Shares Issued and Outstanding as of June 30, 2019 and December 31, 2018   | -                        | -                            |
| Common Stock, Par Value 0.001:  |                          |                              |
| 990,000,000 Shares Authorized as of June 30, 2019 and December 31, 2018; 109,105,288 and 81,759,415 Shares Issued and Outstanding as of June 30, 2019 and December 31, 2018, respectively (1) | 109                      | 82                           |
| Additional Paid-In Capital  | 255,112                  | 236,543                      |
| Accumulated Deficit   | (157,965)                | (142,754)                    |
| <b>Total Terra Tech Corp. Stockholders' Equity</b>  | <b>97,256</b>            | <b>93,871</b>                |
| Non-Controlling Interest  | 12,884                   | 1,003                        |
| <b>Total Stockholders' Equity</b>   | <b>110,140</b>           | <b>94,874</b>                |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 144,218</b>        | <b>\$ 120,088</b>            |

(1) Adjusted to reflect the 1-for-15 reverse stock split. See "Note 1 – Description of Business."

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





**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**  
**(in thousands, except for Shares and per-Share info)**

|  | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                    |
|--|--------------------------------|-------------------|------------------------------|--------------------|
|  | 2019                           | 2018              | 2019                         | 2018               |
| Total Revenues   | \$ 10,372                      | \$ 8,718          | \$ 17,730                    | \$ 17,334          |
| Cost of Goods Sold   | <u>5,457</u>                   | <u>5,046</u>      | <u>8,811</u>                 | <u>10,539</u>      |
| Gross Profit   | 4,915                          | 3,672             | 8,919                        | 6,795              |
| Selling, General and Administrative Expenses   | <u>12,048</u>                  | <u>9,862</u>      | <u>23,564</u>                | <u>20,155</u>      |
| Loss from Operations   | (7,133)                        | (6,190)           | (14,645)                     | (13,360)           |
| Other Income (Expense):  |                                |                   |                              |                    |
| Impairment of Assets   | (510)                          | -                 | (510)                        | -                  |
| Interest Expense, Net  | (4,061)                        | (3,676)           | (6,989)                      | (8,602)            |
| Other Income/Loss  | 1,022                          | -                 | 1,070                        | -                  |
| Gain / (Loss) on Interest in Equity Investment   | <u>350</u>                     | <u>-</u>          | <u>5,949</u>                 | <u>-</u>           |
| Total Other Income (Expense)   | <u>(3,199)</u>                 | <u>(3,676)</u>    | <u>(480)</u>                 | <u>(8,602)</u>     |
| Income / (Loss) from Subsidiaries  | -                              | -                 | -                            | -                  |
| Net Loss   | (10,332)                       | (9,866)           | (15,125)                     | (21,962)           |
| Net Income (Loss) Attributable to Non-Controlling Interest   | <u>(191)</u>                   | <u>105</u>        | <u>86</u>                    | <u>183</u>         |
| <b>NET LOSS ATTRIBUTABLE TO TERRA TECH CORP.</b>   | <u>\$ (10,141)</u>             | <u>\$ (9,971)</u> | <u>\$ (15,211)</u>           | <u>\$ (22,145)</u> |
| Net Loss Per Common Share Attributable to Terra Tech Corp. Common Stockholders Basic and Diluted (1) | <u>\$ (0.10)</u>               | <u>\$ (0.15)</u>  | <u>\$ (0.15)</u>             | <u>\$ (0.33)</u>   |
| Weighted-Average Number of Common Shares Outstanding Basic and Diluted (1)                           | <u>105,360,358</u>             | <u>68,734,997</u> | <u>99,319,032</u>            | <u>66,734,450</u>  |

(1) Adjusted to reflect the 1-for-15 reverse stock split. See Note 1 Description of Business.

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

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

|   | <b>Six Months Ended</b> |                |
|---|-------------------------|----------------|
|   | <b>June 30,</b>         |                |
|   | <b>2019</b>             | <b>2018</b>    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                         |                |
| Net Loss  | \$ (15,125)             | \$ (21,962)    |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: |                         |                |
| Cancellation of Shares Issued   | (58)                    | (118)          |
| Gain on Sale of Assets  | (966)                   | -              |
| Non-Cash Interest Expense   | 6,091                   | 8,174          |
| Interest Income Accreted  | -                       | (137)          |
| Depreciation and Amortization   | 4,024                   | 2,939          |
| Operating Lease Expense   | 1,024                   | -              |
| Stock Issued for Compensation   | 390                     | 553            |
| Stock Issued for Services   | 59                      | 124            |
| Stock Option Expense  | 2,236                   | 955            |
| Gain on Revaluation of Equity Interests                                     | (5,949)                 | -              |
| Impairment Loss   | 510                     | -              |
| Other Non-Cash Gains  | (130)                   | -              |
| Changes in Operating Assets and Liabilities:                                |                         |                |
| Accounts Receivable   | (932)                   | (251)          |
| Inventory   | (1,502)                 | 1,880          |
| Prepaid Expenses and Other Current Assets                                   | (276)                   | (572)          |
| Other Assets  | (186)                   | (120)          |
| Accounts Payable and Accrued Expenses                                       | 1,758                   | (1,337)        |
| Payments on Operating Lease Liabilities                                     | (991)                   | -              |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                | <b>(10,023)</b>         | <b>(9,872)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                         |                |
| Issuance of Note Receivable   | -                       | (1,012)        |
| Purchase of Property, Equipment and Leasehold Improvements                  | (3,629)                 | (7,448)        |
| Purchase of Equity investment   | (402)                   | -              |
| Cash acquired from NuLeaf acquisition                                       | 127                     | -              |
| Proceeds from Sales of Assets   | 1,321                   | -              |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                | <b>(2,583)</b>          | <b>(8,460)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                         |                |
| Proceeds from Issuance of Notes Payable                                     | 10,000                  | 15,000         |

|   |                 |                 |
|---|-----------------|-----------------|
| Payments of Debt Principal  | (1,000)         | -               |
| Cash Paid for Debt Discount   | (150)           | (645)           |
| Proceeds from Issuance of Common Stock  | 3,850           | 3,650           |
| Proceeds from Exercise of Warrants  | -               | 76              |
| Cash Paid for Acquisition of Non-Controlling Interest                           | (6,250)         | -               |
| Cash Contribution (Distribution) from Non-Controlling Interest                  | 885             | (6)             |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                                | <b>7,335</b>    | <b>18,075</b>   |
| <b>NET CHANGE IN CASH</b>   | <b>(5,271)</b>  | <b>(257)</b>    |
| <b>NET CHANGE IN CASH CLASSIFIED WITHIN CURRENT ASSETS HELD FOR SALE</b>        | <b>-</b>        | <b>(35)</b>     |
| Cash at Beginning of Period   | 7,193           | 5,446           |
| <b>CASH AT END OF PERIOD</b>  | <b>\$ 1,922</b> | <b>\$ 5,154</b> |
| <b>SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:</b>                        |                 |                 |
| Cash Paid for Interest  | \$ 909          | \$ 428          |
| <b>SUPPLEMENTAL DISCLOSURE FOR NON-CASH INVESTING AND FINANCING ACTIVITIES:</b> |                 |                 |
| Consolidation of Joint Venture Net Assets                                       | \$ 11,914       | \$ -            |
| Financing Fees in Accounts Payable  | \$ 145          | \$ -            |
| Purchase of Land and Building with a Mortgage                                   | \$ -            | \$ 6,500        |
| Claw Back of Escrow Shares  | \$ -            | \$ 351          |
| Stock Issued for Assets   | \$ -            | \$ 200          |
| Warrants Issued in Conjunction with Debt  | \$ 228          | \$ 476          |
| Deposits Applied to the Purchase of Property                                    | \$ -            | \$ 3,500        |
| Beneficial Conversion Feature Recorded for Convertible Debt                     | \$ 5,633        | \$ 4,835        |
| Debt Principal Converted to Common Stock  | \$ 11,200       | \$ 30,600       |

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



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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018<sup>(1)</sup>**  
(in thousands, except for Shares)

|  | Preferred Stock         |        | Common Stock |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Non-<br>Controlling<br>Interest | Total     |
|--|-------------------------|--------|--------------|--------|----------------------------------|------------------------|---------------------------------|-----------|
|  | Convertible<br>Series A |        | Shares       | Amount |                                  |                        |                                 |           |
|  | Shares                  | Amount |              |        |                                  |                        |                                 |           |
| <b>Balance at December 31, 2018</b>                            | 12                      | \$ -   | 81,759,415   | \$ 82  | \$ 236,543                       | \$ (142,754)           | \$ 1,003                        | \$ 94,874 |
| Stock Compensation - Employees                                 | -                       | -      | 473,334      | -      | 390                              | -                      | -                               | 390       |
| Stock Compensation - Services Expense                          | -                       | -      | 66,376       | -      | 59                               | -                      | -                               | 59        |
| Stock Cancellation   | -                       | -      | (60,000)     | -      | (58)                             | -                      | -                               | (58)      |
| Debt Conversion - Common Stock                                 | -                       | -      | 21,179,712   | 21     | 11,372                           | -                      | -                               | 11,393    |
| Stock Issued for Cash  | -                       | -      | 5,686,451    | 6      | 3,844                            | -                      | -                               | 3,850     |
| Stock Option Expense   | -                       | -      | -            | -      | 2,236                            | -                      | -                               | 2,236     |
| Issuance of Warrants   | -                       | -      | -            | -      | 229                              | -                      | -                               | 229       |
| Beneficial Conversion Feature - Convertible Notes              | -                       | -      | -            | -      | 5,633                            | -                      | -                               | 5,633     |
| Consolidation of NuLeaf Joint Venture                          | -                       | -      | -            | -      | -                                | -                      | 11,914                          | 11,914    |
| Acquisition of Non-Controlling Interest                        | -                       | -      | -            | -      | (5,136)                          | -                      | (1,003)                         | (6,139)   |
| Cash Contribution (Distribution) from Non-Controlling Interest | -                       | -      | -            | -      | -                                | -                      | 884                             | 884       |

|   |           |             |                    |               |                   |                     |                  |                   |          |
|---|-----------|-------------|--------------------|---------------|-------------------|---------------------|------------------|-------------------|----------|
| Net Income Attributable to Non-Controlling Interest | -         | -           | -                  | -             | -                 | -                   | -                | 86                | 86       |
| Net Loss Attributable to Terra Tech Corp.           | -         | -           | -                  | -             | -                 | -                   | (15,211)         | -                 | (15,211) |
| <b>Balance at June 30, 2019</b>                     | <b>12</b> | <b>\$ -</b> | <b>109,105,288</b> | <b>\$ 109</b> | <b>\$ 255,112</b> | <b>\$ (157,965)</b> | <b>\$ 12,884</b> | <b>\$ 110,140</b> |          |

(1) Adjusted to reflect the 1 for 15 reverse stock split. See Note 1 Description of Business.

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

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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED JUNE 30, 2019 AND 2018<sup>(1)</sup>**  
(in thousands, except for Shares)

|  | Preferred Stock                   |        | Common Stock |        | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Non-<br>Controlling<br>Interest | Total      |
|--|-----------------------------------|--------|--------------|--------|----------------------------------|------------------------|---------------------------------|------------|
|  | Convertible<br>Series A<br>Shares | Amount | Shares       | Amount |                                  |                        |                                 |            |
| <b>Balance at March 31, 2019</b>           | 12                                | \$ -   | 100,648,444  | \$ 101 | \$ 253,066                       | \$ (147,442)           | \$ 9,369                        | \$ 115,094 |
| Opening balance sheet adjustment - ASC 842 | -                                 | -      | -            | -      | -                                | (382)                  | -                               | (382)      |

|  |           |             |                    |               |                   |                     |                  |                   |
|--|-----------|-------------|--------------------|---------------|-------------------|---------------------|------------------|-------------------|
| Stock Compensation - Employees                                 | -         | -           | 87,798             | -             | 75                | -                   | -                | 75                |
| Stock Compensation - Services Expense                          | -         | -           | 40,000             | -             | 36                | -                   | -                | 36                |
| Debt Conversion - Common Stock                                 | -         | -           | 6,140,763          | 6             | 3,533             | -                   | -                | 3,539             |
| Stock Issued for Cash  | -         | -           | 2,188,283          | 2             | 1,547             | -                   | -                | 1,549             |
| Stock Option Expense   | -         | -           | -                  | -             | 954               | -                   | -                | 954               |
| Issuance of Warrants   | -         | -           | -                  | -             | 92                | -                   | -                | 92                |
| Beneficial Conversion Feature - Convertible Notes              | -         | -           | -                  | -             | 945               | -                   | -                | 945               |
| Consolidation of NuLeaf Joint Venture                          | -         | -           | -                  | -             | -                 | -                   | 3,825            | 3,825             |
| Acquisition of Non-Controlling Interest                        | -         | -           | -                  | -             | (5,136)           | -                   | (1,003)          | (6,139)           |
| Cash Contribution (Distribution) from Non-Controlling interest | -         | -           | -                  | -             | -                 | -                   | 884              | 884               |
| Net Income Attributable to Non-Controlling Interest            | -         | -           | -                  | -             | -                 | -                   | (191)            | (191)             |
| Net Loss Attributable to Terra Tech Corp.                      | -         | -           | -                  | -             | -                 | (10,141)            | -                | (10,141)          |
| <b>Balance at June 30, 2019</b>                                | <b>12</b> | <b>\$ -</b> | <b>109,105,288</b> | <b>\$ 109</b> | <b>\$ 255,112</b> | <b>\$ (157,965)</b> | <b>\$ 12,884</b> | <b>\$ 110,140</b> |

(1) Adjusted to reflect the 1 for 15 reverse stock split. See Note 1 Description of Business.

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

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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018<sup>(1)</sup>**  
(in thousands, except for Shares)

|   | Preferred Stock                   |             | Common Stock      |              | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Non-<br>Controlling<br>Interest | Total            |
|---|-----------------------------------|-------------|-------------------|--------------|----------------------------------|------------------------|---------------------------------|------------------|
|   | Convertible<br>Series A<br>Shares | Amount      | Shares            | Amount       |                                  |                        |                                 |                  |
| <b>Balance at December 31, 2017</b>               | <b>8</b>                          | <b>\$ -</b> | <b>61,818,560</b> | <b>\$ 62</b> | <b>\$ 181,358</b>                | <b>\$ (105,549)</b>    | <b>\$ 931</b>                   | <b>\$ 76,802</b> |
| Opening Balance Sheet Adjustment - ASU 2017-11    | -                                 | -           | -                 | -            | 5,238                            | 2,548                  | -                               | 7,786            |
| Beneficial Conversion Feature - Convertible Notes | -                                 | -           | -                 | -            | 4,835                            | -                      | -                               | 4,835            |
| Stock Compensation - Employees                    | -                                 | -           | 173,394           | -            | 553                              | -                      | -                               | 553              |
| Stock Compensation - Services Expense             | -                                 | -           | 44,282            | -            | 124                              | -                      | -                               | 124              |
| Stock Cancellation                                | -                                 | -           | (24,510)          | -            | (118)                            | -                      | -                               | (118)            |
| Reverse Stock Split                               | -                                 | -           | 46,688            | -            | (0)                              | -                      | -                               | (0)              |
| TCD Acquisition Clawback                          | -                                 | -           | (101,083)         | -            | (351)                            | -                      | -                               | (351)            |
| Warrant Exercise                                  | -                                 | -           | 224,925           | -            | 76                               | -                      | -                               | 76               |
| Debt Conversion - Common Stock                    | -                                 | -           | 7,303,244         | 7            | 22,227                           | -                      | -                               | 22,234           |
| Stock Issued for Cash                             | -                                 | -           | 1,314,147         | 1            | 3,649                            | -                      | -                               | 3,650            |
| Stock Issued for Assets                           | -                                 | -           | 53,332            | -            | 200                              | -                      | -                               | 200              |

|  |          |             |                   |              |                   |                     |                 |                  |
|--|----------|-------------|-------------------|--------------|-------------------|---------------------|-----------------|------------------|
| Stock Option Expense                                       | -        | -           | -                 | -            | 955               | -                   | -               | 955              |
| Issuance of Warrants                                       | -        | -           | -                 | -            | 466               | -                   | -               | 466              |
| Warrants Adjustment<br>(ASU 2017-11)                       | -        | -           | -                 | -            | 112               | -                   | -               | 112              |
| Reverse Loss on<br>Extinguishment of<br>Debt (ASU 2017-11) | -        | -           | -                 | -            | (4,137)           | -                   | -               | (4,137)          |
| Net Income<br>Attributable to Non-<br>Controlling Interest | -        | -           | -                 | -            | -                 | -                   | 183             | 183              |
| Net Loss Attributable<br>to Terra Tech Corp.               | -        | -           | -                 | -            | -                 | (22,146)            | -               | (22,146)         |
| <b>Balance at June 30,<br/>2018</b>                        | <b>8</b> | <b>\$ -</b> | <b>70,852,979</b> | <b>\$ 70</b> | <b>\$ 215,187</b> | <b>\$ (125,147)</b> | <b>\$ 1,114</b> | <b>\$ 91,224</b> |

(1) Adjusted to reflect the 1 for 15 reverse stock split. See Note 1 Description of Business.

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

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**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018<sup>(1)</sup>**  
(in thousands, except for Shares)

|   | Preferred Stock                   |             | Common Stock      |              | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Non-<br>Controlling<br>Interest | Total            |
|---|-----------------------------------|-------------|-------------------|--------------|----------------------------------|------------------------|---------------------------------|------------------|
|   | Convertible<br>Series A<br>Shares | Amount      | Shares            | Amount       |                                  |                        |                                 |                  |
| <b>Balance at March 31, 2018</b>                        | <b>8</b>                          | <b>\$ -</b> | <b>65,344,816</b> | <b>\$ 65</b> | <b>\$ 201,570</b>                | <b>\$ (115,176)</b>    | <b>\$ 1,010</b>                 | <b>\$ 87,469</b> |
| Beneficial Conversion<br>Feature - Convertible<br>Notes | -                                 | -           | -                 | -            | 1,023                            | -                      | -                               | 1,023            |
| Stock Compensation -<br>Employees                       | -                                 | -           | 91,888            | -            | 264                              | -                      | -                               | 264              |
| Stock Compensation -<br>Services Expense                | -                                 | -           | 37,872            | -            | 107                              | -                      | -                               | 107              |

|  |          |             |                   |              |                   |                     |                 |                  |
|--|----------|-------------|-------------------|--------------|-------------------|---------------------|-----------------|------------------|
| Warrant Exercise                                     | -        | -           | 27,800            | -            | 25                | -                   | -               | 25               |
| Debt Conversion                                      | -        | -           | -                 | -            | -                 | -                   | -               | -                |
| Common Stock   | -        | -           | 4,170,220         | 4            | 12,744            | -                   | -               | 12,748           |
| Stock Issued for Cash                                | -        | -           | 1,153,717         | 1            | 2,899             | -                   | -               | 2,900            |
| Stock Issued for Assets                              | -        | -           | 26,666            | -            | 100               | -                   | -               | 100              |
| Stock Option Expense                                 | -        | -           | -                 | -            | 480               | -                   | -               | 480              |
| Issuance of warrants                                 | -        | -           | -                 | -            | -                 | -                   | -               | -                |
| Warrants Adjustment (ASU 2017-11)                    | -        | -           | -                 | -            | 112               | -                   | -               | 112              |
| Reverse Loss on Extinguishment of Debt (ASU 2017-11) | -        | -           | -                 | -            | (4,137)           | -                   | -               | (4,138)          |
| Net Income   | -        | -           | -                 | -            | -                 | -                   | 104             | 104              |
| Attributable to Non-Controlling Interest             | -        | -           | -                 | -            | -                 | -                   | -               | -                |
| Net Loss Attributable to Terra Tech Corp.            | -        | -           | -                 | -            | -                 | (9,971)             | -               | (9,971)          |
| <b>Balance at June 30, 2018</b>                      | <b>8</b> | <b>\$ -</b> | <b>70,852,979</b> | <b>\$ 70</b> | <b>\$ 215,187</b> | <b>\$ (125,147)</b> | <b>\$ 1,114</b> | <b>\$ 91,224</b> |

(1) Adjusted to reflect the 1 for 15 reverse stock split. See Note 1 Description of Business.

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



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**TERRA TECH CORP. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF BUSINESS**

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

We are a retail, production and cultivation company, with an emphasis on providing the highest quality of medical and adult use cannabis products. We grow organic antioxidant rich Superleaf lettuce and living herbs using classic Dutch hydroponic farming methods. We have licensed an exclusive patent on the Superleaf lettuce.

We have a presence in three states (California, Nevada and New Jersey) and currently have a concentrated cannabis interest in California and Nevada. All of our cannabis dispensaries operate under the name Blüm. Our cannabis dispensaries in California operate as MediFarm SoCal in Santa Ana, Black Oak Gallery in Oakland and Blum San Leandro in San Leandro and offer a broad selection of medical and adult-use cannabis products including flowers, concentrates and edibles.

In Nevada, we have three dispensaries, two under MediFarm in Las Vegas and one under MediFarm I in Reno, which sell quality medical and adult use cannabis products. We own real property in Reno under MediFarm I RE, on which MediFarm I operates its dispensary.

Founded on the importance of providing consumers with healthy and natural products, Edible Garden is a wholesale seller of organic and locally grown hydroponic produce and herb products. EG Transportation supports the distribution of Edible Garden products to major grocery stores such as ShopRite, Walmart, Ahold, Aldi, Meijer, Kroger, and others throughout New Jersey, New York, Delaware, Maine, Maryland, Connecticut, Pennsylvania and the Midwest.

On March 12, 2018, the Company implemented a 1-for-15 reverse stock split of the Company's common stock (the "Reverse Stock Split"). The Reverse Stock Split became effective in the stock market upon commencement of trading on March 13, 2018. As a result, every fifteen shares of the Company's pre-Reverse Stock Split common stock were combined and reclassified into one share of the Company's common stock. The number of common stock shares subject to outstanding options, warrants and convertible securities were also reduced by a factor of fifteen as of March 13, 2018. All historical share and per share amounts reflected throughout the unaudited consolidated financial statements have been adjusted to reflect the Reverse Stock Split. The authorized number of shares and the par value per share of the Company's common stock were not affected by the Reverse Stock Split.

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

### **Basis of Presentation**

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Securities Exchange Commission ("SEC") Form 10-Q and Article 10 of Regulation S-X of the Securities Act of 1933 and reflect the accounts and operations of the Company and those entities in which we have a controlling financial interest. In accordance with the provisions of the Financial Accounting Standards Board ("FASB") or Accounting Standards Codification ("ASC") 810, "*Consolidation*", we consolidate any variable interest entity ("VIE"), of which we are the primary beneficiary. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. ASC 810 requires a variable interest holder to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We do not consolidate a VIE in which we have a majority ownership interest when we are not considered the primary beneficiary. We have determined that we are the primary beneficiary of certain VIEs. We evaluate our relationships with all the VIEs on an ongoing basis to reassess if we continue to be the primary beneficiary.

All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. These interim unaudited consolidated financial statements do not include all disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the more detailed audited consolidated financial statements for the year ended December 31, 2018. The December 31, 2018 balances reported herein are derived from the audited consolidated financial statements for the year ended December 31, 2018. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

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**Liquidity**

As of June 30, 2019, the Company's principal sources of liquidity consisted of approximately \$1.92 million of cash, future cash generated from operations, disposition of assets and available sources of financing. The Company believes its current cash balances coupled with anticipated cash flow from operating and investing activities will be sufficient to meet its working capital requirements for at least one year from the date of the issuance of the accompanying financial statements. The Company continues to control its cash expenses as a percentage of expected revenue on an annual basis and thus may use its cash balances in the short-term to invest in revenue growth. Based on current internal projections, the Company believes it has and/or will generate sufficient cash for its operational needs. The company believes that it has sufficient capital and liquidity to fund its operations for at least one year from the date of issuance of the accompanying financial statements.

**Non-Controlling Interest**

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

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of total net revenue and expenses in the reporting periods. The Company regularly evaluates estimates and assumptions related to revenue recognition, allowances for doubtful accounts, sales returns, inventory valuation, stock-based compensation expense, goodwill and purchased intangible asset valuations, derivative liabilities, deferred income tax asset valuation allowances, uncertain tax positions, tax contingencies, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations will be affected.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications did not affect net loss, revenues

or stockholders' equity.

**Trade and other Receivables**

The Company extends noninterest bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the consolidated balance sheets, net of an allowance for doubtful accounts. The Company analyzes the aging of accounts receivable, historical bad debts, customer creditworthiness and current economic trends, in determining the allowance for doubtful accounts. The Company does not accrue interest receivable on past due accounts receivable.

**Inventory**

Inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method of accounting. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods.

**Prepaid Expenses and Other Current Assets**

Prepaid expenses consist of various payments that the Company has made in advance for goods or services to be received in the future. These prepaid expenses include advertising, insurance, and service or other contracts requiring upfront payments.

**Property, Equipment and Leasehold Improvements, Net**

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: thirty-two years for buildings; three to eight years for furniture and equipment; three to five years for computer and software; five years for vehicles 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.

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Expenditures for major renewals and improvements are capitalized, while minor replacements, maintenance and repairs, which do not extend the asset lives, are charged to operations as incurred. Upon sale or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. The Company continually monitors events and changes in circumstances that could indicate that the carrying balances of its property, equipment and leasehold improvements may not be recoverable in accordance with the provisions of ASC 360, "*Property, Plant, and Equipment*." When such events or changes in circumstances are present, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. See "*Note 9 – Property, Equipment and Leasehold Improvements, Net*" for further information.

### **Investments in Unconsolidated Affiliates**

Investments in unconsolidated affiliates are accounted for under the cost or the equity method of accounting, as appropriate. The Company accounts for investments in limited partnerships or limited liability corporations, whereby the Company owns a minimum of 5% of the investee's outstanding voting stock, under the equity method of accounting. These investments are recorded at the amount of the Company's investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid. As investments accounted for under the cost method do not have readily determinable fair values, the Company only estimates fair value if there are identified events or changes in circumstances that could have a significant adverse effect on the investment's fair value.

### **Assets Held for Sale**

Assets held for sale represent furniture, equipment, and leasehold improvements less accumulated depreciation as well as any other assets that are held for sale in conjunction with the sale of a business. The Company recorded assets held for sale in accordance with ASC 360, "*Property, Plant, and Equipment*," at the lower of carrying value or fair value less costs to sell. Fair value is based on the estimated proceeds from the sale of the facility utilizing recent purchase offers, market comparables and/or data. Our estimate as to fair value is regularly reviewed and subject to changes in the commercial real estate markets and our continuing evaluation as to the facility's acceptable sale price. The reclassification takes place when the assets are available for immediate sale and the sale is highly probable. These conditions are usually met from the date on which a letter of intent or agreement to sell is ready for signing.

## 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. In accordance with ASC 350, "*Intangibles—Goodwill and Other*," goodwill and other intangible assets with indefinite lives are no longer subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired.

The Company reviews the goodwill allocated to each of our reporting units for possible impairment annually as of September 30 and whenever events or changes in circumstances indicate carrying amount may not be recoverable. In assessing the qualitative factors, the Company assesses relevant events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances, and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgment and assumptions include the identification of macroeconomic conditions, industry, and market considerations, cost factors, overall financial performance and share price trends, and making the assessment as to whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

The carrying amount of each reporting unit is determined based upon the assignment of our assets and liabilities, including existing goodwill and other intangible assets, to the identified reporting units. Where an acquisition benefits only one reporting unit, the Company allocates, as of the acquisition date, all goodwill for that acquisition to the reporting unit that will benefit. Where the Company has had an acquisition that benefited more than one reporting unit, The Company has assigned the goodwill to our reporting units as of the acquisition date such that the goodwill assigned to a reporting unit is the excess of the fair value of the acquired business, or portion thereof, to be included in that reporting unit over the fair value of the individual assets acquired and liabilities assumed that are assigned to the reporting unit.

If the carrying amount of a reporting unit is in excess of its fair value, an impairment may exist, and the Company must perform the second step of the impairment analysis to measure the amount of the impairment loss, by allocating the reporting unit's fair value to its assets and liabilities other than goodwill, comparing the carrying amount of the goodwill to the resulting implied fair value of the goodwill, and recording an impairment charge for any excess.

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**Intangible Assets**

Intangible assets continue to be subject to amortization, and any impairment is determined in accordance with ASC 360, “*Property, Plant, and Equipment*,” intangible assets are stated at historical cost and amortized over their estimated useful lives. The Company uses 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       | 3 to 5 Years      |
| Trademarks                   | 2 to 8 Years      |
| Licenses                     | 10 to 14<br>Years |
| Management Service Agreement | 15 Years          |

**Business Combinations**

The Company accounts for its business acquisitions in accordance with ASC 805-10, “*Business Combinations*.” The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company’s estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain.

**Revenue Recognition and Performance Obligations**

On January 1, 2018, the Company adopted Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*” and all the

related amendments, which are also codified into ASC 606. The Company elected to adopt this guidance using the modified retrospective method. The adoption of this guidance did not have a material effect on the Company's financial position, results of operations or cash flows.

Under the new standard, the Company recognizes a sale as follows:

**Cannabis Dispensary, Cultivation and Production**

The Company recognizes revenue from manufacturing and distribution product sales when our customers obtain control of our products. Revenue from our retail dispensaries is recorded at the time customers take possession of the product. 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. Upon purchase, the Company has no further performance obligations and collection is assured as sales are paid for at time of purchase.

Revenue related to distribution customers is recorded when the customer is determined to have taken control of the product. This determination is based on the customer specific terms of the arrangement and gives consideration to factors including, but not limited to, whether the customer has an unconditional obligation to pay, whether a time period or event is specified in the arrangement and whether the Company can mandate the return or transfer of the products. Revenue is recorded net of taxes collected from customers that are remitted to governmental authorities with collected taxes recorded as current liabilities until remitted to the relevant government authority.

**Herbs and Produce Products**

The Company recognizes revenue from products grown in its greenhouses upon delivery of the product to the customer at which time control passes to the customer. Upon transfer of control, the Company has no further performance obligations.

For sales for which the Company uses an outside grower, the Company evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions. The evaluation considers whether the Company takes control of the products of the outside grower, whether it has the ability to direct the outside grower to provide the product to the customer on its behalf or whether it combines products from the outside grower with its own goods and services to provide the products to the customer.



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In evaluating whether it takes control of the products of the outside grower, the Company considers whether it has primary responsibility for fulfilling the promise to provide the products, whether the Company is subject to inventory risk related to the products and whether it has the ability to set the selling prices for the products.

#### ***Disaggregation of Revenue***

See “*Note 18 – Segment Information*” for revenues disaggregated by type as required by ASC Topic 606. The company believes this level of disaggregation sufficiently depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

#### ***Contract Balances***

Due to the nature of the Company’s revenue from contracts with customers, the Company does not have material contract assets or liabilities that fall under the scope of ASC Topic 606.

#### ***Contract Estimates and Judgments***

The Company’s revenues accounted for under ASC Topic 606, generally, do not require significant estimates or judgments based on the nature of the Company’s revenue streams. The sales prices are generally fixed at the point of sale and all consideration from contracts are included in the transaction price. The Company’s contracts do not include multiple performance obligations or material variable consideration.

#### **Fair Value of Financial Instruments**

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes

the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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

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

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

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

#### **Recently Adopted Accounting Standards**

***FASB ASU No. 2018-07 (Topic 718), "Compensation—Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting"*** – Issued in June 2018, ASU 2018-07 expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The Company adopted ASU 2018-07 on January 1, 2019. Adoption of this guidance did not have a material impact on the Company's consolidated financial condition or results of operations.

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**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. As early adoption is permitted, the Company adopted ASU 2017-04 on January 1, 2019. Adoption of this guidance did not have a material impact on the Company’s consolidated financial condition or results of operations.

**FASB ASU No. 2016-02 (Topic 842), “Leases”** – Issued in February 2016, ASU No. 2016-02 established ASC Topic 842, “Leases,” as amended by subsequent ASUs on the topic, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires lessees to apply a two-method approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. Lessees will recognize expense based on the effective interest method for finance leases or on a straight-line basis for operating leases. The accounting applied by the lessor is largely unchanged from that applied under the existing lease standard. We adopted this standard effective January 1, 2019 using the modified retrospective approach. In transitioning to ASC 842, we elected to use the practical expedient package available to us and did not elect to use hindsight. These elections have been applied consistently to all of our leases. On January 1, 2019 we recorded a right-of-use asset of \$9.91 million (included in “other assets”) and a lease liability of \$9.91 million (included in “other liabilities”) (see “*Note 16 – Leases*”).

**NOTE 3 – CONCENTRATIONS OF BUSINESS AND CREDIT RISK**

The Company maintains cash balances in several financial institutions that are insured by either the Federal Deposit Insurance Corporation or the National Credit Union Association up to certain federal limitations. At times, the Company’s cash balance exceeds these federal limitations and it maintains significant cash on hand at certain of its locations. The Company has not historically experienced any material loss from carrying cash on hand. The amount in excess of insured limitations was \$0.28 million and \$4.83 million as of June 30, 2019 and December 31, 2018, respectively.

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. There were no customers that comprised more than 10.0% of the Company's revenue for the three months ended June 30, 2019 and 2018.

The Company sources cannabis products for retail, cultivation and production from various vendors. However, as a result of regulations in the State of California, the Company's California retail, cultivation and production operations must use vendors licensed by the State. As a result, the Company is dependent upon the licensed vendors in California to supply products. If the Company is unable to enter into a relationship with sufficient members of properly licensed vendors, the Company's sales may be impacted. During the six months ended June 30, 2019, we did not have any concentration of vendors for inventory purchases. However, this may change depending on the number of vendors who receive appropriate licenses to operate in the State of California.

**NOTE 4 – ASSETS HELD FOR SALE**

As of June 30, 2019, there are three asset groups that met the criteria to be recorded as held for sale under ASC 360: (1) management, having the authority to approve the action, committed to a plan to sell the asset, (2) the asset group was available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, (3) an active program to locate a buyer and other actions required to complete the plan to sell the asset group have been initiated, (4) the sale of the asset group was probable, and transfer of the asset group was expected to qualify for recognition as a completed sale, within one year, (5) the asset group was being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (6) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The components of assets held for sale are as follows:

| <b>Components Of Assets Held for Sale:</b>          | <b>(in<br/>thousands)<br/>June 30,<br/>2019</b> |
|---|---|
| Inventory   | \$ 979  |
| Prepaid Expenses and other assets                   | 73  |
| Property, Equipment and Leasehold Improvements, Net | 10,069  |
| Other Assets  | 1   |
| <b>Assets Held for Sale</b>                         | <b><u>\$ 11,122</u></b>                         |

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**NOTE 5 – VARIABLE INTEREST ENTITY ARRANGEMENTS**

**NuLeaf, Inc.**

On October 26, 2017, the Company entered into operating agreements with NuLeaf, Inc. and formed NuLeaf Sparks Cultivation, LLC and NuLeaf Reno Production, LLC (collectively “NuLeaf”) to build and operate cultivation and production facilities for our IVXX brand of cannabis products in Nevada. The agreements were subject to approval by the State of Nevada, the City of Sparks and the City of Reno in Nevada. Under the terms of the agreements, the Company remitted to NuLeaf an upfront investment of \$4.50 million in the form of convertible loans bearing an interest rate of 6% per annum. On June 28, 2018, the Company received approval from the State of Nevada. The remaining required approvals from local authorities were received in July 2018. As a result, the notes receivable balance was converted into a 50% ownership interest in NuLeaf. The investment in NuLeaf was recorded at cost and accounted for using the equity method as of December 31, 2018.

In February 2019, we amended and restated the NuLeaf agreements and obtained control of the operations of NuLeaf. The Company has determined these entities are variable interest entities in which the Company is the primary beneficiary by reference to the power and benefits criterion under ASC 810, “Consolidation.” The provisions within the amended agreement grant the Company the power to manage and make decisions that affect the operation of these entities. As the primary beneficiary of NuLeaf Sparks Cultivation, LLC and NuLeaf Reno Production, LLC, the Company began consolidating the accounts and operations of these entities as of March 1, 2019. All intercompany transactions are eliminated in the unaudited consolidated financial statements. Effective as of March 1, 2019, we consolidate the results of NuLeaf in our consolidated financial statements and report its results in our cannabis segment. We remeasured our equity method investment in NuLeaf to estimated fair value, which resulted in a non-cash gain of \$5.95 million that was recorded in non-operating income; recognized redeemable noncontrolling interest for NuLeaf, Inc.’s interest in NuLeaf at an estimated fair value of \$12.05 million; and recognized \$12.16 million of net assets, including cash acquired, at fair value. As part of our purchase price allocation, we recorded \$1.58 million of goodwill, primarily related to the value of the existing workforce, and \$11.57 million of intangible assets, primarily related to licenses with a weighted-average life of 10 years. The goodwill recorded is not deductible for tax purposes. The measurement period is expected to be closed in the third quarter of 2019.

Year to date revenue and net loss attributed to NuLeaf is \$1.27 million and \$1.20 million, respectively. Additional pro forma information was omitted as amounts are not material.

The aggregate carrying values of Sparks Cultivation, LLC and NuLeaf Reno Production, LLC assets and liabilities, after elimination of any intercompany transactions and balances, in the consolidated balance sheets were as follows:

| <u>(in<br/>thousands)</u> | <u>(in<br/>thousands)</u> |
|---------------------------|---------------------------|
| June 30,                  | December<br>31,           |

|   | <u>2019</u>             | <u>2018</u>      |
|---|-------------------------|------------------|
| Current Assets:                                     |                         |                  |
| Cash  | \$ 203                  | \$               |
| Accounts Receivable, Net                            | 311                     |                  |
| Inventory   | 2,312                   |                  |
| Prepaid Expenses and Other Current Assets           | 55                      |                  |
| Total Current Assets                                | <u>2,881</u>            |                  |
| Property, Equipment and Leasehold Improvements, Net | 10,659                  |                  |
| Intangible Assets, Net                              | 11,187                  |                  |
| Goodwill  | 1,584                   |                  |
| Other Assets  | <u>657</u>              |                  |
| <b>TOTAL ASSETS</b>                                 | <b><u>\$ 26,968</u></b> | <b><u>\$</u></b> |
| Current Liabilities:                                |                         |                  |
| Accounts Payable and Accrued Expenses               | \$ 343                  | \$               |
| Long-Term Debt                                      | <u>463</u>              |                  |
| <b>TOTAL LIABILITIES</b>                            | <b><u>\$ 806</u></b>    | <b><u>\$</u></b> |

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**NOTE 6 – INVESTMENTS IN UNCONSOLIDATED AFFILIATES**

**Hydrofarm**

On August 28, 2018, the Company entered into a Subscription Agreement with Hydrofarm Holdings Group, Inc. (“Hydrofarm”), one of the leading independent providers of hydroponic products in North America, pursuant to which the Company agreed to purchase from Hydrofarm and Hydrofarm agreed to sell to the Company 2,000,000 Units, each Unit consisting of one share of common stock and one warrant to purchase one-half of a share of common stock for an initial exercise price of \$5.00 per share, for \$2.50 per unit for an aggregate purchase price of \$5.00 million. The \$5.00 million investment in Hydrofarm was recorded at cost and is included in other investments on the unaudited consolidated balance sheet as of June 30, 2019.

**NOTE 7 – ACQUISITIONS**

**Tech Center Drive**

On September 13, 2017, MediFarm So Cal Inc. (“MediFarm So Cal”), a wholly-owned subsidiary of the Company acquired all assets of Tech Center Drive LLC (“Tech Center Drive”) and majority control of 55 OC Community Collective Inc. (“55 OC”). The acquisition of Tech Center Drive and 55 OC was accounted for in accordance with ASC 805-10, “*Business Combinations*.” 55 OC is a mutual benefit corporation which holds a cannabis license with the City of Santa Ana in the State of California. MediFarm So Cal manages the dispensary under the license of 55 OC. Control of 55 OC was obtained by the Company’s CEO and President holding two of the three Board seats of 55 OC and through the management contract held by MediFarm So Cal. The

Company acquired inventory, property, equipment and leasehold improvements and a management service agreement which allows for MediFarm So Cal to purchase the medical marijuana dispensary license of 55 OC.

As consideration for entering into the Asset Purchase Agreement, the Company paid \$4.12 million in cash, issued 633,348 shares of the Company's common stock with a value of \$2.10 million on the closing date and issued 192,758 shares of the Company's common stock with a value of \$0.64 million into an escrow account. The shares held in escrow were to be paid six months after the acquisition date subject to any amounts to be withheld related to working capital adjustments. As a result of the working capital adjustments, the Company withheld and cancelled 101,083 shares with an approximate value of \$0.35 million in March 2018.

On November 6, 2018, MediFarm So Cal Inc. was converted from a Nonprofit Mutual Benefit Corporation to a General Stock Corporation. During the third quarter of 2018, the Company recorded a \$6.30 million adjustment to reflect the fair value of the management services agreement. The adjustment resulted in an increase to goodwill, a decrease in other intangible assets and a \$0.43 million decrease in amortization expense.

The measurement period was closed during the third quarter of 2018. The following table summarizes the fair value of the assets at the date of acquisition:

|   | <b>(in<br/>thousands)</b> |
|---|---------------------------|
| <b>Assets Acquired</b>                          |                           |
| Inventory                                       | \$ 114                    |
| Property, Equipment and Leasehold Improvements: |                           |
| Furniture and Equipment                         | 53                        |
| Leasehold Improvements                          | 47                        |
| Security Deposits                               | 5                         |
| Management Service Agreement                    | 370                       |
| Goodwill  | 6,258                     |
| <b>Total Assets Acquired</b>                    | <b>\$ 6,847</b>           |

#### **NOTE 8 – INVENTORY**

Raw materials consist of Edible Garden's herb product lines and material for IVXX's line of cannabis pure concentrates. Work-in-progress consists of live plants grown for Edible Garden's herb product lines and live plants grown at Black Oak Gallery ("Black Oak"). Finished goods consists of IVXX's line of cannabis packaged products to be sold into dispensaries and Black Oak cannabis products sold in retail, and Edible Garden's products to be sold via food, drug, and mass channels.



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Inventory consists of the following:

|                        | <b>(in thousands)</b> |                 |
|------------------------|-----------------------|-----------------|
|                        | <b>June 30,</b>       | <b>December</b> |
|                        | <b>2019</b>           | <b>31,</b>      |
|                        |                       | <b>2018</b>     |
| Raw Materials          | \$ 2,094              | \$ 1,213        |
| Work-in-Progress       | 1,871                 | 882             |
| Finished Goods         | 1,809                 | 1,203           |
| Inventory Reserve      | (1,018)               | (1,018)         |
| Held For Sale          | (979)                 | -               |
| <b>Total Inventory</b> | <b>\$ 3,777</b>       | <b>\$ 2,280</b> |

**NOTE 9 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET**

Property, equipment, and leasehold improvements, net consists of the following:

|                               | <b>(in thousands)</b> |                 |
|-------------------------------|-----------------------|-----------------|
|                               | <b>June 30,</b>       | <b>December</b> |
|                               | <b>2019</b>           | <b>31,</b>      |
|                               |                       | <b>2018</b>     |
| Land and Building             | \$ 22,401             | \$ 22,401       |
| Furniture and Equipment       | 6,085                 | 3,652           |
| Computer Hardware             | 593                   | 531             |
| Leasehold Improvements        | 22,603                | 8,525           |
| Construction in Progress      | 10,025                | 12,288          |
| Subtotal                      | 61,707                | 47,397          |
| Less Accumulated Depreciation | (8,197)               | (5,807)         |

|  |                         |                         |
|--|-------------------------|-------------------------|
| Less Assets Held for Sale                                  | (10,069)                | (7,451)                 |
| <b>Property, Equipment and Leasehold Improvements, Net</b> | <b><u>\$ 43,441</u></b> | <b><u>\$ 34,139</u></b> |

Depreciation expense related to property, equipment and leasehold improvements for the six months ended June 30, 2019 and 2018 was \$2.11 million and \$1.07 million, respectively.

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**NOTE 10 – NOTES PAYABLE**

Notes payable consists of the following:

| <u>(in thousands)</u> |                     |
|-----------------------|---------------------|
| <u>June 30,</u>       | <u>December 31,</u> |

|  | 2019             | 2018             |
|--|------------------|------------------|
| Promissory note dated November 22, 2017, issued for the purchase of real property. Matures December 1, 2020, with an option to extend the maturity date 1 year. The promissory note bears interest at 12.0% for year one and escalates 0.5% per year thereafter up to 13.5%. In the event of default, the note is convertible at the holder's option.  | \$ 4,500         | \$ 4,500         |
| Promissory note dated January 18, 2018, issued for the purchase of real property. The promissory note is collateralized by the land and building purchased and matures February 1, 2021, with an option to extend the maturity date 1 year. The promissory note bears interest at 12.0% for year one and escalates 0.5% per year thereafter up to 13.0%. The full principle balance and accrued interest are due at maturity. In the event of default, the note is convertible at the holder's option. | 6,500            | 6,500            |
| Senior convertible promissory note dated July 25, 2018, issued to accredited investors under the 2018 Master Securities Purchase and Convertible Promissory Notes Agreement, which matures January 25, 2020 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50, subject to adjustment.   | 150              | 150              |
| Senior convertible promissory note dated September 6, 2018, issued to accredited investors under the 2018 Master Securities Purchase and Convertible Promissory Notes Agreement, which matures March 7, 2020 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50, subject to adjustment.  | -                | 1,200            |
| Promissory note dated October 5, 2018, issued for the purchase of real property. Matures October 5, 2021. The promissory note bears interest at 12.0% for year one and escalates 0.5% per year thereafter up to 13.5%. In the event of default, the note is convertible at the holder's option.  | 1,600            | 1,600            |
| Securities Purchase Agreement dated December 3, 2018, issued to accredited investors, which matures June 3, 2020 and bears interest at a rate of 3.0% per annum. The conversion price is 5.0% discount to the average of the three (3) lowest VWAPs in the five (5) trading days prior to the conversion date.   | -                | 7,000            |
| Senior convertible promissory note dated March 12, 2019, issued to accredited investors under the 2018 Master Securities Purchase and Convertible Promissory Notes Agreement, which matures September 12, 2020 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50, subject to adjustment.  | 2,000            | -                |
| Senior convertible promissory note dated June 11, 2019, issued to accredited investors under the 2018 Master Securities Purchase and Convertible Promissory Notes Agreement, which matures December 11, 2020 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50, subject to adjustment.  | 4,000            | -                |
| Long-Term Debt - Promissory Notes  | \$ 18,750        | \$ 20,950        |
| Vehicle Loans  | 57               | -                |
| Less: Debt Discount  | (2,944)          | (2,637)          |
| <b>Net Long Term Debt</b>  | <b>\$ 15,863</b> | <b>\$ 18,313</b> |

#### 2018 Master Securities Purchase and Convertible Promissory Notes Agreement

In March 2018, the Company entered into the 2018 Master Securities Purchase Agreement with an accredited investor pursuant to which the Company sells to the accredited investor 7.5% Senior Convertible Promissory Notes in eight tranches of \$5.00 million, for a total of \$40.00 million.

For each note issued under the 2018 Master Securities Purchase Agreement, the principal and interest due and owed 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) the original conversion price as defined in each note issuance or (ii) 87% of the average of the two lowest daily volume weighted average price of the Common Stock in the thirteen (13) trading days prior to the conversion date ("Conversion Price"). The Conversion Price is subject to adjustment for (i) stock splits, stock dividends, combinations, or similar events and (ii) full ratchet anti-dilution protection. Upon certain events of default, the conversion price 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.

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 \$10.50 or more and (ii) the average daily trading value of the Common Stock is greater than \$2.50 million for the prior ten (10) consecutive trading days, then the Company may demand, upon one (1) day's notice, that the holder convert the notes at the Conversion Price.

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The Company may prepay in cash any portion of the outstanding principal amount of the notes 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 notes plus accrued but unpaid interest, if the prepayment date is within 90 days of the issuance date of the notes; (ii) 115% of the sum of the then-outstanding principal amount plus accrued but unpaid interest, if the prepayment date is between 91 days and 180 days of the issuance date of the notes; or (iii) 125% of the sum of the then-outstanding principal amount of the notes plus accrued but unpaid interest, if the prepayment date is after 180 days of the issuance date of the notes.

On March 12, 2019, Terra Tech Corp. (the "Company") issued a 7.5% Senior Convertible Promissory Note due September 12, 2020 (the "Note") in the principal amount of \$5.00 million to an accredited investor (the "Purchaser") for a purchase price of \$5.00 million (the "Offering") pursuant to a Securities Purchase Agreement with the Purchaser, dated as of March 12, 2018 (the "Purchase Agreement"). 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." The Note is the sixth of eight tranches of 7.5% Senior Convertible Promissory Notes to be issued by the Company to the Purchaser pursuant to the Purchase Agreement.

On June 11, 2019, Terra Tech Corp. (the "Company") issued a 7.5% Senior Convertible Promissory Note due December 11, 2020 (the "Note") in the principal amount of \$4.00 million to an accredited investor (the "Purchaser") for a purchase price of \$4.00 million (the "Offering") pursuant to a Securities Purchase Agreement with the Purchaser, dated as of March 12, 2018 (the "Purchase Agreement"). 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." The Note is the seventh of eight tranches of 7.5% Senior Convertible Promissory Notes to be issued by the Company to the Purchaser pursuant to the Purchase Agreement.

During the six months ended June 30, 2019, the Company converted debt and accrued interest into 21,179,712 shares of the Company's common stock.

### **2017 Master Securities Purchase and Convertible Promissory Notes Agreement**

The Company had a Securities Purchase Agreement with an accredited investor pursuant to which the Company sells to the accredited investor Senior Convertible Promissory Notes. During the year ended December 31, 2017, the Company issued five 12.0% convertible notes for an aggregate value of \$20.00 million due at various dates through June 2019. Of the \$20.00 million convertible notes issued during 2017, the Company converted \$13.10 million and \$6.90 million of the convertible notes into shares of the Company's common stock during the years ended December 31, 2017 and 2018, respectively. The Company paid \$0.60 million in cash and issued approximately \$0.56 million of warrants in connection with the notes. The cash fee and warrants issued were recorded as a debt discount.

### **NOTE 11 – FAIR VALUE MEASUREMENTS**

As of June 30, 2019 and 2018, the Company did not hold any financial assets or liabilities measured at fair value on a recurring basis.

Nonfinancial 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. See "Note 9 Property, Equipment and Leasehold Improvements, Net" for further information on fixed assets.

### **NOTE 12 – TAX EXPENSE**

For the three and six months ended June 30, 2019 and 2018, the Company had no income tax expense (benefit).

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As of June 30, 2019 and December 31, 2018, the components of deferred income tax assets and (liabilities) were as follows:

|                                       | <b>(in thousands)</b> |                 |
|---------------------------------------|-----------------------|-----------------|
|                                       | <b>June 30,</b>       | <b>December</b> |
|                                       | <b>2019</b>           | <b>31,</b>      |
|                                       |                       | <b>2018</b>     |
| Deferred income tax assets:           |                       |                 |
| Options expense                       | \$ 1,685              | \$ 1,018        |
| Allowance for Doubtful Accounts       | 33                    | 33              |
| Net operating Losses                  | <u>15,459</u>         | <u>13,409</u>   |
|                                       | 17,177                | 14,460          |
| Deferred income tax liabilities:      |                       |                 |
| Depreciation                          | <u>(2,181)</u>        | <u>(829)</u>    |
| Total                                 | 14,996                | 13,631          |
| Valuation allowance                   | <u>(14,996)</u>       | <u>(13,631)</u> |
| Net deferred tax assets (liabilities) | <u>\$ -</u>           | <u>\$ -</u>     |

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law, making significant changes to taxation of U.S. business entities. The Tax Act reduced the U.S. corporate income tax rate from 35% to 21%, provided for accelerated deductions for capital asset additions, imposed limitations on certain tax deductions (e.g., meals & entertainment, executive compensation, interest, etc.), eliminated the corporate alternative minimum tax, and included numerous other provisions.

In connection with the Tax Act, the SEC issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118") to provide guidance to companies that had not completed their accounting for the income tax effects of the Tax Act. Under SAB 118, companies were permitted to record provisional amounts to the extent reasonable estimates could be made. Additionally, upon obtaining, preparing, or analyzing additional information (including computations), companies were permitted to record additional tax effects and adjustments to previously recorded provisional amounts within one year from the enactment date of the Tax Act.

As of December 31, 2017, the Company had recorded a provisional income tax benefit of \$3.30 million, which was primarily associated with the remeasurement of certain deferred tax liabilities in the U.S. from 35.0% to 21.0%. As of December 31, 2017, a full valuation allowance was recorded against all net deferred tax assets, as these assets are more likely than not to be unrealized. As of December 31, 2018, the Company completed its accounting for the income tax effects of the Tax Act and concluded that no adjustment to the provisional estimate was required.

For the three and six months ended June 30, 2019 and 2018, the Company had subsidiaries that produced and sold cannabis or cannabis pure concentrates, subjecting the Company to the limits of Internal Revenue Code ("IRC") Section 280E. Pursuant to IRC Section 280E, the Company is allowed only to deduct expenses directly related to sales of product. The State of California does not conform to IRC Section 280E and, accordingly the Company is allowed to deduct all operating expenses on its California income tax returns. As the Company files consolidated federal income tax returns, the taxable income generated from its subsidiaries subject to IRC Section 280E has been offset by losses generated by operations not subject to IRC Section 280E.

Permanent tax differences include ordinary and necessary business expenses deemed by the Company as nonallowable deductions under IRC Section 280E; nondeductible expenses for interest, derivatives and warrant expense related to debt financings and nondeductible losses related to various acquisitions.

As of June 30, 2019, and December 31, 2018, the Company had net operating loss carryforwards of approximately \$51.38 million and \$42.78 million, 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 IRC Section 382, which will limit their utilization. The Company assessed the effect of these limitations and did not believe the losses through December 31, 2017 to be substantially limited. The Company has not completed a study through June 30, 2019 to assess whether an ownership change under Section 382 of the Code has occurred since December 31, 2017. The Company may have experienced various ownership changes, as defined by the Code, as a result of financing transactions. Accordingly, the Company's ability to utilize the aforementioned carryforwards may be limited. Additionally, U.S. tax laws limit the time during which these carryforwards may be applied against future taxes. Therefore, the Company may not be able to take full advantage of these carryforwards for federal or state income tax purposes.

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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 June 30, 2019. 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 June 30, 2019, a valuation allowance of has been recorded against all net 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.

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

**NOTE 13 – EQUITY**

**Common Stock**

During the six months ended June 30, 2019, senior secured convertible promissory notes and accrued interest in the amount of \$11.39 million were converted into 21,179,712 shares of common stock.

During the six months ended June 30, 2019, the Company cancelled 60,000 shares of common stock valued at \$0.01 million and issued 539,710 shares of common stock for compensation in the amount of \$0.45 million.

During the six months ended June 30, 2019, the Company sold 2,094,177 shares of common stock for the net amount of \$1.35 million pursuant to an equity financing facility with an accredited investor and sold 3,592,274 shares of common stock for the net amount of \$2.50 million to other accredited investors.

**NOTE 14 – STOCK-BASED COMPENSATION**

**2016 & 2018 Equity Incentive Plans**

In the first quarter of 2016, the Company adopted the 2016 Equity Incentive Plan. In the fourth quarter of 2018, the Company adopted the 2018 Equity Incentive Plan. On June 20, 2019, the Company amended the number of shares reserved for issuance to 15,000,000. The following table contains information about the 2016 and the 2018 Equity Incentive Plans as of June 30, 2019:

|                            | <u>Awards<br/>Reserved<br/>for<br/>Issuance</u> | <u>Awards<br/>Outstanding</u> | <u>Awards<br/>Available<br/>for Grant</u> |
|----------------------------|---|-------------------------------|---|
| 2016 Equity Incentive Plan | 2,000,000                                       | 1,461,064                     | 538,936                                   |
| 2018 Equity Incentive Plan | 15,000,000                                      | 9,800,818                     | 5,199,182                                 |

**Stock Options**

The following table summarizes the Company's stock option activity and related information for the three months ended June 30, 2019:

|  | <u>Number of<br/>Shares</u> | <u>Weighted-<br/>Average<br/>Exercise<br/>Price Per<br/>Share</u> | <u>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Life</u> | <u>Aggregate<br/>Intrinsic Value of<br/>In-the-Money<br/>Options</u> |
|--|-----------------------------|---|---|--|
| <b>Options Outstanding as of January 1, 2019</b> | 8,400,629                   | \$ 1.56   |   |  |
| Options Granted                                  | 4,000,818                   | \$ 0.62   |   |  |
| Options Exercised                                | -                           | \$ -  |   |  |
| Options Forfeited                                | (80,000)                    | \$ 2.09   |   |  |
| Options Expired                                  | -                           | \$ -  |   |  |
| <b>Options Outstanding as of June 30, 2019</b>   | <u>12,321,447</u>           | <u>\$ 1.25</u>  | <b>9.4 years</b>  | \$ -   |
| <b>Options Exercisable as of June 30, 2019</b>   | <u>3,285,156</u>            | <u>\$ 1.71</u>  | <b>9.0 years</b>  | \$ -   |





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The aggregate intrinsic value is calculated as the difference between the Company's closing stock price of \$0.58 on June 30, 2019, and the exercise price of options, multiplied by the number of options. As of June 30, 2019, there was \$8.06 million total unrecognized stock-based compensation. Such costs are expected to be recognized over a weighted-average period of approximately 2.75 years.

The Company recognizes compensation expense for stock option awards on a straight-line basis over the applicable service period of the award. The service period is generally the vesting period. The following weighted-average assumptions were used to calculate stock-based compensation for issuances during the three months ended June 30, 2019:

|                         | <u>June 30,<br/>2019</u> | <u>June 30,<br/>2018</u> |
|-------------------------|--------------------------|--------------------------|
| Expected term (years)   | 6 Years                  | 6.5 Years                |
| Volatility              | 115.7%                   | 126.9-<br>128.0%         |
| Risk-Free Interest Rate | 1.9%                     | 2.5-2.8%                 |
| Dividend Yield          | 0%                       | 0%                       |

The Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. Hence, the Company uses the "simplified method" described in Staff Accounting Bulletin 107 to estimate the expected term of share option grants.

The expected stock price volatility assumption was determined by examining the historical volatilities for the Company's common stock. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company's common stock becomes available.

The risk-free interest rate assumption is based on the U.S. treasury instruments whose term was consistent with the expected term of the Company's stock options.

The expected dividend assumption is based on the Company's history and expectation of dividend payouts. The Company has never paid dividends on its common stock and does not anticipate paying dividends on its common stock in the foreseeable future. Accordingly, the Company has assumed no dividend yield for purposes of estimating the fair value of the Company stock-based compensation.

The Company estimates the forfeiture rate at the time of grant and revisions, if necessary, were estimated based on management's expectation through industry knowledge and historical data.

#### Stock-Based Compensation Expense

The following table sets forth the total stock-based compensation expense resulting from stock options and restricted grants of common stock to employees, directors and non-employee consultants in the consolidated statement of operations which are included in selling, general and administrative expenses:

**(in thousands except for shares / options)**

| Type of Award                                 | <b>For the Three Months Ended</b>                      |   |  |   |
|---|--|---|--|---|
|   | <b>June 30, 2019</b>                                   |   | <b>June 30, 2018</b>                                   |   |
|   | <b>Number of<br/>Shares or<br/>Options<br/>Granted</b> | <b>Stock-Based<br/>Compensation<br/>Expense</b> | <b>Number of<br/>Shares or<br/>Options<br/>Granted</b> | <b>Stock-Based<br/>Compensation<br/>Expense</b> |
| Stock Options                                 | 3,520,000  | \$ 954  | 66,667   | \$ 481  |
| Stock Grants:                                 |  |   |  |   |
| Employees (Common Stock)                      | 87,798   | 75  | 91,888   | 265   |
| Non-Employee Consultants (Common Stock)       | 40,000   | 36*   | 37,872   | 107   |
| <b>Total Stock-Based Compensation Expense</b> |  | <b>\$ 1,065</b>                                 |  | <b>\$ 853</b>                                   |

\* Excludes adjustments for shares cancelled.

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| Type of Award                                 | For the Six Months Ended            |                                  |                                     |                                  |
|---|-------------------------------------|----------------------------------|-------------------------------------|----------------------------------|
|   | June 30, 2019                       |                                  | June 30, 2018                       |                                  |
|   | Number of Shares or Options Granted | Stock-Based Compensation Expense | Number of Shares or Options Granted | Stock-Based Compensation Expense |
| Stock Options                                 | 4,000,818                           | \$ 2,236                         | 866,667                             | \$ 955                           |
| Stock Grants:                                 |                                     |                                  |                                     |                                  |
| Employees (Common Stock)                      | 473,334                             | 390                              | 173,394                             | 553                              |
| Non-Employee Consultants (Common Stock)       | 66,376                              | 59                               | 44,282                              | 124                              |
| <b>Total Stock-Based Compensation Expense</b> |                                     | <b>\$ 2,685</b>                  |                                     | <b>\$ 1,632</b>                  |

**NOTE 15 – WARRANTS**

The Company has the following shares of common stock reserved for exercise of the warrants outstanding as of June 30, 2019:

|   | Shares           | Weighted-Average Exercise Price |
|---|------------------|---------------------------------|
| <b>Warrants Outstanding as of January 1, 2019</b> | 1,053,252        | \$ 4.28                         |
| Warrants Exercised                                | -                | -                               |
| Warrants Granted                                  | 311,318          |                                 |
| Warrants Expired                                  | (194,029)        | 0.87                            |
| <b>Warrants Outstanding as of June 30, 2019</b>   | <b>1,170,541</b> | <b>\$ 2.95</b>                  |

The following weighted-average assumptions were used to calculate the fair value of warrants issued during the period ended June 30, 2019 and 2018 using the Black-Scholes option pricing model:

|                         | June 30, 2019 | June 30, 2018 |
|-------------------------|---------------|---------------|
| Expected Term (years)   | 6 Years       | 5 Years       |
| Volatility              | 115.7%        | 118.9%        |
| Risk-Free Interest Rate | 1.8%          | 2.5%          |
| Dividend Rate           | 0%            | 0%            |

**NOTE 16 – LEASES**

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets (“ROU assets”) and lease liabilities are included in other assets and other liabilities on the Company’s Condensed Consolidated Balance Sheets.

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ROU assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company determines if an arrangement is a lease at inception. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Most operating leases contain renewal options that provide for rent increases based on prevailing market conditions. The lease term used to calculate the ROU asset includes any renewal options or lease termination that the Company expects to exercise.

The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes its secured borrowing rate. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants.

The Company occupies office facilities under lease agreements that expire at various dates. In addition, office, production and transportation equipment is leased under agreements that expire at various dates. The Company does not have any significant finance leases.

The components of total lease cost were as follows:

|                           | (in<br>thousands)<br>Six Months<br>Ended June<br>30,<br>2019 |
|---------------------------|--|
| Short-term lease cost (a) | \$ 86  |
| Operating lease cost      | 996  |
| <b>Total lease cost</b>   | <b>\$ 1,082</b>  |

(a) Includes leases with terms of one year or less.

Cash paid for amounts included in operating lease liabilities was \$0.54 million for the six months ended June 30, 2019. As of June 30, 2019, short term lease liabilities of \$0.95 million are included in "Accounts Payable and Accrued Expenses" on the unaudited consolidated balance sheet. The table below presents total operating lease ROU assets and lease liabilities as of June 30, 2019:

|                             | (in<br>thousands)<br>Six Months<br>Ended<br>June 30,<br>2019 |
|-----------------------------|--|
| Operating lease ROU assets  | \$ 10,048  |
| Operating lease liabilities | 10,549   |

The table below presents the maturities of operating lease liabilities as of June 30, 2019:

|  | (in<br>thousands)<br>Operating<br>Leases |
|--|--|
| 2019                                     | \$ 2,060                                 |
| 2020                                     | 2,218                                    |
| 2021                                     | 2,104                                    |
| 2022                                     | 2,104                                    |
| 2023                                     | 2,104                                    |
| Thereafter                               | 6,174                                    |
| <b>Total lease payments</b>              | <b>16,764</b>                            |
| Less: Payments Made in 1st Half of 2019  | (996)                                    |
| Less: Discount                           | (5,219)                                  |
| <b>Total operating lease liabilities</b> | <b>\$ 10,549</b>                         |

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The table below presents the weighted average remaining lease term for operating leases and weighted average discount rate used in calculating operating lease right-of-use assets:

|   | <b>Six Months<br/>Ended<br/>June 30,<br/>2019</b> |
|---|---|
| Weighted average remaining lease term (years) | 7.6   |
| Weighted average discount rate                | 11.1%   |

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

**California Operating Licenses**

Effective January 1, 2018 the State of California allowed for adult use cannabis sales. California’s cannabis licensing system is being implemented in two phases. First, beginning January 1, 2018, temporary permits were to be issued and the state anticipated issuing annual licenses by May of 2018. Licensees were eligible for several 90 days extensions to their temporary licenses. Throughout 2018 Terra Tech subsidiaries operated compliantly and were eligible for all extensions.

As of June 2019, the State of California has issued provisional licenses for Blum San Leandro, Blum Oakland, Blum Santa Ana, and Black Oak Distribution. These provisional licenses are valid for one year and require the licensee to be Metrc compliant. Licenses are issued only after an extensive review of operational and corporate documents that provide assurance to the State of California that lawful and transparent operations are being conducted and verify transparency of financial and ownership information.

**NOTE 18 – SEGMENT INFORMATION**

During 2018, the Company acquired additional real property and determined that a previously insignificant operating segment “*Real Estate and Construction*” is now significant and is a reportable segment requiring disclosure in accordance with ASC 280. Prior period information below has been revised to conform to current period presentation. We are now organized into three reportable segments:

- ***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.
- ***Real Estate and Construction*** – Includes building ownership where cannabis dispensary and/or cultivation operations are currently in development.

During 2019, the San Leandro retail dispensary commenced operations and the associated operating segment is now included in the “Cannabis Dispensary, Cultivation and Production” reportable segment. Additionally, during 2019, a real estate operating segment held assets that were reclassified as “held for sale,” as they met the requirements for such classification under ASC 360. As the assets are no longer utilized for cannabis retail operations, the related operating segment is now included in the “Real Estate and Construction” reportable segment. Prior period information has been revised to conform to the current period presentation. Summarized financial information concerning the Company’s reportable segments is shown in the following tables.

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Total asset amounts at June 30, 2019 and 2018 exclude intercompany receivable balances eliminated in consolidation.

|  | <b>For the Three Months Ended June 30, 2019</b><br><b>(Unaudited) (in thousands)</b> |  |                        |                                   |                    |
|--|--|--|------------------------|-----------------------------------|--------------------|
|  | <b>Herbs and<br/>Produce<br/>Products</b>  | <b>Cannabis<br/>Dispensary,<br/>Cultivation<br/>and<br/>Production</b> | <b>Real<br/>Estate</b> | <b>Eliminations<br/>and Other</b> | <b>Total</b>       |
| Total Revenues                               | \$ 1,816   | \$ 10,076  | \$ 17                  | \$ (1,537)                        | \$ 10,372          |
| Cost of Goods Sold                           | 1,599  | 4,749  | -                      | (891)                             | 5,457              |
| Gross Profit                                 | 217  | 5,327  | 17                     | (646)                             | 4,915              |
| Selling, General and Administrative Expenses | 1,241  | 5,561  | 308                    | 4,938                             | 12,048             |
| Loss from Operations                         | (1,024)  | (234)  | (291)                  | (5,584)                           | (7,133)            |
| Income (Loss) from Subsidiaries              | -  | -  | -                      | -                                 | -                  |
| Other Income (Expense):                      |  |  |                        |                                   |                    |
| Impairment of Property and Equipment         | -  | (114)  | -                      | (396)                             | (510)              |
| Interest Income (Expense)                    | -  | 141  | (695)                  | (3,507)                           | (4,061)            |
| Other Income / (Loss)                        | -  | 18   | 6                      | 998                               | 1,022              |
| Gain on Interest in Joint Venture            | -  | -  | -                      | 350                               | 350                |
| Total Other Income (Expense)                 | -  | 45   | (689)                  | (2,555)                           | (3,199)            |
| Net Loss                                     | <u>\$ (1,024)</u>  | <u>\$ (189)</u>  | <u>\$ (980)</u>        | <u>\$ (8,139)</u>                 | <u>\$ (10,332)</u> |
| Total Assets at June 30, 2019                | <u>\$ 6,902</u>  | <u>\$ 106,251</u>  | <u>\$ 22,812</u>       | <u>\$ 8,252</u>                   | <u>\$ 144,218</u>  |
| Assets Held for Sale at June 30, 2019        | <u>\$ -</u>  | <u>\$ 2,471</u>  | <u>\$ 8,651</u>        | <u>\$ -</u>                       | <u>\$ 11,122</u>   |

|  | <b>For the Six Months Ended June 30, 2019</b><br><b>(Unaudited) (in thousands)</b> |  |                    |                                   |              |
|--|--|--|--------------------|-----------------------------------|--------------|
|  | <b>Herbs and<br/>Produce<br/>Products</b>  | <b>Cannabis<br/>Dispensary,<br/>Cultivation<br/>and<br/>Production</b> | <b>Real Estate</b> | <b>Eliminations<br/>and Other</b> | <b>Total</b> |
| Total Revenues                               | \$ 3,120   | \$ 17,079  | \$ 34              | \$ (2,503)                        | \$ 17,730    |
| Cost of Goods Sold                           | 2,502  | 7,992  | -                  | (1,684)                           | 8,811        |
| Gross Profit                                 | 618  | 9,087  | 34                 | (819)                             | 8,919        |
| Selling, General and Administrative Expenses | 2,322  | 10,407   | 357                | 10,478                            | 23,564       |

|                                       |                   |                   |                   |                    |                    |
|---------------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| Loss from Operations                  | <u>(1,704)</u>    | <u>(1,320)</u>    | <u>(323)</u>      | <u>(11,297)</u>    | <u>(14,645)</u>    |
| Income (Loss) from Subsidiaries       | -                 | -                 | -                 | -                  | -                  |
| Other Income (Expense):               |                   |                   |                   |                    |                    |
| Impairment of Assets                  | -                 | (114)             | -                 | (396)              | (510)              |
| Interest Income (Expense)             | -                 | -                 | (973)             | (6,016)            | (6,989)            |
| Other Income / (Loss)                 | -                 | 54                | 6                 | 1,010              | 1,070              |
| Gain on Interest in Joint Venture     | -                 | -                 | -                 | 5,949              | 5,949              |
| Total Other Income (Expense)          | <u>-</u>          | <u>(60)</u>       | <u>(967)</u>      | <u>547</u>         | <u>(480)</u>       |
| Net Loss                              | <u>\$ (1,704)</u> | <u>\$ (1,380)</u> | <u>\$ (1,290)</u> | <u>\$ (10,750)</u> | <u>\$ (15,125)</u> |
| Total Assets at June 30, 2019         | <u>\$ 6,902</u>   | <u>106,251</u>    | <u>22,812</u>     | <u>8,252</u>       | <u>144,218</u>     |
| Assets Held for Sale at June 30, 2019 | <u>\$ -</u>       | <u>\$ 2,471</u>   | <u>\$ 8,651</u>   | <u>\$ -</u>        | <u>\$ 11,122</u>   |

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**For the Three Months Ended June 30, 2018**  
**(Unaudited)(in thousands)**

|  | <b>Herbs and<br/>Produce<br/>Products</b> | <b>Cannabis<br/>Dispensary,<br/>Cultivation<br/>and<br/>Production</b> | <b>Real Estate</b> | <b>Eliminations<br/>and Other</b> | <b>Total</b> |
|--|---|--|--------------------|-----------------------------------|--------------|
| Total Revenues                               | \$ 1,696                                  | \$ 7,151   | \$ 11              | \$ (140)                          | \$ 8,718     |
| Cost of Goods Sold                           | 1,106                                     | 4,040  | -                  | (100)                             | 5,046        |
| Gross Profit                                 | 590                                       | 3,111  | 11                 | (40)                              | 3,672        |
| Selling, General and Administrative Expenses | 995                                       | 4,340  | 76                 | 4,451                             | 9,862        |
| Loss from Operations                         | (405)                                     | (1,229)  | (65)               | (4,491)                           | (6,190)      |

Other Income (Expense):

|                                       |                 |                   |                 |                   |                   |
|---------------------------------------|-----------------|-------------------|-----------------|-------------------|-------------------|
| Interest Income (Expense)             | -               | -                 | (346)           | (3,330)           | (3,676)           |
| Other Income / (Loss)                 | -               | -                 | -               | -                 | -                 |
| Total Other Income (Expense)          | -               | (0)               | (346)           | (3,330)           | (3,676)           |
| Net Loss                              | <u>\$ (405)</u> | <u>\$ (1,229)</u> | <u>\$ (411)</u> | <u>\$ (7,821)</u> | <u>\$ (9,866)</u> |
| Total Assets at June 30, 2018         | <u>\$ 6,321</u> | <u>\$ 71,592</u>  | <u>\$ -</u>     | <u>\$ 31,878</u>  | <u>\$ 109,791</u> |
| Assets Held for Sale at June 30, 2018 | <u>\$ -</u>     | <u>\$ 904</u>     | <u>\$ -</u>     | <u>\$ -</u>       | <u>\$ 904</u>     |

**For the Six Months Ended June 30, 2018**

|  | <b>Herbs and<br/>Produce<br/>Products</b> | <b>Cannabis<br/>Dispensary,<br/>Cultivation<br/>and<br/>Production</b> | <b>Real Estate</b> | <b>Eliminations<br/>and Other</b> | <b>Total</b>       |
|--|---|--|--------------------|-----------------------------------|--------------------|
| Total Revenues                               | \$ 2,980                                  | \$ 14,213  | \$ 28              | \$ 113                            | \$ 17,334          |
| Cost of Goods Sold                           | <u>2,405</u>                              | <u>7,960</u>   | <u>-</u>           | <u>174</u>                        | <u>10,539</u>      |
| Gross Profit                                 | 575                                       | 6,253  | 28                 | (61)                              | 6,795              |
| Selling, General and Administrative Expenses | <u>1,937</u>                              | <u>9,766</u>   | <u>365</u>         | <u>8,087</u>                      | <u>20,155</u>      |
| Loss from Operations                         | <u>(1,362)</u>                            | <u>(3,513)</u>   | <u>(337)</u>       | <u>(8,148)</u>                    | <u>(13,360)</u>    |
| Other Income (Expense):                      |   |  |                    |                                   |                    |
| Interest Expense                             | -   | -  | (588)              | (8,014)                           | (8,602)            |
| Other Income / (Loss)                        | -   | -  | -                  | -                                 | -                  |
| Total Other Income (Expense)                 | -   | -  | (588)              | (8,014)                           | (8,602)            |
| Net Loss                                     | <u>\$ (1,362)</u>                         | <u>\$ (3,513)</u>  | <u>\$ (925)</u>    | <u>\$ (16,162)</u>                | <u>\$ (21,962)</u> |
| Total Assets at June 30, 2018                | <u>\$ 6,321</u>                           | <u>\$ 71,592</u>   | <u>\$ -</u>        | <u>\$ 31,878</u>                  | <u>\$ 109,791</u>  |
| Assets Held for Sale at June 30, 2018        | <u>\$ -</u>                               | <u>\$ 904</u>  | <u>\$ -</u>        | <u>\$ -</u>                       | <u>\$ 904</u>      |



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### **NOTE 19 – 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 June 30, 2019.

On April 11, 2018, the Company filed a lawsuit in the United States District Court, Central District of California against Kenneth Vande Vrede, Michael Vande Vrede, Steven Vande Vrede, Daniel Vande Vrede, Greda Vande Vrede, Beverly Willekes, Brian Vande Vrede, GroRite, Inc. ("GroRite") and Naturally Beautiful Plant Products, LLC ("Naturally Beautiful") alleging breach of contract, breach of fiduciary duties, conversion, fraud, breach of covenant of good faith and fair dealing, misappropriation of trade secrets, and conspiracy related to, among other things, the Share Exchange Agreement, dated as of April 24, 2013 among the Company, the Company's wholly-owned subsidiary, Edible Garden Corp. ("Edible Garden"), and the individual defendants (the "Share Exchange Agreement"). The Company sought monetary damages, including attorneys' fees and expenses, return of shares of the Company's common stock issued to the individual defendants under the Share Exchange Agreement, return of stock options issued to the individual defendants, and return of the Company's intellectual property. As of February 25, 2019, the Court has dismissed all defendants except for Kenneth Vande Vrede based on the other defendants' lack of contacts with the State of California. In the interest of judicial economy, Terra Tech dismissed this matter without prejudice and it is now being pursued with the other matters pending in New Jersey, discussed below.

On April 10, 2018, GroRite, Naturally Beautiful and Whitetown Realty ("Whitetown Realty" and collectively, the "Whitetown Realty Plaintiffs") filed a lawsuit in the Superior Court of New Jersey Law Division, Morris County against the Company and Edible Garden alleging, among other things, that Edible Garden owes certain amounts to GroRite under a Marketing and Distribution Agreement between Edible Garden and GroRite, dated May 7, 2013, and Naturally Beautiful under a Marketing and Distribution Agreement between Edible Garden and Naturally Beautiful, dated May 13, 2013 (collectively, the "Marketing and Distribution Agreements"), and that Edible Garden owes certain amounts to Whitetown Realty under the Lease between Whitetown Realty and Edible Garden, dated January 1, 2015 (the "Lease"). The Whitetown Realty Plaintiffs are seeking, among other things, compensatory damages for the amounts claimed are owed and attorneys' fees and costs. The Company disputes that Edible Garden owes any payments under the Marketing and Distribution Agreements or the Lease and intends to vigorously defend itself. Accordingly, on May 18, 2018, the company and Edible Garden filed an answer denying the allegations of the Plaintiffs. In that same pleading, Edible Garden filed a counterclaim against Naturally Beautiful and GroRite asserting claims for breach of contract, breach of the implied covenant of good faith and fair dealing, unjust enrichment, trademark infringement/unfair competition, and tortious interference with contractual relations. Edible Garden also filed a third-party complaint against previously unidentified defendants John Doe Entities 1-10 and John Doe Individuals 1-10 arising from the wrongful misappropriation and pirating of electricity from the Edible Garden facility located at 283 Route 519, Belvidere, New Jersey. The third-party complaint alleges claims for unjust enrichment, tortious interference with contractual relations and conversion. On June 8, 2018, Edible Garden filed an amended counterclaim adding a count for conversion against Naturally Beautiful and GroRite. On June 12, 2018, Edible Garden Corp. filed an amended third-party complaint adding Gerda Vande Vrede as a named third-party defendant. On June 13, 2018, GroRite and Naturally Beautiful filed an answer to Edible Garden's amended counterclaim and Gerda Vande Vrede filed an answer to Edible Garden's amended third-party complaint denying the allegations asserted against them. No counterclaims, crossclaims or fourth party

complaints were filed on behalf of Gerda Vande Vrede, Naturally Beautiful or GroRite.

On April 13, 2018, Edible Garden Corp. filed a lawsuit in the Superior Court of New Jersey Chancery Division, Warren County against Whitetown Realty in response to a letter from a law firm representing Whitetown Realty alleging Edible Garden was in default of the Lease. Edible Garden is seeking declaratory and equitable relief to prevent Whitetown Realty from terminating the Lease and for attorneys' fees and costs. The Company believes that Edible Garden has made all payments due to Whitetown Realty under the Lease and maintains Edible Garden is not in default of the Lease. On April 23, 2018, by order of the assignment judge of Warren County, the lawsuit was transferred to Morris County and consolidated with the April 10, 2018 lawsuit previously filed by GroRite, Naturally Beautiful and Whitetown Realty in the Superior Court of New Jersey, Law Division, Morris County. On June 13, 2018, Whitetown Realty filed its answer to the Edible Garden Complaint. In that answer, Whitetown Realty denies that Edible Garden is entitled to the declaratory and equitable relief that Edible Garden requested. No counterclaim was filed by Whitetown Realty.

On April 11, 2018, Kenneth Vande Vrede, Michael Vande Vrede and Steven Vande Vrede (collectively, the "Vande Vrede Brothers") filed a lawsuit in the Superior Court of New Jersey Law Division, Warren County against the Company and Edible Garden alleging, among other things, that the Company and Edible Garden improperly suspended the Vande Vrede Brothers from their positions with the Company and Edible Garden. The Vande Vrede Brothers were seeking, among other things, a declaratory judgment that they did not violate their fiduciary duties owed to the Company or Edible Garden and reinstating the Vande Vrede Brothers to their status with the Company and Edible Garden prior to their suspensions and attorneys' fees and costs. The original complaint in this matter was never served, and on June 12, 2018, the Vande Vrede Brothers, and now David Vande Vrede, Daniel Vande Vrede, Beverly Willekes, and Whitetown Realty filed an amended complaint against Terra Tech, Edible Garden, Derek Peterson, Michael James, and Michael Nahass. The Company filed a pre-answer motion to dismiss the amended complaint, arguing that any of the plaintiff' claims that relate to the Share Exchange Agreement, belong in the already existing lawsuit in California, and any of the plaintiff' claims that relate to the lease, belong in the already existing lawsuits in New Jersey. The Company disputes the Vande Vredes' allegations in the lawsuit and intends to vigorously defend itself. On September 19, 2018, the Superior Court of New Jersey, Warren County denied the Company's pre-answer motion to dismiss without prejudice and transferred the matter to Morris County to be consolidated with the other two matters already pending in Morris County, and the Company renewed its pre-answer motion to dismiss in Morris County. On December 17, 2018, the Superior Court of New Jersey, Morris County denied the Company's motion to dismiss. On January 22, 2019, the Company filed its answer and asserted counterclaims for breach of contract, breach of fiduciary duty, conversion, fraud, misappropriation of trade secrets, and conspiracy in Superior Court of New Jersey, Morris County against the Vande Vredes. On February 28, 2019, the court held a case management conference for all the three consolidated matters in Morris County and set a discovery end date of October 15, 2019.

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On April 15, 2019, the Vande Vrede Brothers, David VandeVrede, Daniel Vande Vrede, Beverly Willekes, and Whitetown Realty filed a motion to dismiss certain aspects of the Company's counterclaims. The Company filed its opposition to this motion on May 2, 2019. The motion to dismiss was returnable on May 10, 2019, but no decision has been issued by the court to date.

On September 15, 2017, through our wholly-owned subsidiary, IVXX, Inc., we filed a lawsuit against Callow Distribution, LLC, a California limited liability company controlled by David Weidenbach, in the Superior Court of the State of California, County of Orange. In the Complaint for Breach of Contract, Conversion, and Injunctive Relief, we requested that the Court award to us, among other things, damages according to proof, attorneys' fees, and costs of suit. On December 3, 2018, we appeared for trial and provided sufficient evidence to the Court to prove our case in full to its satisfaction. The judge ruled from the bench in our favor. We then prepared the form of Judgment, which the Court entered on December 10, 2018, and made publicly available on December 13, 2018.

The judgment in our favor and against Callow Distribution, LLC is in the amount of \$0.95 million. We intend to pursue our post-judgment collection rights vigorously, although there is no assurance as to the timing of collection and the amount that we will collect.

On November 21, 2018, Heidi Loeb Hegerich, Forever Green NV, and Forever Young Investments, L.L.C. filed a lawsuit (the "Lawsuit") against the Company, certain of its subsidiaries and affiliates, and certain unrelated parties in the Second Judicial District of the County of Washoe, State of Nevada (the "Court"), Case Number CV1802322, alleging, among other things, breach of fiduciary duty, breach of contract, and fraud, and seeking monetary damages and equitable relief. On February 26, 2019, the Company, MediFarm I, MediFarm II, MediFarm I RE and other parties (collectively, the "Terra Tech Parties") entered into a Settlement Agreement and Release (the "Settlement Agreement") with Heidi Loeb Hegerich, Forever Green and Forever Young (collectively, the "Loeb Parties") pursuant to which the Terra Tech Parties and the Loeb Parties agreed to settle and dismiss with prejudice the Lawsuit. Entering into the Settlement Agreement is not an admission or acknowledgement of liability or responsibility on the part of the Company in connection with the Lawsuit. The only material relationship between the Company and Ms. Hegerich, Forever Green and Forever Young, other than in respect of the SPA and the Settlement Agreement, was their membership in MediFarm I, MediFarm II and MediFarm I RE. On June 26, 2019, the Court dismissed the Lawsuit with prejudice.

In conjunction with the settlement, the Company entered into a Securities Purchase Agreement (the "SPA") with Forever Green NV ("Forever Green") and Forever Young Investments, L.L.C. ("Forever Young") pursuant to which the Company agreed to purchase Forever Green's 50% membership interest in MediFarm I LLC ("MediFarm I"), Forever Green's 15% membership interest in MediFarm II, LLC ("MediFarm II"), and Forever Young's 50%

membership interest in MediFarm I Real Estate, LLC (“MediFarm I RE”) for aggregate consideration of \$6.30 million. Following receipt of approval of the Nevada Department of Taxation, those transactions closed on June 12, 2019. As a result, the Company owns 100% of MediFarm I, 100% of MediFarm RE and 70% of MediFarm II. MediFarm I owns the Company’s Blüm dispensary located at 1085 S. Virginia St. Suite A, Reno, NV 89502, and MediFarm I RE owns the building which houses the dispensary.

#### **NOTE 20 – SUBSEQUENT EVENTS**

On July 1, 2019, the Company entered into Independent Director Agreements (the “Director Agreements”) with Steven J. Ross and Alan Gladstone. The Company agreed to pay each of Mr. Ross and Mr. Gladstone \$12,500 per month for a period of three years beginning on July 1, 2019. The cash compensation includes \$10,000 per month for service as a Director and \$2,500 per month for service as the Chairperson of one or more board committees. The Company also issued to each of Mr. Ross and Mr. Gladstone 86,805 restricted shares of the Company’s common stock (“Common Stock”), all of which vested on the date of appointment, and an option to purchase an additional 86,805 shares of Common Stock with an exercise price of the closing price of the Common Stock on the date of the Director Agreements, which vest over a three-year period. In addition, a stock option and stock issuance of equivalent value are to be issued at the one year and two-year anniversary dates of the Director Agreements.

Additionally, on July 1, 2019, the Company entered into employment agreements (“Employment Agreements”) with each of its’ Executive Officers. The Employment Agreement entered into with the Company’s Chief Executive Officer, Derek Peterson (the “Peterson Agreement”), is for a term of three years and beginning on the third anniversary of signing shall be automatically extended for successive one (1) year periods, unless the Company or Mr. Peterson provides the other at least ninety (90) days prior written notice before the next renewal term, that the term shall not be extended. Mr. Peterson’s base salary shall be Three Hundred Nine Thousand Dollars (\$309,000) and he shall also be eligible for a performance bonus equal to 100% of his base salary (“Peterson Target Performance Bonus”). The Peterson Target Performance Bonus shall be based on performance and achievement of Company goals and objectives as defined by the Board of Directors or Compensation Committee and may be greater or less than the Peterson Target Performance Bonus.

The Employment Agreement entered into with the Company’s President & Chief Operating Officer, Michael Nahass (the “Nahass Agreement”), is for a term of three years and beginning on the third anniversary of signing shall be automatically extended for successive one (1) year periods, unless the Company or Mr. Nahass provides the other at least ninety (90) days prior written notice before the next renewal term, that the term shall not be extended. Mr. Nahass’ base salary shall be Two Hundred Eighty-Three Thousand Two Hundred Fifty Dollars (\$283,250) and he shall also be eligible for a performance bonus equal to 100% of his base salary (“Nahass Target Performance Bonus”). The Nahass Target Performance Bonus shall be based on performance and achievement of Company goals and objectives as defined by the Board of Directors or Compensation Committee and may be greater or less than the Nahass Target Performance Bonus.

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In the event of termination by the Company without cause or by Mr. Peterson or Mr. Nahass for good reason or in the event of a change of control (“Qualified Termination”), Mr. Peterson and Mr. Nahass shall be eligible for the following severance benefits (“Severance Benefits”); (i) the greater of (i) the remaining compensation during the initial term of the James Agreement or (ii) an amount equal to two (2) times their then current annual base salary, paid in equal installments over a two (2) month period beginning with the first normal payroll period after the effective date of the Qualified Termination, less any taxes and withholding as may be necessary pursuant to law; and (ii) a number of shares of the Common Stock (or the common stock of a successor company following a change of control) with an aggregate value of Two Million Dollars (\$2,000,000) (the “Stock Severance”) calculated by dividing (a) \$2,000,000 by (b) the Fair Market Value (as defined in the Company’s 2018 Equity Incentive Plan (the “Plan”)) of a share of the Company’s common stock on the date of termination of employment. Notwithstanding the foregoing, Mr. Peterson and Mr. Nahass shall not be entitled to the Stock Severance if the total market capitalization of the Company (defined as the number of outstanding shares multiplied by the Fair Market Value of a share of common stock) on the date of termination of employment is less than \$65 million.

The Employment Agreement entered into with the Company’s Chief Financial Officer, Michael James (the “James Agreement”), is for a term of three years and beginning on the third anniversary of signing shall be automatically extended for successive one (1) year periods, unless the Company or Mr. James provides the other at least ninety (90) days prior written notice before the next renewal term, that the term shall not be extended. Mr. James’ base salary shall be Two Hundred Fifty-Seven Thousand Five Hundred Dollars (\$257,500) and he shall also be eligible for a performance bonus equal to 60% of his base salary (“James Target Performance Bonus”). The James Target Performance Bonus shall be based on performance and achievement of Company goals and objectives as defined by the Board of Directors or Compensation Committee and may be greater or less than the James Target Performance Bonus.

In the event of a Qualified Termination, Mr. James shall be eligible for the following Severance Benefits; (i) the greater of (i) the remaining compensation during the initial term of the James Agreement or (ii) two (2) times Mr. James’ then current annual base salary, paid in equal installments over a two (2) month period beginning with the first normal payroll period after the effective date of the Qualified Termination, less any taxes and withholding as may be necessary pursuant to law; and (ii) a number of shares of the Common Stock (or the common stock of a successor company following a change of control) with an aggregate value of One Million Two hundred Thousand Dollars (\$1,200,000) (the “Stock Severance”) calculated by dividing (a) \$1,200,000 by (b) the Fair Market Value (as defined in the Plan) of a share of the Company’s common stock on the date of termination of employment. Notwithstanding the foregoing, Mr. James shall not be entitled to the Stock Severance if the total market capitalization of the Company (defined as the number of outstanding shares multiplied by the Fair Market Value of a share of common stock) on the date of termination of employment is less than \$65 million.

On July 8, 2019, Terra Tech Corp. (the “Company”) issued a Promissory Note (the “Note”) in the principal amount of \$1,000,000 to an accredited investor (the “Purchaser”). The Note is due on August 8, 2019 (the “Maturity Date”). The balance will be paid in full as of the Maturity Date. The Note accrues interest at a rate of 5.0% per month, payable on the Maturity Date or prepayment of the Note, with 30-days of interest guaranteed. Upon certain

events of default, the Purchaser may declare the Note due and payable with five (5) business days and if the Note is not repaid at the end of such five (5) business day period, the Note incurs a penalty equal to 2% of the principal amount of the Note per month for so long as such event of default remains in effect. The Company may prepay any portion of the outstanding principal amount of the Note and any accrued and unpaid interest upon three (3) days' written notice to the Purchaser.

On July 31, 2019, the Company entered into an agreement to sell a real estate asset to Green Wagon Reno LLC, an unaffiliated third party, for total cash consideration of \$1.50 million.

On July 15, 2019, the Company loaned OneQor Technologies, Inc., an unaffiliated 3<sup>rd</sup> party, \$100,000 in the form of a promissory note that accrues interest at 10% per annum and matures on July 14, 2020. On August 2, 2019, the Company entered into a second agreement with OneQor Technologies, Inc. to lend \$250,000 in the form of a promissory note that accrues interest at 10% per annum and matures on August 1, 2020. The purpose of the loans were to make a strategic investment in a CBD company.

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**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 can 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, 2018 and in other filings we make from time to time with the U.S. Securities and Exchange Commission ("SEC").*

*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**

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 Annual Report on Form 10-K. 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."

## **Recent Developments**

On March 12, 2018, we implemented a 1-for-15 reverse stock split of our common stock (the "Reverse Stock Split"). The Reverse Stock Split became effective in the stock market upon commencement of trading on March 13, 2018. As a result of the Reverse Stock Split, every fifteen shares of our Pre-Reverse Stock Split common stock were combined and reclassified into one share of our common stock. No fractional shares were issued in connection with the Reverse Stock Split, and any fractional shares were rounded up to the nearest whole share. The number of shares of common stock subject to outstanding options, warrants and convertible securities were also reduced by a factor of fifteen as of March 13, 2018. All historical share and per share amounts reflected throughout this report have been adjusted to reflect the Reverse Stock Split. The authorized number of shares and the par value per share of our common stock were not affected by the Reverse Stock Split.

## **Our Business**

We are a retail, production and cultivation company, with an emphasis on providing the highest quality of medical and adult use cannabis products. The Company grows organic antioxidant rich Superleaf rich lettuce and living herbs using classic Dutch hydroponic farming methods. We have licensed an exclusive patent on the Superleaf lettuce.

We have a presence in three states (California, Nevada and New Jersey) and currently have cannabis operations in California and Nevada. Our cannabis dispensaries operate under the name Blüm. Our cannabis dispensaries in California operate as MediFarm SoCal in Santa Ana, Black Oak Gallery in Oakland and Blum San Leandro in San Leandro and offer a broad selection of medical and adult-use cannabis products including flowers, concentrates and edibles.



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In Nevada, we have three dispensaries, two under MediFarm in Las Vegas and one under MediFarm I in Reno, which sell quality medical and adult use cannabis products. We own real property in Reno under MediFarm I RE, on which MediFarm I operates its dispensary.

Founded on the importance of providing consumers with premium natural products, Edible Garden is a national grower of organic and locally grown hydroponic produce and herbs. EG Transportation supports the distribution of Edible Garden products to major grocery stores such as ShopRite, Walmart, Ahold, Aldi, Meijer, Kroger, Hannaford, Stop & Shop, Weis and others throughout the United State.

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 vertically from manufacturing to production up to retail.

Our business also represents our operating segments. See our Part I, Item 1. Business, “Company Overview” and “*Note 18 – Segment Information*” to our unaudited consolidated financial statements for further discussion of our operating segments.

### Our Operations

We are organized into three reportable segments:

- **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 operations; and
- **Real Estate** – Includes building ownership and construction operations where cannabis dispensary and/or cultivation operations are currently in development

Our segment net revenue and contributions to consolidated net revenue for each of the three months ended June 30, 2019 and 2018 were as follows:

|   | <b>(in thousands)</b>   |   | <b>Percentage of Total Revenue</b>          |   |
|---|---|---|---|---|
|   | <b>Total Revenue<br/>Three Months Ended June 30,<br/>2019</b> | <b>Total Revenue<br/>Three Months Ended June 30,<br/>2018</b> | <b>Three Months Ended June 30,<br/>2019</b> | <b>Three Months Ended June 30,<br/>2018</b> |
| Herbs and Produce Products                      | \$ 1,816  | \$ 1,503  | 17.5%                                       | 17.2%                                       |
| Cannabis Dispensary, Cultivation and Production | 10,266  | 7,204   | 99.0%                                       | 82.6%                                       |
| Real Estate                                     | (173)   | -   | (1.7)%                                      | -%  |
| Other and Eliminations                          | (1,537)   | 11  | (14.8)%                                     | 0.0%  |
| <b>Total</b>                                    | <b>\$ 10,372</b>  | <b>\$ 8,718</b>   | <b>100.0%</b>                               | <b>100.0%</b>                               |





|   | (in thousands)                    |                  | Percentage of Total Revenue |               |
|---|-----------------------------------|------------------|-----------------------------|---------------|
|   | Total Revenue                     |                  | Six Months Ended June 30,   |               |
|   | Six Months Ended June 30,<br>2019 | 2018             | 2019                        | 2018          |
| Herbs and Produce Products                      | \$ 3,120                          | \$ 2,787         | 17.6%                       | 16.1%         |
| Cannabis Dispensary, Cultivation and Production | 17,079                            | 14,519           | 96.3%                       | 83.8%         |
| Real Estate                                     | 34                                | -                | 0.2%                        | -%            |
| Other and Eliminations                          | (2,503)                           | 28               | (14.2)%                     | 0.3%          |
| <b>Total</b>                                    | <b>\$ 17,730</b>                  | <b>\$ 17,334</b> | <b>100.0%</b>               | <b>100.0%</b> |

See “*Note 2 – Summary of Significant Accounting Policies*” to our unaudited consolidated financial statements for financial information about our segments. See also “*Item 1A. Risk Factors*” below for a discussion of certain risks associated with our operations.

***Herbs and Produce Products***

Either independently or in conjunction with third parties, we are a retail seller of locally grown hydroponic herbs and produce, which are distributed through major grocery stores throughout the East, West 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 and adult use dispensaries, cultivation and production facilities in California and Nevada. All of our retail dispensaries in California and Nevada offer a broad selection of medical and adult use cannabis products including flowers, concentrates and edibles. We also produce and sell a line of medical and adult use cannabis flowers, as well as a line of medical and adult use cannabis-extracted products, which include concentrates, cartridges, vape pens and wax products.

***Real Estate and Construction Operations***

We own real property in Nevada on which we plan to build a CBD store. Additionally, we own properties in California that are in various stages of construction for medical marijuana and adult use cultivation and production facilities and dispensaries.

***Employees***

As of the date of this Quarterly Report on Form 10-Q, we had approximately 236 employees.

**RESULTS OF OPERATIONS**

**Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018**

*Revenues*

For the three months ended June 30, 2019, we generated revenues of \$10.37 million, compared to \$8.72 million for the three months ended June 30, 2018, an increase of \$1.65 million or 19.0 percent. The increase was primarily due to increased Cannabis revenues due to our Dispensary year-over-year growth of \$0.95 million or 14.0% due to increased customer traffic, improvements in store operational standards and enhanced product assortment. Also driving the increase over prior year is the development of cultivation and production operations, which accounted for \$0.70 million of the increase.

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### *Gross Profit*

Our gross profit for the three months ended June 30, 2019 was \$4.92 million, compared to a gross profit of \$3.67 million for the three months ended June 30, 2018, an increase of \$1.25 million or 34.1% percent. Our gross margin percentage for the three months ended June 30, 2019 was 47.4 percent, compared to 42.1 percent for the three months ended June 30, 2018. The increase in gross margin percentage was attributable to the Cannabis segment, which had \$5.43 million and \$3.11 million gross profit, or 52.8 percent and 43.5 percent gross margin, for the three months ended June 30, 2019 and 2018. The Cannabis segment gross margin improvements were due to an increase of higher margin private label sales, lower cost of goods from vendor negotiations and price optimization on top selling items.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses for the three months ended June 30, 2019 were \$12.05 million, compared to \$9.86 million for the three months ended June 30, 2018, an increase of \$2.19 million or 22.2 percent. The increase was primarily due to (i) a \$0.77 million increase in depreciation expense, (ii) a \$0.54 million increase in amortization expense, (iii) a \$0.47 million increase in stock options expense related to employee bonuses and (iv) a \$0.43 million increase in marketing/advertising expense.

### *Operating Income (Loss)*

We realized an operating loss of \$7.13 million for the three months ended June 30, 2019, compared to an operating loss of \$6.19 million for the three months ended June 30, 2018, an increase in loss of approximately \$0.94 million or 15.2 percent.

### *Other Income (Expense)*

Other expense for the three months ended June 30, 2019 was \$3.20 million, compared to other expense of \$3.68 million for the three months ended June 30, 2018, a decrease of \$0.48 million or 13.0 percent. This improvement was primarily attributable to a \$1.02 million increase in Other Income partially offset by a \$0.51 million charge for Impairment of Assets.

### ***Net Loss Attributable to Terra Tech Corp.***

We incurred a net loss of \$10.14 million, or \$0.10 per share, for the three months ended June 30, 2019, compared to a net loss of \$9.97 million, or \$0.15 per share, for the three months ended June 30, 2018.

## **Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018**

### *Revenues*

For the six months ended June 30, 2019, we generated revenues of \$17.73 million, compared to \$17.33 million for the six months ended June 30, 2018, an increase of \$0.40 million or 2.3 percent. The increase was primarily due to the cannabis segment's year-over-year growth, which was the result of increased customer traffic, improvements in store operational standards and enhanced product assortment. Also contributing to the Cannabis segment's increase over prior year is the development of cultivation and production operations.

### *Gross Profit*

Our gross profit for the six months ended June 30, 2019 was \$8.92 million, compared to a gross profit of \$6.80 million for the six months ended June 30, 2018, an increase of \$2.12 million or 31.2% percent. Our gross margin percentage for the six months ended June 30, 2019 was 50.3 percent, compared to 39.2 percent for the six months ended June 30, 2018. The increase in gross margin percentage was attributable to the cannabis segment, which had \$4.94 million and \$3.11 million gross profit, or 53.2 percent and 44.0 percent gross margin, for the six months ended June 30, 2019 and 2018. The cannabis segment gross margin improvements were due to an increase of private label sales, lower cost of goods from vendor negotiations and price optimization

on our top selling items.



Selling, general and administrative expenses for the six months ended June 30, 2019 were \$23.56 million, compared to \$20.16 million for the six months ended June 30, 2018, an increase of \$3.40 million or 16.9 percent. The increase was primarily due to (i) a \$1.04 million increase in depreciation expense, (ii) a \$0.83 million increase in amortization expense, (iii) a \$1.28 million increase in stock options expense related to employee bonuses and (iv) a \$0.68 million increase in marketing/advertising expense.

#### *Operating Income (Loss)*

We realized an operating loss of \$14.65 million for the six months ended June 30, 2019, compared to an operating loss of \$13.36 million for the six months ended June 30, 2018, an increase in loss of approximately \$1.29 million or 9.7 percent.

#### *Other Income (Expense)*

Other expense for the six months ended June 30, 2019 was \$0.48 million, compared to other expense of \$8.60 million for the six months ended June 30, 2018, a favorable change of \$8.12 million or 94.4 percent. This improvement was primarily attributable to a \$5.95 million increase in Gain on Interest in NuLeaf, a \$1.60 million decrease in Interest Expense, and a \$1.00 million recognition of proceeds from an asset sale.

#### ***Net Loss Attributable to Terra Tech Corp.***

We incurred a net loss of \$15.21 million, or \$0.15 per share, for the six months ended June 30, 2019, compared to a net loss of \$22.15 million, or \$0.33 per share, for the six months ended June 30, 2018.

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*” of the notes to unaudited consolidated financial statements included in this report.

#### **LIQUIDITY AND CAPITAL RESOURCES**

We have never reported net income. We incurred net losses for the six months ended June 30, 2019 and 2018 and have an accumulated deficit of approximately \$157.96 million and \$142.75 million at June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, we had working capital of \$9.97 million, including \$1.92 million of cash compared to working capital of \$12.06 million, including \$7.19 million of cash as of December 31, 2018. Current assets were approximately 2.16 times current liabilities as of June 30, 2019, compared to approximately 2.75 times current liabilities as of December 31, 2018.



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We have not been able to generate sufficient cash from operating activities to fund our ongoing operations. Since our inception, we have raised capital through private sales of preferred stock, common stock, and debt securities. Our future success is dependent upon our ability to achieve profitable operations and generate cash from operating activities. There is no guarantee that we will be able to generate enough revenue and/or raise capital to support our operations.

We anticipate requiring additional capital for the commercial development of our facilities. The Hegenberger facility will require approximately \$0.60 million in capital to complete. Construction for the completion of the packaging facility for Edible Garden will require approximately \$0.80 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 2020. However, we continue to evaluate 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. In March 2018 we entered into a \$40.0 million 2018 Master Security Purchase Agreement with an accredited investor. As of June 30, 2019, the Company has received \$35.9 million under this agreement. 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 operating activities for the six months ended June 30, 2019 was \$10.02 million, compared to \$9.87 million for the six months ended June 30, 2018, an increase of \$0.15 million, or approximately 1.5 percent. The small increase in cash used in operating activities was due to primarily to the timing on A/R receipts and vendor payments.

#### **Investing Activities**

Cash used in investing activities for the three months ended June 30, 2019 was \$2.58 million, compared to cash used in investing activities of \$8.46 million for the six months ended June 30, 2018, a decrease of \$5.88 million, or 69.5 percent. During the six months ended June 30, 2019, cash used in investing activities was primarily comprised of expenditures related to the construction of the San Leandro and Oakland facilities whereas the 2018 cash used was related to (i) the construction of the San Leandro and Oakland facilities; (ii) capital expenditures at Edible Garden in Belvidere, NJ; and (iii) the acquisition of land in Santa Ana, CA.

#### **Financing Activities**

Cash provided by financing activities for the six months ended June 30, 2019 was \$7.33 million, compared to \$18.07 million for the six months ended June 30, 2018, a decrease of \$10.74 million, or 59.4 percent. The decrease in cash provided by financing activities for the six months ended June 30, 2019 was primarily due to: \$5.00 million less proceeds from the issuance of debt and \$6.25 million for acquisition of non-controlling interest.

### **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 June 30, 2019, we had no outstanding variable-rate debt and \$18.75 million of principal fixed-rate debt.



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 June 30, 2019. 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 effective as of June 30, 2019.

We regularly assesses the adequacy of its internal control over financial reporting and enhances its controls in response to internal control assessments and internal and external audit and regulatory recommendations. No changes in internal control over financial reporting have been identified in connection with the evaluation of disclosure controls and procedures during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The failure to implement and maintain proper and effective internal controls and disclosure controls could result in material weaknesses in our financial reporting, such as errors in our financial statements and in the accompanying footnote disclosures that could require restatements. Investors may lose confidence in our reported financial information and disclosure, which could negatively impact our stock price.

We do not expect that our internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. Over time, controls may become inadequate because changes in conditions or deterioration in the degree of compliance with policies or procedures may occur. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

There were no other changes in our internal control over financial reporting during the quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II — OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. See *Note 19 – Litigation and Claims* for further information about legal activity.

### 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, 2018. 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.**

| <b>Exhibit</b>       | <b>Description</b>   |
|----------------------|--|
| <a href="#">2.1</a>  | <a href="#">Agreement and Plan of Merger dated February 9, 2012, by and among Terra Tech Corp., a Nevada corporation, TT Acquisitions, Inc., a Nevada corporation, and GrowOp Technology Ltd., a Nevada corporation (1)</a>                            |
| <a href="#">2.2</a>  | <a href="#">Articles of Merger (1)</a>   |
| <a href="#">2.3</a>  | <a href="#">Share Exchange Agreement, dated April 24, 2013, by and among the Terra Tech Corp., a Nevada corporation, Edible Garden Corp., a Nevada corporation, and the holders of common stock of Edible Garden Corp. (2)</a>                         |
| <a href="#">2.4</a>  | <a href="#">Agreement and Plan of Merger, dated December 23, 2015, by and among Terra Tech Corp., a Nevada corporation, Generic Merger Sub, Inc., a California corporation, and Black Oak Gallery, a California corporation (3)</a>                    |
| <a href="#">2.5</a>  | <a href="#">First Amendment to Agreement and Plan of Merger, dated February 29, 2016, by and among Terra Tech Corp., a Nevada corporation, Generic Merger Sub, Inc., a California corporation, and Black Oak Gallery, a California corporation (3)</a> |
| <a href="#">2.6</a>  | <a href="#">Form of Agreement of Merger, dated June 30, 2016, by and among Generic Merger Sub, Inc., a California corporation and Black Oak Gallery, a California corporation (3)</a>  |
| <a href="#">3.1</a>  | <a href="#">Articles of Incorporation dated July 22, 2008 (4)</a>  |
| <a href="#">3.2</a>  | <a href="#">Amended Bylaws, dated August 2, 2018 (5)</a>   |
| <a href="#">3.3</a>  | <a href="#">Certificate of Amendment dated July 8, 2011 (6)</a>  |
| <a href="#">3.4</a>  | <a href="#">Certificate of Change dated July 8, 2011 (6)</a>   |
| <a href="#">3.5</a>  | <a href="#">Certificate of Amendment dated January 27, 2012 (1)</a>  |
| <a href="#">3.6</a>  | <a href="#">Form of Amended and Restated Articles of Incorporation of Black Oak Gallery, a California corporation (3)</a>  |
| <a href="#">3.7</a>  | <a href="#">Certificate of Amendment to Certificate of Designation of Series B Preferred Stock, dated September 27, 2016 (7)</a>   |
| <a href="#">3.8</a>  | <a href="#">Certificate of Amendment to Articles of Incorporation, Dated September 26, 2016 (8)</a>  |
| <a href="#">3.9</a>  | <a href="#">Certificate of Amendment to Certificate of Designation of Series B Preferred Stock, dated October 3, 2016 (9)</a>  |
| <a href="#">3.10</a> | <a href="#">Certificate of Amendment to Certificate of Designation of Series B Preferred Stock, dated July 26, 2017 (10)</a>   |
| <a href="#">3.11</a> | <a href="#">Amendment of Bylaws, dated June 20, 2018 (11)</a>  |
| <a href="#">3.12</a> | <a href="#">Certificate of Designation for Series A Preferred Stock (12)</a>   |
| <a href="#">3.13</a> | <a href="#">Amended and Restated Certificate of Designation for Series B Preferred Stock (3)</a>   |

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|----------------------|---|
| <a href="#">10.1</a> | <a href="#">Form of Securities Purchase Agreement (13)</a>  |
| <a href="#">10.2</a> | <a href="#">Form of Securities Purchase Agreement (14)</a>  |
| <a href="#">10.3</a> | <a href="#">Asset Purchase Agreement dated May 13, 2019*</a>  |
| <a href="#">31.1</a> | <a href="#">Certification of Derek Peterson, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</a>                            |
| <a href="#">31.2</a> | <a href="#">Certification of Michael C. James, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</a>                          |
| <a href="#">32.1</a> | <a href="#">Certification of Derek Peterson, Chief Executive Officer, pursuant to Sections 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. *</a>   |
| <a href="#">32.2</a> | <a href="#">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. *</a> |
| 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

- (1) Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on February 10, 2012
- (2) Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on May 6, 2013.
- (3) Incorporated by reference to Annual Report on Form 10-K filed with the SEC on March 29, 2016
- (4) Incorporated by reference to Registration Statement on Form S-1 (File No. 333-156421), filed with the SEC on December 23, 2008.
- (5) Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on August 2, 2018.
- (6) Incorporated by reference to Registration Statement on Form S-1 (File No. 333-191954), filed with the SEC on October 28, 2013.
- (7) Incorporated by reference to Annual Report on Form 10-K filed with the SEC on September 28, 2016
- (8) Incorporated by reference to Annual Report on Form 10-K filed with the SEC on March 16, 2018
- (9) Incorporated by reference to Current Report on Form 8-K filed with the SEC on October 7, 2016
- (10) Incorporated by reference to Current Report on Form 8-K filed with the SEC on July 27, 2017
- (11) Incorporated by reference to Current Report on Form 8-K filed with the SEC on June 22, 2018
- (12) Incorporated by reference to Amendment No. 3 to Current Report on Form 8-K (File No. 000-54258), filed with the SEC on April 19, 2012.
- (13) Incorporated by reference to Current Report on Form 8-K filed with the SEC on March 29, 2019
- (14) Incorporated by reference to Current Report on Form 8-K filed with the SEC on April 3, 2019

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**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: August 8, 2019

By: /s/ Michael C. James

Michael C. James  
Chief Financial Officer  
(Principal Accounting Officer and  
Principal Financial Officer)



## ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "*Agreement*") is entered into as of May 13, 2019 (the "*Effective Date*"), by and between Harvest of Nevada (Decatur LV), LLC, a Nevada limited liability company ("*Purchaser*"), Harvest Health & Recreation, Inc., a British Columbia corporation ("*Harvest Health*"), and MEDIFARM LLC, a Nevada limited liability company ("*Seller*"). Purchaser is a wholly owned, indirect subsidiary of Harvest Health.

## RECITALS

A. Seller is engaged in the business of selling Medical and Recreational Marijuana and all associated derivatives and products, under multiple State of Nevada Department of Taxation licenses, at the Premises, being referred to herein as the "*Business*";

B. Purchaser is interested in purchasing, and Seller is interested in selling, certain assets related to the Business, as more fully described herein;

C. The parties hereto desire that Seller sell, assign, transfer and convey to Purchaser, and that Purchaser purchase from Seller, the Assets (as defined below) in exchange for the consideration set forth herein, all according to the terms and subject to the conditions set forth in this Agreement (the "*Transaction*").

NOW, THEREFORE, in consideration of the representations, warranties and covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows.

## ARTICLE I

## PURCHASE AND SALE OF ASSETS

1.1 Purchase and Sale of Assets and Assumption of Assumed Liabilities.

(a) Upon the terms and subject to the conditions set forth in this Agreement, effective as of the Closing Date (as defined below), Seller agrees to sell, assign, transfer, convey and deliver to Purchaser, and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest in and to the Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).

(b) In connection with the Transaction, on the Closing Date, Seller shall take any and all actions that may be required, or reasonably requested by Purchaser, to transfer good, valid and marketable title to all of the Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), to Purchaser, and Seller shall deliver possession of all of the Assets to Purchaser on the Closing Date. Seller shall further deliver to Purchaser proper assignments, bills of sale, conveyances and other instruments of sale and/or transfer in forms reasonably satisfactory to Purchaser to convey to Purchaser good title to all Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), as well as such other instruments of sale and/or transfer as Purchaser may reasonably request (whether on or after the Closing Date) to evidence and effect the Transaction contemplated herein.

## 1.2 Assets.

(a) As used in this Agreement, the term “**Assets**” means, collectively, all of Seller’s right, title and interest in and to all the assets, properties and rights that are owned, including licenses, permits, approvals and other authorizations issued to it by any governmental authority, including a court (each, a “Governmental Authority”) which are used in connection with the operation of the Seller’s Business, including those listed on Schedule 1.2(a)(i), and the lease for the Premises, used or held for use exclusively in the conduct of the Business dated April 23, 2014 (the “Lease”) together with the goodwill of the Business associated therewith (including the Assumed Contracts (if any), any bonds required to be posted by Seller by Law, the Business Records, the Tangible Personal Property and any other asset identified herein), customer databases and lists, financial records, all product inventory as set forth in Schedule 1.2(a) (the “Inventory Listing Report”), appropriate equipment and real property lease for the Premises, all procedural and operational manuals, all equipment, computers and electronics owned by Seller, in each case only those specifically related to or located at the Premises as set forth on Schedule 1.2(a)(ii), and the phone number (702) 627-BLUM, excluding the Excluded Assets (as defined below). The Inventory Listing Report shall be attached to this Agreement prior to the Closing Date and shall list the Company’s inventory as of the Closing Date.

1.3 Excluded Assets. Notwithstanding anything herein to the contrary, it is hereby expressly acknowledged and agreed that the Assets shall not include, and Seller is not selling, conveying, assigning, transferring or delivering to Purchaser, and Purchaser is not purchasing, acquiring or accepting from Seller, any of the rights, properties or assets set forth or described in paragraphs (a) through (f) below (the rights, properties and assets expressly excluded by this Section 1.3 from the Assets being referred to herein as the “**Excluded Assets**”):

(a) all rights, claims or causes of action of Seller arising under this Agreement;

(b) all Seller bank accounts;

(c) all Accounts Receivable;

(d) all Seller credit cards, lines of credit, or similar agreements for the extension of credit

(e) the corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates, and other documents relating to the organization, maintenance, and existence of Seller as a corporation;

(f) all Employee Benefit Plans and any assets associated with such Employee Benefit Plans; and

(g) any contracts of Seller which are not Assumed Contracts and any other assets identified herein.

## 1.4 Assumption of Liabilities.

(a) Subject to and upon the terms and conditions of this Agreement, effective as of the Closing Date, Purchaser agrees to assume from Seller and to pay, perform and discharge according to their terms ONLY the following specified Liabilities (collectively, the “**Assumed Liabilities**”), but no others:

(i) all Liabilities, if any, of Seller specifically set forth herein, (ii) all Liabilities incurred with respect to the Assets, including the Assumed Contracts, from and after the Closing Date, and (iii) any Transfer Taxes, Fees and Property Taxes, in each case, to the extent specifically allocated to Purchaser pursuant to Section 5.2. Purchaser shall not assume any Liabilities of Seller, and Seller shall remain liable for and shall discharge any and all Liabilities incurred with respect to the Assets, including the Assumed Contracts, prior to the Closing.

(b) Nothing herein shall be deemed to deprive Purchaser or any Affiliate of Purchaser, as applicable, of any defenses, set-offs or counterclaims that Seller has or may have had or that Purchaser, or any Affiliate of Purchaser, as applicable, shall have (to the extent relating to the Assumed Liabilities) to any of the Assumed Liabilities (the "***Defenses and Claims***"). Effective as of the Closing, Seller agrees to assign, transfer and convey to Purchaser all Defenses and Claims and agrees to cooperate with Purchaser to maintain, secure, perfect and enforce such Defenses and Claims.

1.5 **Liabilities Not Assumed.** Purchaser shall not assume any Liabilities of Seller other than the Assumed Liabilities, nor shall it assume any of the following obligations or Liabilities (all obligations or Liabilities not assumed by Purchaser herein are collectively referred to herein as “**Excluded Liabilities**”), which in each case shall remain obligations and Liabilities of Seller:

(a) Any Liability arising out of or as a result of any legal or equitable Action or judicial or administrative proceeding initiated at any time to the extent arising out of facts occurring prior to the Closing;

(b) Any Liability of Seller or otherwise imposed on the Assets or with respect to the Business, in respect of any Tax, including (i) any Liability of Seller for the Taxes of any other Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee or successor, by contract or otherwise, (ii) any Transfer Taxes or Property Taxes except, in each case, to the extent specifically allocated to Purchaser pursuant to Section 5.2, and (iii) any liability of Seller for Taxes arising in connection with the consummation of the Transaction or because Seller is transferring the Assets, excluding any Transfer Taxes allocated to Purchaser pursuant to Section 5.2;

(c) Any Liabilities required to have been performed or paid prior to the Closing, or related to or arising from any breach or default by Seller, whether on or before the Closing, of any Assumed Contracts, or related to or arising from any tort, infringement or violation of Laws by Seller, to the extent occurring or arising from facts occurring on or prior to the Closing;

(d) Any Liability of Seller incurred in connection with or under this Agreement (including with respect to any of Seller’s representations, warranties, agreements, or covenants hereunder) relating to the execution or performance of this Agreement and the transactions contemplated herein;

(e) Except as set forth in Sections 8.14 and 8.15, any fees or expenses incurred by Seller or its shareholders with respect to Seller’s or such Persons’ engagement of counsel, or any investment banker, appraiser or accounting firm engaged to perform services in connection with the Transaction;

(f) Any obligations of Seller for borrowed money;

(g) Any Liability of Seller not related to the Assets;

(h) Any Liability relating to the Excluded Assets;

(i) Any Liability or obligation of Seller or any of its Affiliates relating to any current or former employee or other service provider of Seller or any of its Affiliates, or any dependent or beneficiary thereof, including without limitation (i) any Liability arising under any Employee Benefit Plan, including any Multiemployer Plan or other Pension Plan, (ii) any Liability that constitutes a Withdrawal Liability or COBRA Liability, (iii) any Liability arising in connection with the actual or prospective employment or engagement, the retention and/or discharge by Seller or any of its Affiliates of any current or former employee or other service provider, (iv) any Liability for wages, remuneration, compensation (including any bonuses due any employee arising as a result of the transactions contemplated hereby), benefits, severance, vacation or other paid-time-off or other accrued obligations (A) associated with any employee or other service provider of Seller or any of its Affiliates (including any Business Employee) who does not become a Transitioned Employee (or any dependent or beneficiary thereof), and (B) with respect to any Transitioned Employee, arising on or prior to the Closing Date, and (v) any claim of an unfair labor practice, or any claim under any state unemployment compensation or worker’s compensation Law or under any federal or state employment discrimination Law;

(j) Any Liability of Seller related to the Assets under any Environmental Law which first arose prior to or is related to actions occurring on or prior to the Closing Date;

(k) Any Liability of Seller listed as an Account Payable or debt amount owed. At the Closing Date, in conjunction with this Transaction, Seller shall warrant to Purchaser that all Accounts Payable and debt amounts, as of that date, are current and with a zero balance, unless excluded and agreed to in writing by Purchaser;

(l) Any other Liabilities specifically not agreed to in writing herein;

(m) customer returns for sales made by Seller within thirty days prior to the Closing Date, where such sales are returned within thirty days after the Closing Date;

(n) any product liability or similar claim for injury to persons or property, regardless of when made or asserted, which arises out of or is based upon any express or implied representation, warranty or agreement made by the Seller or its agents, or which is imposed by operation of law or otherwise, in connection with any sales performed by or on behalf of the Seller on or prior to the Closing Date; and

(o) any liability arising out of or in connection with litigation or other legal proceedings, claims or investigations related to the Seller or the Business and its operations, regardless of when made or asserted, including, without limitation, contract, tort, intellectual property, infringement or misappropriation, crime, fraudulent conveyance, workers' compensation, product liability or similar claim for injury to persons or property which arises out of or is based upon any express or implied warranty, representation or agreement of the Seller or its employees or agents, or which is imposed by law or otherwise occurring on or prior to the Closing Date.

#### 1.6 Purchase Consideration.

(a) The aggregate consideration for the Assets due at the Closing shall be \$11,000,000 (the "**Purchase Price**"), of which \$7,000,000 shall be in cash or immediately available funds (the "Cash Consideration") and \$4,000,000 (the "**Stock Consideration**"), less any deposits released related to the Transaction and the assumption of the Assumed Liabilities (the "**Liability Assumption**") (together with the Cash Consideration and the Stock Consideration, the "**Transaction Consideration**").

(b) The Stock Consideration shall be paid in multiple voting shares of Harvest Health (the "Multiple Voting Shares"). The number of Multiple Voting Shares to be issued shall be determined by dividing the amount of the Stock Consideration (adjusted to Canadian dollars by multiplying the total Stock Consideration by the daily average exchange rate published by the Bank of Canada on the date immediately prior to the Closing Date) by 100 times the closing price of the subordinate voting shares of Harvest Health (the "Subordinate Voting Shares") on the Canadian Securities Exchange (the "**CSE**") on the Business Day prior to the Closing Date (the "**Stock Consideration Shares**").

#### 1.6.1 Escrow Deposit

(a) Within three business days of execution of this Agreement, Purchaser shall deposit with a mutually agreeable escrow agent \$1,500,000 (the "**Escrow Deposit**") pursuant to the terms of the Escrow Agreement. The Escrow Deposit shall not be refundable if any state or local governmental authority determines the Purchaser, any of its subsidiaries, affiliates or designees is not suitable to be a transferee of the Assets or the acquiror of the Business. The Escrow Deposit shall be refundable only if: 1) the Transaction fails to close due to a breach of Seller; 2) the Purchaser, any of its subsidiaries, affiliates or designees who seek to acquire the Assets or Seller fails to receive all necessary government and regulatory approvals ("**Necessary Approvals**") for any reason other than set forth in the previous sentence; or 3) the Necessary Approvals are not received within six months from the execution of this Agreement.

(b) The Escrow Company shall be Anthony LG, PLLC ("**Escrow Company**"). All costs associated with the Escrow Company in regards to this Transaction, shall be paid equally by the Seller and the Purchaser.

1.7 Consent of Third Parties. Notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute an agreement to assign or transfer any Asset, instrument, contract, lease, permit or other agreement or arrangement or any claim, right or benefit arising thereunder or resulting therefrom if an assignment or transfer or an attempt to make such an assignment or transfer without the consent of a third party would constitute a material breach or violation thereof or affect adversely the rights of Purchaser or Seller thereunder; and any assignment or transfer to Purchaser by Seller of any interest under any such Asset, instrument, contract, lease, permit or other agreement or arrangement that requires the consent of a third party shall be made subject to such consent or approval being obtained. Nothing in this Section 1.7 shall be deemed to constitute an agreement to exclude from the Assets any assets described under Section 1.2.

1.8 Allocation. Following the Closing, Seller and Purchaser shall use commercially reasonable efforts to prepare a joint schedule allocating the aggregate consideration (including the Assumed Liabilities) payable for the Assets in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury regulations promulgated thereunder (and any similar provision of state, local or foreign Law, as appropriate) (the "**Allocation Schedule**"). If Seller and Purchaser are able to agree upon the Allocation Schedule within thirty (30) days following the Closing Date, Seller and Purchaser shall each file IRS Form 8594, and all federal, state, local and foreign tax returns, in accordance with the Allocation Schedule. If Purchaser and Seller are unable to agree upon the Allocation Schedule within 30 days after the Closing Date, any dispute or disagreement between Purchaser and Seller regarding any matter set forth in the Allocation Schedule shall be resolved promptly by the Independent Auditor, the costs of which shall be borne equally by Purchaser, on the one hand, and Seller, on the other hand. Purchaser and Seller shall prepare and file all Tax Returns and other statements in a manner consistent with the Allocation Schedule and shall not make any inconsistent statement or adjustment on any Tax Returns or otherwise during the course of an audit, investigation or other dispute with a Taxing authority, provided, however, that nothing contained herein shall prevent Purchaser or Seller from settling any proposed deficiency or adjustment by any Taxing authority based upon or arising out of the Allocation Schedule, and neither Purchaser nor Seller shall be required to litigate before any court any proposed deficiency or adjustment by any Taxing authority challenging such Allocation Schedule.

1.9 Withholding. Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to Seller such amounts as Purchaser is required to deduct and withhold under the Code, or any Tax Law, with respect to the making of such payment. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of whom such deduction and withholding was made.

**ARTICLE II**  
**THE CLOSING**

2.1 Closing. The consummation of the Transaction will take place at a closing to be held at the offices of Seller (the "**Closing**") on the third business day after the satisfaction or waiver of all of the closing conditions to the obligations of the parties contemplated hereby (the "**Closing Date**").

2.2 Deliveries by Purchaser at the Closing Purchaser shall deliver, or cause to be delivered to Seller, the following:

(a) At the Closing, the Purchase Price by wire transfer of immediately available funds to the account designated by Seller. The parties agree that the Seller shall pay any commission owed to the Seller's broker at the Closing; and

(b) Within five (5) business days of the Closing Date, the Stock Consideration Shares.

(c) At the Closing, the certificate contemplated by section 5.1(c) of this Agreement.

2.3 Deliveries by Seller and Purchaser at the Closing At the Closing, as conditions precedent to Closing, Seller shall deliver, or cause to be delivered, to Purchaser, and Purchaser shall deliver, or cause to be delivered, to Seller, as applicable, the following:

(a) evidence satisfactory to Purchaser of (i) the third party consents set forth in Section 1.7 and (ii) any other required consents from third parties, including current lender(s), the State of Nevada, Clark County and City of Las Vegas, for the transactions contemplated herein;

(b) a bill of sale, assignments and assumptions of contracts and licenses as agreed to by Purchaser, and such other good and sufficient instruments of conveyance, assignment and transfer, duly executed by Seller (and in the case of the Lease, an assignment of lease signed by Terra Tech Corp. and a consent to the assignment signed by Decatur Twain LLC) and which are in form and substance reasonably satisfactory to counsel to Purchaser and are legally sufficient to vest in Purchaser, good title to the Assets;

(c) the Business Records and all assets listed by Addendum;

(d) certificates, signed by the manager of Seller and the manager of Purchaser, certifying as to the truth and accuracy of, and attaching copies of, Seller's and Purchaser's charter documents and manager and member consents or resolutions adopted, authorizing and approving this Agreement, and the Transaction;

(e) an Estoppel Certificate in the form required by the Nevada Department of Taxation duly executed by Purchaser;

(f) the Assumed Contracts, including properly assigned leases, if applicable, both equipment and real property, if any, and all Medical Marijuana or Recreational Marijuana licenses pertinent to the Seller, approved by the State of Nevada and transferred to Purchaser, as agreed to by Purchaser;

(g) evidence of advance deposits, if any, duly executed by Seller;

(h) Purchaser's standard form of employment, work file and confidentiality agreement, in the form attached as an Exhibit, duly executed by each of the Key Employees;



(i) a properly executed affidavit prepared in accordance with Treasury Regulations section 1.1445-2(b) certifying Seller's non-foreign status;

(j) evidence reasonably satisfactory to each of the Purchaser and the Seller that each of the conditions to the obligations of the other party set forth in this Section 2.3 has been satisfied and a certificate of an officer of each of the Purchaser and the Seller to such effect;

(k) on the day prior to the Closing Date, Seller shall provide an updated Inventory Listing Report dated the date delivered (the "Updated Inventory Listing Report"); and

(l) a consent to assignment by the landlord and amendment to the Lease providing for an extension of the term of the Lease on such terms and conditions reasonably approved by Purchaser.

2.4 Simultaneous Delivery. All deliveries at the Closing as provided for in Section 2.2 shall be deemed to be made and effected simultaneously with each other and with all deliveries provided for in Section 2.3, and all such deliveries shall be deemed to be in escrow until all such deliveries provided for in Section 2.2 and in Section 2.3 have been made and effected.

2.5. [Intentionally Omitted].

2.6 Termination. The parties may terminate this agreement prior to the Closing as provided below:

(a) by mutual written consent;

(b) the Purchaser may terminate this Agreement by giving written notice to the Seller in the event the Seller is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) individually or in combination with any other such breach, would cause the conditions set forth in Section 2.3 not to be satisfied and (ii) is not cured within twenty (20) days following delivery by the Purchaser to the Seller of written notice of such breach;

(c) the Seller may terminate this Agreement by giving written notice to the Purchaser in the event the Purchaser is in breach of any representation, warranty or covenant contained in this Agreement, and such breach (i) individually or in combination with any other such breach, would cause the conditions set forth in Section 2.3 not to be satisfied and (ii) is not cured within twenty (20) days following delivery by the Seller to the Purchaser of written notice of such breach;

(d) the Purchaser may terminate this Agreement by giving written notice to the Seller if the Closing shall not have occurred on or before 180 days after the Effective Date (the "**Outside Date**") by reason of the failure of any condition precedent under Section 2.3 (unless the failure results primarily from a breach by the Purchaser of any representation, warranty or covenant contained in this Agreement); or

(e) the Seller may terminate this Agreement by giving written notice to the Purchaser if the Closing shall not have occurred on or before the Outside Date by reason of the failure of any condition precedent under Section 2.3 (unless the failure results primarily from a breach by the Seller of any representation, warranty or covenant contained in this Agreement).

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES OF SELLER

Except as is otherwise set forth in Seller's disclosure schedule (the "*Seller Disclosure Schedule*") delivered by Seller to Purchaser and dated as of the date of this Agreement, Seller represents and warrants that the statements contained in this Article III are true and correct as of the date hereof. Matters disclosed by Seller in the Seller Disclosure Schedule in reference to any section of this Agreement shall be deemed to be disclosed for all purposes under this Agreement to the extent it is reasonably apparent on its face that such disclosure is applicable for such other purposes.

#### 3.1 Organization; No Subsidiaries.

(a) Seller is a company duly organized and validly existing under the Laws of the State of Nevada and has full power and authority to carry on its business as now conducted.

(b) Seller does not have any subsidiaries, and the Business is conducted solely by Seller.

3.2 Authorization. This Agreement will constitute, a valid and binding agreement of Seller enforceable against Seller, in accordance with their respective terms, subject to (a) Laws of general application relating to bankruptcy, insolvency, and the relief of debtors and (b) rules of law governing specific performance, injunctive relief and other equitable remedies (collectively, the "*Enforceability Exceptions*"). Seller has all requisite power and authority to execute and deliver this Agreement, to carry out and perform its obligations hereunder and thereunder and to carry out and perform the transactions contemplated herein and therein. All requisite action on the part of Seller has been taken to authorize the execution and delivery of this Agreement.

3.3 No Conflicts; Consents. Except as set forth in Section 3.3 of the Seller Disclosure Schedule, the execution and the delivery by Seller of this Agreement does not, and the consummation of the transactions contemplated herein and therein and compliance with the provisions hereof and thereof will not (a) conflict with or violate the articles of organization or operating agreement of Seller, (b) conflict with or violate, result in a material breach of, constitute a material default (with or without notice or lapse of time, or both) under or violation of, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of any Encumbrance pursuant to, any note, bond, mortgage, indenture, lease, sublease, contract or other agreement or instrument, permit, concession, franchise, license, sublicense or Law applicable to Seller or any of the Assets, (c) conflict with or violate, on the part of Seller any filing with, or any permit, authorization, consent or approval of, any Governmental Authority, (d) require any notice, consent or waiver under any Assumed Contract or any other agreement or contract of Seller, except for the required consents listed in Section 1.7, (e) result in the imposition of any Encumbrance upon any of the Assets (other than a Permitted Encumbrance), (f) conflict with or violate any judgment, order, writ, injunction, or decree applicable to Seller or any of the Assets, or (g) conflict with or violate any material Law applicable to Seller or any of the Assets.

#### 3.4 Financial Statements.

(a) Seller shall provide to Purchaser (i) the unaudited balance sheet and the related unaudited income statement and statement of cash flows of the Business for the calendar year 2018, and for the first quarter of 2019 (the "*Historical Financial Statements*"). The Historical Financial Statements fairly present, in all material respects, the consolidated financial condition, results of operations and cash flows of the Business as of the dates and during the periods indicated therein, consistent with the books and records of Seller (which, in turn, are correct and complete in all material respects), except that the unaudited Historical Financial Statements are subject to normal year end adjustments, which are not material individually or in the aggregate.





(b) Except for Permitted Encumbrances and as set forth herein, the Business does not have any material Liability, except for Liabilities (i) reflected on the face of the Historical Financial Statements and to be paid off in conjunction with this Transaction, (ii) incurred in connection with the execution of this Agreement, and (iii) of the type reflected on the face of the Historical Financial Statements which have arisen since December 31, 2018 in the ordinary course of business (none of which relate to breach of contract, breach of warranty, tort, infringement, violation of or Liability under any Law or any Action and none of which are material individually or in the aggregate).

### 3.5 Assets.

(a) Title to Assets. Seller has, and, following the Closing, Purchaser will have, good, valid and marketable title to all Tangible Personal Property, including equipment, inventory and licenses, free and clear of all Encumbrances (other than Permitted Encumbrances). Seller has, and following the Closing Purchaser will have, a valid and binding leasehold interest in any leased equipment, and real property included among the Assets, free and clear of all Encumbrances (other than Permitted Encumbrances). At the Closing, Seller will sell, convey, assign, transfer and deliver to Purchaser good, valid, and marketable title in, and all of Seller's right, title and interest in and to all of the Assets, free and clear of any Encumbrances (other than Permitted Encumbrances).

(b) Condition of Assets. As set forth herein, a copy of the fixed asset ledger of Seller, is attached, as of March 31, 2019. Each item of Tangible Personal Property included in the Assets has been maintained in accordance with normal industry practice, is in good operating condition (normal wear and tear excepted) and is suitable for the purposes for which it presently is used.

### (c) Sufficiency of Assets.

(i) Except for (A) the Excluded Assets, (B) any employees or contractors (current or former) of Seller and (C) any general corporate or administrative services provided to the Business by Seller, the Assets include all tangible and intangible assets and rights that are used or held for use by Seller in the operation or conduct of the Business as it is conducted immediately prior to the Effective Date consistent with past practice, including all State Medical Marijuana licenses, and are sufficient for the conduct of the Business by Purchaser immediately following the Closing in substantially the same manner as conducted by Seller immediately prior to the Effective Date. This Transaction is contingent upon the above noted licenses being transferred to Purchaser. Seller is only warranting that those licenses are part of the asset package being transferred, and does not warrant the approval from the State to transfer those licenses to Purchaser.

(ii) Seller (A) does not own, use or hold any websites or Domain Names that are owned, used or held for use in the Business other than the Seller Websites and the Domain Names included in the Transferred Intellectual Property, if any, (B) is not engaged in any business, activities or operations other than the Business and the businesses related to the Excluded Assets, and (C) does not own, use or hold any assets that are currently proposed to be used in the Business other than the Assets.

(iii) The Seller has all Permits, which will be transferred in this Transaction, necessary for the conduct of the Business as it is conducted immediately prior to the Effective Date consistent with past practice, the lack of which would reasonably be expected to result in a Material Adverse Effect.

3.6 Litigation. Other than that disclosed by the Seller Disclosure Schedule, there is no litigation, claim, action, suit, arbitration, charge, demand, proceeding or investigation (each, an “*Action*”) pending or, to Seller’s Knowledge, threatened or reasonably expected against Seller relating to the Business, the Assets or the Assumed Liabilities, other than what shall be specifically noted by Seller in writing. None of the Business or the Assets is subject to (i) any continuing order, consent decree, settlement agreement or other similar written agreement with any Governmental Authority, including, for the avoidance of doubt, any arbitrator, mediator or similar person, (ii) any order, writ, judgment, injunction, decree, determination or award of any Governmental Authority or (iii) to Seller’s Knowledge, any continuing investigation or inquiry by any Governmental Authority and, to Seller’s Knowledge, there is no valid basis for any such investigation or inquiry.

3.7 Investor Representations. In connection with the issuance by Purchaser of the Stock Consideration Shares, and the Seller’s sale of the Assets, the Seller represents, warrants, and acknowledges the following:

(a) Investment Purpose. As of the Effective Date, the Seller understands and agrees that the consummation of the transaction contemplated by this Agreement including the delivery of the Stock Consideration Shares to the Seller in exchange for the Assets constitutes the offer and sale of securities under the Securities Act, applicable state statutes, Canadian Securities Laws, and that the Stock Consideration Shares is being acquired for the Seller’s own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the Securities Act. At the time the Seller was offered the Stock Consideration Shares, Seller was, and at the date hereof it is, and it will be, an “accredited investor” as defined in Rule 501(a) under the Securities Act (an “Accredited Investor”).

(b) Canadian Securities Laws.

(i) At the time of Closing, Seller is not resident in British Columbia and is acquiring the Stock Consideration Shares as principal.

(ii) Harvest Health is relying on an exemption from the requirement to provide the Seller with a prospectus under applicable Canadian securities Laws and, as a consequence of acquiring the Stock Consideration Shares pursuant to such exemption, certain protections, rights and remedies provided by applicable securities laws, including statutory rights of rescission or damages, will not be available to the Seller, and the Seller may not receive information that would otherwise be required to be provided to it under applicable securities laws.

(iii) The Stock Consideration Shares will be subject to statutory resale restrictions under applicable Canadian securities Laws, and the Seller covenants that it will not resell the Stock Consideration Shares except in compliance with such applicable Canadian securities Laws and the Seller acknowledges that it is solely responsible (and Harvest Health is not in any way responsible) for such compliance. Seller acknowledges that the Stock Consideration Shares will bear the following legends:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MUST NOT TRADE THE SECURITIES BEFORE [INSERT DATE THAT IS 4 MONTHS AND ONE DAY AFTER CLOSING DATE].”



(iv) Seller acknowledges that it has been notified by Harvest Health: (a) (i) of the delivery to the British Columbia Securities Commission (the "BCSC") of certain personal information pertaining to the Seller, including the Seller's full name, address and telephone number, the number and type of securities purchased, the total purchase price, the exemption relied upon and the date of distribution; (ii) that this information is being collected indirectly by the BCSC under the authority granted to it in securities legislation; (iii) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of British Columbia; and (iv) that the Seller may contact the public official at the BCSC at P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2, or at (604) 899-6854 or 1-800-373-6393, or by facsimile at (604) 899-6581 or email at [inquiries@bcsc.bc.ca](mailto:inquiries@bcsc.bc.ca) regarding any questions about the BCSC's indirect collection of this information.

(v) Seller acknowledges and consents to: (i) the fact that Harvest Health is collecting personal information (as that term is defined under applicable privacy legislation, including, without limitation, the Personal Information Protection and Electronic Documents Act (Canada) and any other applicable similar, replacement or supplemental provincial or federal legislation or laws in effect from time to time); (ii) Harvest Health retaining such personal information for as long as permitted or required by applicable law or business practices; (iii) the fact that Harvest Health may be required by applicable securities laws, the rules and policies of any stock exchange or the rules of the Investment Industry Regulatory Organization of Canada to provide regulatory authorities with any personal information provided by the Seller in or in connection with this Agreement, including disclosure to the CSE; and (iv) the collection, use and disclosure of the Seller's personal information by the CSE.

(c) Reliance on Exemptions. Seller understands that the Stock Consideration Shares are being offered and sold to Seller in reliance upon specific exemptions from the registration requirements of United States federal and state securities Laws and Canadian securities Laws and that the Company is relying upon the truth and accuracy of, and Seller's compliance with, the representations, warranties, agreements, acknowledgments and understandings of Seller set forth herein in order to determine the availability of such exemptions and the eligibility of Seller to acquire the Stock Consideration Shares.

(d) Information. Seller and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of Harvest Health and materials relating to the offer and sale of the Stock Consideration Shares which have been requested by Seller or its advisors. Seller and its advisors, if any, have been afforded the opportunity to ask questions of Harvest Health. Seller understands that its investment in the Stock Consideration Shares involves a significant degree of risk.

(e) Governmental Review. Seller understands that no United States federal or state agency or Canadian federal or provincial agency or any other Governmental Authority has passed on or made recommendations or endorsement of the Stock Consideration Shares or the suitability of the investment in the Stock Consideration Shares nor have such authorities passed upon or endorsed the merits of the transactions set forth herein.

(f) Transfer or Re-sale. Seller understands that the sale or re-sale of the Stock Consideration Shares has not been registered under the Securities Act or any applicable state securities Laws and Canadian securities Laws, and that the Stock Consideration Shares may not be transferred unless then permitted under applicable securities laws. Further, the Seller covenants that it will not resell the Stock Consideration Shares except in compliance with such Laws and the Seller acknowledges that he or she will be solely responsible (and Purchaser is not in any way responsible) for such compliance.

(g) Legends. Any legend required by the securities Laws of any state or province, to the extent such Laws are applicable to the Stock Consideration Shares represented by the certificate or other evidence so legended, shall be included on any certificates representing or other applicable evidence of the Stock Consideration Shares, including without limitation a legend consistent with Section 2.5 of National Instrument 45-102. Seller also understands that the Stock Consideration Shares may bear the following or a substantially similar legend:



NEITHER THIS SECURITY OR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION ARE NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS INSTRUMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

3.8 Privacy. The Business has been operated at all times, and all personal information has been collected, processed, used, disclosed, shared, transferred, transmitted, stored and disposed of in compliance with the Privacy Statements and all applicable privacy Laws.

3.9 Assumed Contracts.

(a) Other than the Assumed Contracts, no existing contracts with Seller shall be assumed by Purchaser, without specific, individual, written consent by Purchaser.

(b) Seller has provided Purchaser a list of all existing contracts. Except for the Assumed Contracts, Seller is not a party to or otherwise bound by the terms of any material contract, agreement or obligation, written or oral, affecting the Business or the Assets. Purchaser shall separately identify each Assumed Contract (i) pursuant to which any other party is granted "most favored party" rights of any type or scope, or containing any non-solicitation or non-competition covenants or other restrictions relating to the Business or that limits the freedom of Seller to engage or participate, or compete with any other Person, in any line of business, market or geographic area, or to make use of any Transferred Intellectual Property, (ii) that is an IP Agreement, (iii) that imposes on Seller payment obligations (contingent or otherwise) in excess of \$5,000 per annum, (iv) that provides for payments to Seller in excess of \$5,000 per annum, (v) that constitutes a partnership or joint venture agreement, (vi) that evidences outstanding Indebtedness which constitutes an Asset and (vii) that is a Lease.

(c) Assumed Contracts (if any) are valid, binding and in full force and effect and enforceable by Seller. Neither Seller, nor, to Seller's Knowledge, any other party, is in material breach, violation of, or default under, and to the Knowledge of Seller, no event has occurred which, with the lapse of time or the giving of notice, or both, is reasonably likely to result in a breach or violation by Seller or such other party of, or default under, any Assumed Contract, and there are no existing disputes or claims of default relating thereto, or any facts or conditions Known to Seller which, if continued, will result in a material default or claim of default thereunder. Seller has not received any written or, to the Knowledge of Seller, oral notice of the intention of any party to terminate, cancel, amend or not renew any Assumed Contract. Except as set forth in Section 1.7, no consents are necessary for the effective assignment to and assumption by Purchaser of any of the Assumed Contracts. Seller has furnished or made available to Purchaser true and complete copies of all Assumed Contracts and descriptions of all material terms of Assumed Contracts that are not in writing, including any amendments, waivers or other changes thereto.

3.10 No Adverse Changes. Other than that noted in the Seller Disclosure Schedule, since September 30, 2018, except as expressly contemplated by this Agreement, (i) Seller has conducted the Business only in the ordinary course of business and in a manner consistent with past practice and (ii) there has not been:

(a) Any Material Adverse Effect or any change, development or event that, individually or in the aggregate, has resulted in or would reasonably be expected to result in a Material Adverse Effect;

(b) Any material damage, destruction or loss, whether or not covered by insurance;

(c) Any sale, transfer or other disposition of Assets, except as contemplated by this Agreement;

(d) Any sale, transfer or other disposition of any other assets of the Business, except in the ordinary course of business and consistent with past practice or as contemplated by this Agreement;

(e) Any actual or threatened change in Seller's relationships with the Key Employees;

(f) Any action taken or any change made, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies, practices, principles, methods or procedures, other than as required by GAAP or by a Governmental Authority;

(g) Any writing up, writing down or writing off of the book value of any Assets, individually or in the aggregate, in excess of \$5,000, except for depreciation and amortization in accordance with GAAP consistently applied;

(h) Any commencement of any Action relating to the Assets, the Assumed Liabilities or the Business;

(i) Any waiver, release, assignment, settlement or compromise of any material rights or claims, or any material Action by or against Seller and relating to the Business or any of the Assets;

(j) Except in the ordinary course of business and in a manner consistent with past practice, any entrance into, amendment, modification, acceleration or consent to the termination of any Assumed Contract (or any contract that would be required to be disclosed if in existence on the date hereof), or amendment, waiver, modification or consent to the termination of Seller's rights thereunder;

(k) Any action taken for the winding up, liquidation, dissolution or reorganization of Seller or for the appointment of a receiver, administrator or administrative receiver, trustee or similar officer of its assets or revenues;

(l) Any grant of a license, exclusive or non-exclusive, or other agreement with respect to the Transferred Intellectual Property, other than grants of rights under the Terms and Conditions;

(m) Any disclosure of any trade secrets or other proprietary and confidential information that is included in an Asset to any Person that is not subject to any confidentiality or non-disclosure agreement;

(n) Any new, change in or revocation of any material Tax election; settlement or compromise of any claim, notice, audit report or assessment in respect of Taxes; change in any annual Tax accounting period, adoption or change in any method of Tax accounting; filing of any amended material Tax Return; entrance into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any material Tax; surrender of any right to claim a material Tax refund; or consent to any extension or waiver of the statute of limitations period applicable to any material Tax claim or assessment, in each case, to the extent related to the Assets or the Business; or

(o) Any agreement, whether oral or written, to effect any of the foregoing (excluding this Agreement).

### 3.11 Employees.

(a) Neither Seller nor any of its Affiliates is or has been a party to any collective bargaining or similar agreement and there are no labor unions or other organizations representing, purporting to represent or, to Seller's Knowledge, attempting to represent, any employee of Seller or any of its Affiliates. There are no unfair labor practice complaints pending against Seller or any of its Affiliates before the National Labor Relations Board or any other Governmental Authority nor, to Seller's Knowledge, are any such complaints threatened. Neither Seller nor any of its Affiliates have experienced any strike, slowdown or work stoppage nor, to Seller's Knowledge, are any such strikes, slowdowns, work stoppages or lockouts threatened.

(b) To Seller's Knowledge, no Key Employee has any present intention to terminate employment with Seller. Except as noted herein, no employee of Seller is subject to any noncompetition, nondisclosure, confidentiality, employment, consulting or similar contract relating to, affecting or in conflict with the present or proposed business activities of Seller.

### 3.12 Employee Benefits.

(a) Seller shall provide Purchaser, a true and complete list of each Employee Benefit Plan.

(b) With respect to each Employee Benefit Plan, Seller has made available to Purchaser true and complete copies of (i) each Employee Benefit Plan (or, if not written, a written summary of its material terms), including without limitation all plan documents, trust agreements, insurance contracts or other funding vehicles and all amendments thereto, (ii) all summaries and summary plan descriptions, including any summary of material modifications, (iii) the most recent annual reports (Form 5500 series) filed with the Internal Revenue Service, and (iv) the most recent determination or opinion letter, if any, issued by the Internal Revenue Service and any pending request for such a letter.

(c) Each Employee Benefit Plan which is intended to be a "qualified plan" within the meaning of Section 401(a) of the Code has either (i) received a favorable determination letter from the Internal Revenue Service as to its qualified status, or (ii) may rely upon a favorable prototype opinion letter from the Internal Revenue Service, and each trust established in connection with any Employee Benefit Plan which is intended to be exempt from federal income taxation under Section 501(a) of the Code is so exempt, and to Seller's Knowledge, no fact or event has occurred that could adversely affect the qualified status of any such Employee Benefit Plan or the exempt status of any such trust.

(d) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event, whether contingent or otherwise), including, without limitation, any termination of employment, will (i) entitle any current or former employee, officer, consultant or director of Seller or its Affiliates to any payment; (ii) result in or cause the accelerated vesting, funding, or time of payment, or delivery of any compensation, equity award or other benefit; (iii) increase the amount or value of, any payment, compensation or benefit to any such employee, officer, consultant or director of Seller or its Affiliates; or (iv) limit Seller's right to amend, modify or terminate any Employee Benefit Plan.

(e) Neither Seller nor any ERISA Affiliate sponsors, maintains, contributes to or is required to contribute to, or has ever sponsored, maintained, contributed to or been required to contribute to, or has any Liability or obligation, whether actual or contingent, with respect to any, and no Employee Benefit Plan is a, Multiemployer Plan or a Pension Plan.

(f) With respect to the Employee Benefit Plans, there does not now exist, nor do any circumstances exist that would reasonably be expected to result in, any current or contingent Liabilities of Purchaser or its Affiliates following the Closing under ERISA, the Code or any other applicable Laws.

3.13 Absence of Insolvency. No insolvency proceedings of any character, including bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, (a) is pending against Seller or any of the Assets, (b) to the Knowledge of Seller is affecting Seller or any of the Assets, or (c) to the Knowledge of Seller is threatened, and Seller has not made any assignment for the benefit of creditors, nor taken any action with a view to, or which would constitute the basis of the institution of any such insolvency proceedings.

3.14 No Brokers or Finders. Except as set forth in Section 3.14 of the Seller Disclosure Schedule, no Person has, or as a result of the transactions contemplated herein will have, any right or valid claim against Seller, the Business or any of the Assets for any commission, fee or other compensation as a finder or broker, or in any similar capacity.

3.15 Complete Copies of Materials. Seller has delivered or made available true and complete copies of each material document that has been requested by Purchaser in connection with Purchaser's legal and accounting review of Seller, the Business and the Assets.

3.16 Compliance with Laws. Seller (i) is not in conflict with, or in default, breach or violation in any respect of any applicable Law, (ii) has conducted the operations of the Business in compliance with applicable Law in all respects and has not received notice of any violation or alleged violation of any applicable Law, and (iii) no event has occurred, and no condition exists, that would reasonably be likely to (with or without notice of lapse of time) constitute or result directly or indirectly in a violation by Seller of, or a failure on the part of Seller to comply with, any applicable Law.

3.17 Real Property. Seller has good and valid leasehold interest in the Premises free and clear of all Encumbrances, other than Permitted Encumbrances. With respect to the lease or other occupancy agreements affecting the Premises (each, a "*Lease*"), true and complete copies of which have been furnished by Seller to Purchaser, there exists no default by Seller or any event or circumstance which upon notice or the passage of time, or both, would give rise to any default by Seller, nor, to the Knowledge of Seller, is there any such default or events or circumstances of default by any lessor or subtenant under such Lease, other than that noted in the Seller Disclosure Schedule. No party other than Seller has the right to occupy any of the Premises. The Premises and all improvements located thereon are free from material defect, are in good operating condition and repair (normal wear and tear excepted), and are suitable for the purposes for which the Premises and improvements thereon are presently used. The Premises are supplied with all utilities and other services necessary for the operation of such Premises as currently operated.

3.18 Insurance.

(a) Seller shall provide a list of all insurance policies and bonds that are currently held by Seller with respect to the Business or the Assets ("*Insurance Policies*"), true and complete copies of which have been made available to Purchaser.

(b) All premiums due with respect to such policies are currently paid and Seller is not in material breach or material default with respect to its obligations under the Insurance Policies and, to the Knowledge of Seller, no event has occurred which, with notice or the lapse of time, or both, would constitute such a breach or default, or permit termination or modification, under any of the Insurance Policies. Seller has not received notice of cancellation or termination of any Insurance Policy, nor has it been denied or had revoked or rescinded any policy of insurance, nor has it borrowed against any such policies. There are and have been no claims against any Insurance Policies and no insurance carrier has denied or, to the Knowledge of Seller, threatened to deny coverage.

### 3.19 Taxes.

(a) Seller has timely filed (taking into account any extensions of time for such filings that have been properly and timely requested by Seller) all material Tax Returns that were required to be filed. All such Tax Returns are complete and accurate in all material respects. All material Taxes owed by Seller (whether or not shown on any Tax Return) have been paid. Seller is not currently the beneficiary of any extension of time within which to file any Tax Return. No written claim has ever been made by a Governmental Authority in a jurisdiction in which Seller does not file Tax Returns that Seller is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the Assets or the Business for Taxes (other than Permitted Encumbrances).

(b) Seller has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(c) The unpaid Taxes of Seller did not, as of each of the dates of the Historical Financial Statements, exceed the reserve for Tax Liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of the balance sheets contained in the Historical Financial Statements (rather than in any notes thereto). Since the date of such financial statements, Seller has not incurred any liability for Taxes outside the ordinary course of business consistent with past practice.

(d) No audit, investigation, dispute, claims or other Actions for or relating to any Liability for Taxes of Seller is presently in progress, nor has Seller been notified in writing of any request for such an audit, potential claim, dispute or other examination.

(e) No Tax deficiency is outstanding, assessed or, to the knowledge of Seller, threatened or proposed against Seller that would adversely impact Purchaser, the Assets or Purchaser's use of the Assets.

(f) Seller has not been and will not as of the Closing Date be a "United States real property holding corporation" within the meaning of Section 897 of the Code.

(g) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, either alone or in combination with another event (whether contingent or otherwise) will result in any "parachute payment" under Section 280G of the Code (or any corresponding provision of state, local, or foreign Tax Law).

(h) There are no proceedings pursuant to which Seller is disputing any amounts payable for Taxes arising out of Seller's ownership or operation of the Assets or Business.

(i) No Asset (i) is property required to be treated as owned by another Person pursuant to the provisions of Section 168(f)(8) of the Internal Revenue Code of 1954, as amended and in effect immediately prior to the enactment of the Tax Reform Act of 1986, (ii) constitutes "tax-exempt use property" within the meaning of Section 168(h) of the Code, (iii) is "tax-exempt bond financed property" within the meaning of Section 168(g) of the Code, (iv) secures any debt the interest of which is tax- exempt under Section 103(a) of the Code or (v) is subject to a 467 rental agreement as defined in Section 467 of the Code.

3.20 Inventory. The Inventory Listing Report is, and the Updated Inventory Listing Report on the day prior to the Closing Date will be, true, complete and correct and prepared in a manner disclosed to the Purchaser. All Inventory consists of a quality which are saleable and merchantable in the ordinary course of business, except for obsolete items and items of below-standard quality all of which have been written off or written down to net realizable value.

3.21 Information. The information concerning Seller and the Business set forth in this Agreement and the schedules is complete and accurate in all material respects and does not contain any untrue statements of a material fact or omit to state a material fact required to make the statements made, in light of the circumstances under which they were made, not misleading. In addition, Seller has fully disclosed in writing to Purchaser (through this Agreement or the schedules) all information relating to matters involving Seller and the Business and assets or its present or past operations or activities which (i) indicated or may indicate, in the aggregate, the existence of a greater than \$500.00 liability, (ii) have led or may lead to a competitive disadvantage on the part of Seller or (iii) either alone or in aggregation with other information covered by this Section, otherwise have led or may lead to a material adverse effect on the Business, its assets, or its operations or activities as presently conducted or as contemplated to be conducted after the Closing Date, including, but not limited to, information relating to governmental, employee, environmental, litigation and securities matters and transactions with affiliates.

3.22 Environmental Compliance and Disclosure related to the Business. To the Knowledge of Seller:

(a) Seller is in compliance with, all permits, licenses and government authorizations and has filed all notices that are required under local, state and federal Laws and regulations relating to protection of the environment, pollution control, product registration and hazardous materials ("Environmental Laws") applicable to the Business and Seller is in compliance with all applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in those laws or contained in any Law, regulation, code, plan, order, decree, judgment, notice, permit or demand letter issued, entered, promulgated or approved thereunder related to the Business.

(b) Seller has not received notice of actual or threatened liability under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or any similar state or local statute or ordinance from any governmental agency or any third party, and there are no facts or circumstances which would form the basis for the assertion of any claim against the Business under any Environmental Laws including, without limitation, CERCLA or any similar local, state or foreign Law with respect to any on-site or off-site location.

(c) Seller has not entered into or agreed to, nor does Seller contemplate entering into any consent decree or order, and are not subject to any judgment, decree or judicial or administrative order relating to compliance with, or the cleanup of hazardous materials under, any applicable Environmental Laws related to the Business.

(d) Seller has not received notice that the Business is subject to any claim, obligation, liability, loss, damage or expense of whatever kind or nature, contingent or otherwise, incurred or imposed or based upon any provision of any Environmental Law and arising out of any act or omission of Seller, its employees, agents or representatives or arising out of the ownership, use, control or operation by Seller of any facility, site, area or property owned or operated in connection with the Business (including, without limitation, any facility, site, area or property currently or previously owned or leased by Seller as it relates to the operation of the Business) from which any hazardous materials were released into the environment (the term "release" meaning any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, and the term "environment" meaning any surface or ground water, drinking water supply, soil, surface or subsurface strata or medium, or the ambient air).

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants that the statements contained in this Article IV are true and correct as of the date hereof. Matters disclosed by Purchaser in the Purchaser Disclosure Schedule in reference to any section of this Agreement shall be deemed to be disclosed for all purposes under this Agreement to the extent it is reasonably apparent on its face that such disclosure is applicable for such other purposes.

4.1 Organization and Valid Existence. Purchaser is a Nevada limited liability company duly formed, validly existing and in good standing under the Laws of the State of Nevada and has full power and authority to carry on its business as now conducted.

4.2 Authorization. This Agreement is duly and validly executed and delivered by Purchaser and constitute, or will constitute, valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their respective terms, subject to the Enforceability Exceptions. Purchaser has all requisite power and authority to execute and deliver this Agreement, to carry out and perform its obligations hereunder and thereunder and to carry out and perform the transactions contemplated herein and therein. All requisite action on the part of Purchaser has been taken to authorize the execution and delivery of this Agreement.

4.3 No Conflicts; Consents. The execution and the delivery by Purchaser of this Agreement does not, and the consummation of the transactions contemplated herein and therein and compliance with the provisions hereof and thereof will not, (a) conflict with or violate the articles of organization or operating agreement of Purchaser, (b) conflict with or violate, result in a material breach of, constitute a material default (with or without notice or lapse of time, or both) under or violation of, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of any lien pursuant to any note, bond, mortgage, indenture, lease, sublease, contract or other agreement or instrument, permit, concession, franchise, license, sublicense or Law applicable to Purchaser or any of its properties or assets.

4.4 Stock Consideration. The Multiple Voting Shares to be issued at each Closing, as applicable, have been duly authorized and reserved for

issuance (and Harvest Health has reserved that number of Subordinate Voting Shares into which such Multiple Voting Shares may be converted) and, when issued, such Multiple Voting Shares and the Subordinate Voting Shares issuable upon conversion thereof, will (i) have been validly issued and outstanding as fully paid and non-assessable shares; and (ii) have been issued in compliance with all applicable securities Laws and the rules and regulations of the CSE. The Multiple Voting Shares issuable at each Closing and the Subordinate Voting Shares issuable upon conversion of the Multiple Voting Shares are being issued in reliance on an exemption from the prospectus requirement of applicable securities Laws. The issued and outstanding Subordinate Voting Shares are listed and posted for trading on the CSE and Harvest Health shall provide all required notices to the CSE under applicable CSE policies. As at the Effective Date, Harvest Health is in compliance in all material respects with the policies of the CSE.



4.5 Consents and Approvals. At the Closing Date, all consents, approvals, Permits, authorizations or filings as may be required to be made or obtained by Harvest Health under applicable securities Laws and the rules and regulations of the CSE necessary for the creation, issuance and sale, as applicable, of the Multiple Voting Shares and the Subordinate Voting Shares issuable upon exchange of the Multiple Voting Shares, and the consummation of the transactions contemplated by this Agreement, will have been made or obtained, as applicable (other than the filing of reports required under applicable securities Laws within the prescribed time periods imposed thereby or by the CSE).

4.6 Reporting Issuer. Neither the CSE nor, the securities regulatory authorities in any of British Columbia, Alberta, Saskatchewan or Ontario nor,

to the knowledge of Harvest Health, any other securities commission or other similar regulatory authority, has issued any order ceasing, preventing or suspending trading of any securities of Harvest Health and no such proceeding is, to the knowledge of Harvest Health, pending, contemplated or threatened. Harvest Health is a “reporting issuer” only in the provinces of British Columbia, Alberta, Saskatchewan and Ontario within the meaning of the securities Laws in such province and is not named as being in default of such securities Laws in the list of reporting issuers maintained by any securities commission in such Provinces. Harvest Health is a “foreign private issuer” as defined in Rule 3b-14 of the Securities Act (a “Foreign Private Issuer”). There is no “substantial US market interest” (as described in 17 CFR 230.902(j)(i) with respect to the Multiple Voting Shares.

4.7 Public Record. Harvest Health has filed with the securities commissions in each of British Columbia, Alberta, Saskatchewan and Ontario, and made available publicly on SEDAR, all reports, schedules, forms, statements, and other documents as are required to be filed by it under the securities Laws of such provinces. All continuous and timely disclosure documents, reports, forms, filings, and fees required to be made and paid by Harvest Health pursuant to such securities Laws have been made and paid in accordance with such securities Laws. The information, documents, and statements set forth in the Public Record did not contain any “misrepresentation,” within the meaning of applicable securities Laws, as of the date of such information or statement, and were prepared in accordance with and in compliance with such securities Laws. Harvest Health has not filed any confidential material change reports still maintained on a confidential basis.

4.8 Consents and Approvals. At the Closing Date, all consents, approvals, Permits, authorizations or filings as may be required to be made or obtained by Harvest Health under applicable securities Laws and the rules and regulations of the CSE necessary for the creation, issuance and sale, as applicable, of the Multiple Voting Shares and the Subordinate Voting Shares issuable upon conversion of the Multiple Voting Shares, and the consummation of the transactions contemplated by this Agreement, will have been made or obtained, as applicable (other than the filing of reports required under applicable securities Laws within the prescribed time periods imposed thereby or by the CSE). At the Closing Date, all consents and approvals as may be required to be made or obtained by Harvest Health, including but not limited to under the Notice of Articles of Harvest Health, for the issuance of the the Subordinate Voting Shares upon conversion of the Multiple Voting Shares will have been made or obtained, as applicable.

## ARTICLE V

### COVENANTS OF THE SELLER AND PURCHASER; POST-CLOSING MATTERS

#### 5.1 Further Assurances.

(a) Seller shall, from time to time, at the request of Purchaser, and without further consideration, execute and deliver such instruments of transfer, conveyance and assignment in addition to those delivered, and take such other actions, as may be reasonably necessary to assign, transfer, convey and vest in Purchaser, and to put Purchaser in possession of, the Assets, including but not limited to obtaining any and all required consents of third parties which Seller has not obtained as of the Closing Date. Seller will use its commercially reasonable efforts to obtain for Purchaser any and all consents of third parties which Seller has not obtained as of the Closing Date. Seller further agrees to provide information pertaining to the Assets as may be reasonably requested by Purchaser.

(b) Each Party shall cooperate with the other to transfer all Assets, including State licenses, inventory, equipment, software, data and other information maintained by Seller, to Purchaser.

(c) Prior to the Closing Date, Purchaser shall cause to be made or obtained, as the applicable, all consents and approvals as may be required to be made or obtained by Harvest Health, including but not limited to under the Notice of Articles of Articles of Harvest Health, for the issuance of the the Multiple Voting Shares issuable upon the Closing and Purchaser shall deliver to Seller at the Closing a certificate of a senior officer of Harvest Health certifying same, such certificate to be in a form and substance satisfactory to Seller.

#### 5.2 Tax Liability.

(a) Purchaser and Seller agree to furnish or cause to be furnished to the other, upon request, as promptly as practicable, such information and assistance relating to the Business and Assets, including access to books and records, as is reasonably necessary for the filing of all Tax Returns by Purchaser or Seller, the making of any election relating to Taxes, the preparation for any audit by any Taxing authority and the prosecution or defense of any claim, suit or proceeding relating to any Tax. Each of Purchaser and Seller shall retain all books and records with respect to Taxes pertaining to the Assets for a period of at least seven (7) years following the Closing Date (the "**Seven Year Period**"). At the end of the Seven Year Period, each party hereto shall provide the other with at least ten (10) days prior written notice before transferring, destroying or discarding any such books and records, during which period the party receiving such notice can elect to take possession, at its own expense, of such books and records. If Seller elects to undergo a voluntary dissolution as a corporation prior to the end of the Seven Year Period, prior to such dissolution, Seller shall notify Purchaser or one of its Affiliates or designees before such dissolution and before transferring, destroying or discarding any such books and records, during which period Purchaser or one of its Affiliates or designees receiving such notice can elect to take possession, at its own expense, of such books and records. Purchaser and Seller shall cooperate fully with each other in the conduct of any audit, litigation or other proceeding relating to Taxes involving the Assets or the Allocation Schedule.

(b) To the extent not otherwise provided in this Agreement, Seller shall be responsible for and shall promptly pay when due all Property Taxes levied with respect to the Assets attributable to the Pre-Closing Tax Period. All Property Taxes levied with respect to the Assets for the Straddle Period shall be apportioned between Purchaser and Seller based on the number of days of such Straddle Period included in the Pre-Closing Tax Period and the number of days of such Straddle Period included in the Post-Closing Tax Period. Seller shall be liable for the proportionate amount of such Property Taxes that is attributable to the Pre-Closing Tax Period, and Purchaser shall be liable for the proportionate amount of such Property Taxes that is attributable to the Post-Closing Tax Period. Upon receipt of any bill for such Property Taxes, Purchaser or Seller, as applicable, shall present a statement to the other setting forth the amount of reimbursement to which each is entitled under this Section 5.2(b) together with such supporting evidence as is reasonably necessary to calculate the proration amount. The proration amount shall be paid by the party owing it to the other within ten (10) days after delivery of such statement. In the event that Purchaser or Seller makes any payment for which it is entitled to reimbursement under this Section 5.2(b), the applicable party shall make such reimbursement promptly but in no event later than ten (10) days after the presentation of a statement setting forth the amount of reimbursement to which the presenting party is entitled along with such supporting evidence as is reasonably necessary to calculate the amount of reimbursement.

(c) All Transfer Taxes will be borne equally by Purchaser and Seller. Purchaser and Seller further agree, upon request, to use commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary and will otherwise cooperate so as to mitigate, reduce or eliminate any Tax that could be imposed in connection with the transactions contemplated hereby.

(d) Seller shall promptly notify Purchaser in writing upon receipt by Seller of notice of any pending or threatened Tax audits or assessments relating to the income, properties or operations of Seller that reasonably may be expected to relate to or give rise to an Encumbrance on the Assets or the Business. Each of Purchaser and Seller shall promptly notify the other in writing upon receipt of notice of any pending or threatened Tax audit or assessment challenging the Allocation Schedule.

5.3 Dissolution. Seller hereby covenants not to voluntarily dissolve and windup as a company for a period of not less than the later of (X) the expiration of the Survival Period and (Y) the period of time the Seller may voluntarily dissolve in accordance with applicable Law.

5.4 Transitioned Employees. As set forth herein, Seller shall provide a list of all employees of Seller employed in the operation of the Business as of the Closing Date, stating such employee's name, job title, location of employment, base salary or hourly rate of compensation, target incentive compensation, years of service credit, accrued vacation and other paid time-off, exempt/non-exempt status, hire date and severance payments, if any. All such employees are referred to herein as the "**Business Employees**."

(a) On or prior to the Closing Date, Purchaser shall, or shall cause one of its Affiliates to, extend offers of employment to those Business Employees whom it desires to hire (if any), which offers shall be on such terms and conditions as Purchaser shall determine, in each case, in Purchaser's sole discretion, provided, however, that Purchaser shall extend offers of employment to the Key Employees prior to the Closing Date. Seller shall cooperate with and use its best efforts to make reasonably accessible to Purchaser any Business Employees to whom Purchaser wishes to make offers of employment (including without limitation the Key Employees and otherwise as communicated by Purchaser to Seller on the Closing Date) and to assist Purchaser in its efforts to secure satisfactory employment terms with those Business Employees. Any Business Employees, including any Key Employees, who accept an offer of employment in accordance herewith and commence employment with Purchaser or its Affiliate as of the Closing Date shall be referred to as the "**Transitioned Employees**." Seller and its Affiliates shall terminate for all purposes (including under all Employee Benefit Plans) the

employment of all Business Employees, including any Key Employees, who agree to become Transitioned Employees, effective immediately prior to the Closing.

(b) Seller shall be and remain solely responsible for filing all Tax Returns with respect to its employment of any of its employees through the Closing Date.

(c) Seller shall be and remain solely liable for any and all COBRA Liabilities.

(d) Notwithstanding anything herein to the contrary, Seller shall be solely responsible for, and Seller shall indemnify and hold Purchaser and its Affiliates harmless from and against, any and all Liabilities or obligations, whether actual or contingent: (i) associated with any employee or other service provider of Seller or any of its Affiliates (or any dependent thereof), including without limitation any Business Employee, in any case who does not become a Transitioned Employee, including in connection with any termination of any such service relationship; (ii) that arise in connection with any Transitioned Employee (or any dependent thereof) on or prior to the Closing Date; and (iii) that arise under or in connection with any Employee Benefit Plan at any time. Without limiting the generality of the foregoing, Purchaser shall not, at any time, have or assume any obligation or liability with regard to any severance, retention, employment, change-of-control, pension, retirement, equity or other plan, program, policy or agreement of or with Seller or any of its Affiliates.

(e) Nothing contained in this Agreement shall confer upon any Transitioned Employee any right with respect to continuance of employment by Purchaser or its Affiliates, nor shall anything herein interfere with the right of Purchaser or its Affiliates to terminate the employment of any of the Transitioned Employees at any time, with or without cause, or restrict Purchaser or its Affiliates in the exercise of its independent business judgment in modifying any of the terms and conditions of the employment of the Transitioned Employees.

(f) No provision of this Agreement shall (i) create any third-party beneficiary rights in any current or former service provider of Seller or any of its Affiliates, any beneficiary or dependents thereof, or any collective bargaining representative thereof; (ii) be deemed or construed to be an amendment or other modification of any Employee Benefit Plan, or Purchaser employee benefit plan; (iii) obligate Purchaser or its Affiliates to adopt, enter into or maintain any employee benefit plan or other compensatory plan, program or arrangement at any time; or (iv) be deemed to prevent or restrict in any way the right of Purchaser or its Affiliates to terminate, reassign, promote or demote any Transitioned Employee at any time, or to change the title, powers, duties, responsibilities, functions, locations, salaries, other compensation or terms or conditions of employment of such Transitioned Employee.

5.5 Collection of Accounts Receivable. Seller shall be entitled to collect all Accounts Receivable pending as of the date of this Agreement.

5.6 Use of Company Name. Purchaser shall not use, and shall not permit any Affiliate to use, the name Blüm, or any name reasonably similar thereto after December 31, 2019. Prior to December 31, 2019, Purchaser shall be entitled to use the name Blüm in connection with the operation of the

Business at the Premises as provided for in the Trademark License Agreement attached hereto as Exhibit A.

5.7 Conduct of Business Pending the Closing. After the execution and delivery of this Agreement and until the Closing, except as otherwise permitted by this Agreement or as provided by the prior written consent of the Purchaser:

(a) The Business will be conducted and the Assets operated only in the ordinary course of business consistent with past practices, which shall include, without limitation, operating in compliance with all applicable laws, regulations and administrative orders of Governmental Authorities, the maintenance in force of all insurance policies currently in force and effect and the maintenance of the Assets in merchantable and saleable and good operating condition and repair.

(b) Subject to Section 5.7(f), the Seller shall use commercially reasonable efforts to maintain the goodwill of the customers, suppliers, manufacturers, licensors and others having business relationships with the Seller.

(c) Subject to Section 5.7(f), the Seller will not enter into any contract or commitment affecting the Assets or the Assumed Liabilities, or amend, terminate or violate the terms of any such contract or commitment (or waive any right thereunder).



(d) The Seller will not create or assume any Liens on the Assets.

(e) The Seller will conduct the affairs of the Business in such a manner so that the representations and warranties contained in Section 3.16 shall continue to be true and correct on and as of the Closing Date as if made on and as of the Closing Date.

(f) The Seller shall not lease, sell, transfer or otherwise dispose of any of the Assets other than sales of Inventory, payment of accounts payable and collection of accounts receivables in the ordinary course of business or with the consent of the Purchaser.

(g) The Seller shall not commit, orally or in writing, to do any of the foregoing.

5.8 Conversion. Seller may convert the Multiple Voting Shares into Subordinate Voting Shares at any time four months and one day after the date of issuance of the Multiple Voting Shares subject to the terms and conditions set forth in this Section 5.8. Not later than five (5) trading days after receipt by Harvest Health of a notice from the Seller to convert Multiple Voting Shares into Subordinate Voting Shares (the "Share Delivery Date"), Harvest Health shall deliver, or cause to be delivered, to the Seller or its designee a certificate representing the Subordinate Voting Shares, which, to the extent permitted by law, shall be free of restrictive legends and trading restrictions; provided, however, that the holder of the Multiple Voting Shares who elects

to convert such shares hereby agrees that such holder shall sell the Subordinate Voting Shares issued upon conversion of the Multiple Voting Shares within 30 days of such conversion. All certificates required to be delivered by Harvest Health under this Section shall be delivered electronically by an established clearing corporation, unless Harvest Health or its transfer agent is prohibited from delivering such shares electronically; in which case Harvest Health shall then issue and deliver to the address as specified in such notice a certificate, registered in the name of the Seller or its designee, for the number of Subordinate Voting Shares to which the Seller shall be entitled. Other than as provided for in this Section 5.8, Harvest Health's obligation to issue and deliver the Subordinate Voting Shares upon conversion of the Multiple Voting Shares in accordance with the terms hereof is absolute and unconditional. In the event the Seller shall elect to convert any or all of the Multiple Voting Shares, Harvest Health may not refuse conversion for any reason except as provided for herein, unless an injunction from a court of competent jurisdiction, on notice to Seller, restraining and or enjoining conversion shall have been issued. If Harvest Health fails for any reason to deliver to the Seller a certificate pursuant to this Section by the Share Delivery Date, the Seller shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Seller from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

## ARTICLE VI

### INDEMNIFICATION

#### 6.1 Survival Period; Certain Limitations.

(a) The representations and warranties of Seller contained in this Agreement shall survive the Closing Date for a period of eighteen (18) months (the "Survival Period"), provided, that with respect to the representations and warranties set forth in Section 3.2 (Authorization), Subsection 3.4(a) (Title to Assets), Section 3.12 (No Brokers or Finders) and Section 3.17 (Taxes), the Survival Period shall be the 30th day after the expiration of the applicable statute of limitations (including any extensions thereto to the extent that such statute of limitations may be tolled). The representations and warranties of Purchaser contained in this Agreement shall survive the Closing Date for the Survival Period. All covenants and agreements of the parties will survive the Closing Date in accordance with their respective terms. If written notice of a claim has been given prior to the expiration of the Survival Period by a party, then the relevant representations and warranties shall survive as to such claim until such claim has been finally resolved.

(b) It is the express intent of the parties hereto that, if the applicable Survival Period for an item as contemplated by this Article VI is shorter than the statute of limitations that would otherwise have been applicable to such item, then, by contract, the applicable statute of limitations with respect to such item shall be reduced to the shortened survival period contemplated hereby. The parties hereto further acknowledge that the time periods set forth in this Article VI for the assertion of claims under this Agreement are the result of arms-length negotiation among the each of the parties hereto and that they intend for the time periods to be enforced as agreed by each of the parties hereto.

#### 6.2 Indemnification.

(a) Indemnification by Seller. Subject to the limitations set forth in this Article VI, after the Closing Date, Purchaser and its Affiliates (including, after the Closing Date, the Business and Assets), and their respective officers, directors, employees, agents, successors and assigns (collectively, the "**Purchaser Indemnified Parties**") shall be indemnified and held harmless by Seller for any and all liabilities, losses, Taxes, damages of any kind, claims, costs, expenses, fines, fees, deficiencies, interest, awards, judgments, amounts paid in settlement and penalties (including reasonable attorneys', consultants' and experts' fees and expenses and other costs of defending, investigating or settling claims) suffered, incurred, or paid by them (including in connection with any Action brought or otherwise initiated by any of them) (collectively, "**Losses**"), arising out of or resulting from:

- (i) any inaccuracy or breach of any representation or warranty made by Seller in this Agreement;
- (ii) the breach of any covenant or agreement made by Seller in this Agreement;
- (iii) any failure of Seller to pay any of its debts, obligations or Liabilities (other than any Assumed Liabilities pursuant to Section 1.4) as and when due;
- (iv) any Excluded Liabilities; or
- (v) any fraud that is committed by Seller in connection with the negotiation and execution of this Agreement.

(b) Indemnification by Purchaser. Subject to the limitations set forth in this Article VI, after the Closing Date, Seller and its Affiliates, and their respective officers, directors, employees, agents, successors and assigns (collectively, the "*Seller Indemnified Parties*") shall be indemnified and held harmless by Purchaser for any and all Losses arising out of or resulting from:

- (i) any inaccuracy or breach of any representation or warranty made by Purchaser in this Agreement;
- (ii) the breach of any covenant or agreement made by Purchaser in this Agreement;
- (iii) any Assumed Liabilities; or
- (iv) any fraud that is committed by Purchaser in connection with the negotiation and execution of this Agreement.

(c) Materiality. As used herein, Losses are not limited to matters asserted by third parties, but include Losses incurred or sustained by the Purchaser Indemnified Parties or Seller Indemnified Parties in the absence of claims by third parties.

### 6.3 Limitations.

(a) Limitation on Seller Liability. Seller shall have no liability for indemnification under Section 6.2(a)(i) with respect to any Losses that would otherwise be payable under Section 6.2(a)(i) until the aggregate of all such Losses exceeds \$50,000 (the "**Liability Threshold**"), and then after the Liability Threshold has been exceeded Seller shall be responsible for all such Losses based thereon for all amounts in excess of the Liability Threshold. The maximum aggregate liability of Seller for indemnification under this Article VI for any of the matters set forth in Section 6.2(a)(i) shall not exceed \$3,000,000 (the "**Indemnification Limit**"); provided, however, that neither the Liability Threshold nor the Indemnification Limit shall apply with respect to any claim described in Sections 6.2(a)(ii)–6.2(a)(v); provided, further, that in no event shall the maximum aggregate liability of Seller for any matters

under this Article VI exceed that portion of the Purchase Price actually received by Seller, including the Escrow Amount.

(b) Limitation on Purchaser Liability. Purchaser shall have no liability for indemnification under Section 6.2(b)(i) with respect to any Losses that would otherwise be payable under Section 6.2(b)(i) until the aggregate of all such Losses exceeds the Liability Threshold, and after the Liability Threshold has been exceeded, Purchaser shall be responsible for all such Losses in excess of the Liability Threshold. The maximum aggregate liability of Purchaser for indemnification under this Article VI for any of the matters set forth in Section 6.2(b)(i) shall not exceed the Indemnification Limit; provided, however, that neither the Liability Threshold nor the Indemnification Limit shall apply with respect to any claim described in Sections 6.2(b)(ii) – 6.2(b)(iv).

(c) Notwithstanding the foregoing, the Liability Threshold and the Indemnification Limit shall not apply to any Losses in connection with any breach of any of the representations or warranties set forth in Sections 3.2 (Authorization), 3.5(a) (Title to Assets), 3.5(c)(i) (Sufficiency of Assets), 3.5(c)(ii) (Sufficiency of Assets), 3.14 (No Brokers or Finders), 3.19 (Taxes) and 4.2 (Authorization); provided, however, that in no event shall the maximum aggregate liability of Seller for any matters under this Article VI exceed that portion of the Purchase Price actually received by Seller, including the Escrow Amount.

(d) Losses shall exclude lost profits or any punitive or exemplary damages, unless specifically awarded by an arbitrator or Governmental Authority to a third party and paid to such third party by an Indemnified Party (as defined below).

(e) The parties hereto agree that the rights to indemnification under this Article VI shall be the sole and exclusive rights and remedies of the parties hereto against any other party for any Losses relating to or arising under this Agreement; provided, that notwithstanding the foregoing, nothing set forth in this Article VI shall be deemed to prohibit or limit any party's right at any time to seek injunctive or other equitable relief for the failure of any other party to perform any covenant or agreement contained herein or for any party's right to seek any remedy based upon fraud.

6.4 Indemnification Procedures.

(a) For purposes of this Section 6.4, a party against which indemnification may be sought is referred to as the ***Indemnifying Party***” and the party which may be entitled to indemnification is referred to as the ***Indemnified Party.***”

(b) Claims.

(i) As soon as practicable, and not later than the last day of the Survival Period, an Indemnified Party may deliver to an Indemnifying Party a certificate signed by any authorized officer of such Indemnified Party (a ***“Claim Certificate”***):

(A) stating that such Indemnified Party has incurred Losses;

(B) stating the amount of the Losses if known; and

(C) specifying in reasonable detail the nature of the claim to which such Losses are related. Any Third Party Claims (as defined below) shall also be subject to the requirements in Section 6.4(d).

(c) Resolution of Objections to Claims.

(i) If the Indemnifying Party does not contest, by written notice to the Indemnified Party, any claim or claims by the Indemnified Party made in any Claim Certificate within the thirty (30) day period following receipt of the Claim Certificate, then the Indemnifying Party will be conclusively deemed to have consented to the recovery by the Indemnified Party of the full amount of the damages specified in the Claim

Certificate. The Indemnifying Party shall pay to the Indemnified Party cash in an amount equal to the amount of the Losses set forth in such Claim Certificate.

(ii) If the Indemnifying Party objects in writing to any claim or claims by the Indemnified Party made in any Claim Certificate within such thirty (30) day period, the Indemnifying Party and Indemnified Party shall attempt in good faith for 15 days after the Indemnified Party's receipt of such written objection to resolve such objection. If the Indemnifying Party and the Indemnified Party shall so agree, a memorandum setting forth such agreement shall be prepared and signed by the Indemnifying Party and the Indemnified Party.

(iii) If no such agreement can be reached during the 15-day period for good faith negotiation, but in any event upon the expiration of such 15-day period, either the Indemnifying Party or the Indemnified Party may bring an Action in accordance with the terms of Section 8.1 to resolve the matter.

(iv) Seller and Purchaser agree to treat (and cause their Affiliates to treat) any payment received pursuant to this Article VI as adjustments to the Transaction Consideration for all Tax purposes, to the maximum extent permitted by Law.



(d) Third Party Claims.

(i) The obligations and liabilities of Indemnifying Parties under this Article VI with respect to Losses arising from actual or threatened claims or demands by any Person not party to this Agreement (other than an Affiliate of Purchaser) which are subject to the indemnification provided for in this Article VI ("**Third Party Claims**") shall be governed by and contingent upon the following additional terms and conditions. If an Indemnified Party shall receive notice of any Third Party Claim prior to the expiration of the Survival Period, the Indemnified Party shall give the Indemnifying Party notice of such Third Party Claim by delivering a Claim Certificate to the Indemnifying Party within ten (10) days of the receipt by the Indemnified Party of such notice; provided, however, that the failure to provide such notice shall not release an Indemnifying Party from any of its obligations under this Article VI except to the extent that such Indemnifying Party is materially prejudiced by such failure. The Claim Certificate shall be deemed to have complied with Section 6.4(b) if it describes in reasonable detail the facts known to the Indemnified Party giving rise to such indemnification claim, and the amount or good faith estimate of the amount arising therefrom (if known).

(ii) If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim (without any reservation of rights), then the Indemnifying Party shall be entitled to assume and control the

defense of such Third Party Claim through counsel of its choice (such counsel to be reasonably acceptable to the Indemnified Party) if it (x) gives notice of its intention to do so to the Indemnified Party within ten (10) days of the receipt of such notice from the Indemnified Party and (y) it furnishes the Indemnified Party with reasonable evidence that the Indemnifying Party is and will be able to satisfy such Losses; provided, however, that the Indemnifying Party shall not have the right to assume the defense of the Third Party Claim if (i) any such claim seeks, in addition to or in lieu of monetary Losses, any injunctive or other equitable relief or involves criminal allegations; (ii) there is reasonably likely to exist a conflict of interest that would make it inappropriate (in the judgment of the Indemnified Party in its reasonable discretion) for the same counsel to represent both the Indemnified Party and the Indemnifying Party; or (iii) settlement of, or an adverse judgment with respect to, the Third Party Claim would establish (in the good faith judgment of the Indemnified Party) a precedential custom or practice that would be materially adverse to the business interests of the Indemnified Party or would impact the Taxes or Tax position of the Indemnified Party. If the Indemnifying Party assumes the defense of a Third Party Claim, it will conduct the defense actively, diligently and at its own expense, and it will hold all Indemnified Parties harmless from and against all Losses caused by or arising out of any settlement thereof. The Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably requested by the Indemnifying Party and shall have the right to participate at its own cost in the defense of such Third Party Claim. Except with the written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed), the Indemnifying Party will not, in the defense of a Third Party Claim, consent to the entry of any judgment or enter into any settlement (i) which does not include as an unconditional term thereof the giving to the Indemnified Party by the third party of a release from all liability with respect to such Action; or (ii) unless there is no finding or admission of (A) any violation of Law by the Indemnified Party (or any affiliate thereof), (B) any liability on the part of the Indemnified Party (or any affiliate thereof) or (C) any violation of the rights of any Person and no effect on any other claims of a similar nature that may be made by the same third party against the Indemnified Party (or any affiliate thereof), provided, that the Indemnified Party shall have no obligation of any kind to consent to the entry of any judgment of settlement unless such judgment or settlement is only for money damages, the full amount of which will be paid by the Indemnifying Party.

(iii) In the event that the Indemnifying Party fails or elects not to assume the defense of an Indemnified Party against such Third Party Claim which the Indemnifying Party had the right to assume, the Indemnified Party shall have the right, at the expense of the Indemnifying Party, to defend or prosecute such claim in any manner as it may reasonably deem appropriate and may settle such claim after giving written notice thereof to the Indemnifying Party, on such terms as such Indemnified Party may deem appropriate, and the Indemnified Party may seek prompt reimbursement for any Losses incurred in connection with such settlement. If no settlement of such Third Party Claim is made, the Indemnified Party may seek prompt reimbursement for any Losses arising out of any judgment rendered with respect to such claim. Any Losses for which an Indemnified Party is entitled to indemnification hereunder shall be promptly paid as suffered or incurred. If the Indemnifying Party does not elect to assume the defense of a Third Party Claim which it has the right to assume hereunder, the Indemnified Party shall have no obligation to do so.

(iv) In the event that the Indemnifying Party is not entitled to assume the defense of the Indemnified Party against such Third Party Claim, the Indemnified Party shall have the right, at the expense of the Indemnifying Party, to defend or prosecute such claim and consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim in any manner it may reasonably deem appropriate after giving written notice thereof to the Indemnifying Party, and the Indemnified Party may seek prompt reimbursement for any Losses incurred in connection with such judgment or settlement. In such case, the Indemnified Party shall conduct the defense of the Third Party Claim actively and diligently, and the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably requested by the Indemnified Party. If no settlement of such Third Party Claim is made, the Indemnified Party may seek prompt reimbursement for any Losses arising out of any judgment rendered with respect to such claim. Any Losses for which an Indemnified Party is entitled to indemnification hereunder shall be promptly paid as suffered or incurred.

6.5 Manner of Payment. At the Closing, Purchaser shall deposit the Purchase Price in whatever manner and to whatever financial institution as directed by the Seller.

## ARTICLE VII

### DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth or referenced below:

7.1 “Accounts Payable” shall mean all accounts and notes receivable payable by Seller solely to the extent generated by the Business as conducted by Seller prior to the Closing Date. “*Accounts Receivable*” shall mean all accounts and notes receivable payable to Seller solely to the extent generated by the Business as conducted by Seller prior to the Closing Date, and other rights to payment and the full benefit of any security therefor, whether billed or unbilled.

7.2 “*Affiliate*” shall mean a Person that directly or indirectly through one or more intermediaries is controlled by, or is under common control with, another Person.

7.3 “*Assumed Contracts*” shall mean the agreements and contracts identified by separate agreement.

7.4 “*Business Records*” shall mean copies of Seller’s books and records, original files, drawings, documentation, data or information that have been or now are used in or with respect to, in connection with or otherwise relating to the Business, the Assets and the Assumed Liabilities; provided that Business Records exclude any items specifically included among the Excluded Assets.

7.5 “**COBRA**” shall mean Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code, and any similar state Law.

7.6 “**COBRA Liability**” shall mean all Liabilities arising under COBRA (i) in respect of any Business Employee (or any beneficiary or dependent thereof) who does not become a Transitioned Employee, and (ii) arising on or prior to the Closing Date, with respect to any Transitioned Employee (or any beneficiary or dependent thereof).

7.7 “**Confidential Information**” means all information (whether or not specifically identified as confidential), in any form or medium, that is disclosed to or by, or developed or learned by, Seller that relates to the Business, Assets or Assumed Liabilities, including: (a) information relating to strategic plans and practices, business, accounting, financial or marketing plans, practices or programs, training practices and programs, salaries, bonuses, incentive plans and other compensation and benefits information and accounting and business methods, in each case, of the Business, Assets or Assumed Liabilities; (b) identities of, individual requirements of, specific contractual arrangements with, and information about, the Business, its customers and their respective confidential information; (c) any confidential or proprietary information of any third party that Seller or subsidiary of Seller has a duty to maintain confidentiality of, or use only for certain limited purposes, in each case, related to the Business, Assets or Assumed Liabilities; (d) industry research related to the Business, Assets or Assumed Liabilities compiled by, or on behalf of Seller, including identities of potential target companies, management teams, and transaction sources identified by, or on behalf of, Seller; (e) compilations of data and analyses, processes, methods, track and performance records, data and data bases, in each case, related to the Business, Assets or Assumed Liabilities; and (f) information related to the Intellectual Property of the Business and updates of any of the foregoing, provided that “**Confidential Information**” shall not include any information that Seller can demonstrate has become generally known to and widely available for use within the industry other than as a result of the acts or omissions of Seller or a Person that Seller has direct control over to the extent such acts or omissions are not authorized by Seller in the performance of such Person’s assigned duties for Seller.

7.8 “**Employee Benefit Plan**” shall mean any “employee benefit plan” as defined in Section 3(3) of ERISA (whether or not subject to ERISA) and each other plan, policy, program practice, agreement, understanding or arrangement (whether written or oral) providing compensation or other benefits to any current or former director, officer, employee or consultant (or to any spouse, dependent or beneficiary thereof) of Seller or any Affiliate of Seller, maintained, sponsored or contributed to by Seller or any Affiliate of Seller, or under which Seller or any Affiliate of Seller has or may have any obligation or liability, whether actual or contingent, including, without limitation, all personnel policy, collective bargaining, bonus (including transaction bonus), incentive compensation, stock option, restricted stock, phantom stock, stock unit, stock appreciation right, deferred stock, performance share, performance share unit, employee stock ownership, stock purchase, equity or equity-based, phantom equity, deferred compensation, change in control, employment, consulting, retention, noncompetition, nondisclosure, vacation, holiday, sick leave, severance, retirement, supplemental retirement, defined benefit, defined contribution, pension, money purchase, target benefit, cash balance, pension equity, 401(k), savings, profit sharing, supplemental or executive retirement, excess benefit, medical, dental, vision, life insurance, cafeteria (Code Section 125), adoption assistance, dependent care assistance, health savings, health reimbursement, flexible spending, voluntary employees beneficiary, multiple employer welfare, accident, disability, long-term care, employee assistance, scholarship, fringe benefit, expense reimbursement, welfare benefit, paid time off, employee loan, salary continuation and other benefit or similar plan, policy, program, practice, agreement, understanding or arrangement, including any trust, escrow, funding, insurance or other agreement related thereto.

7.9 “**Encumbrances**” shall mean any and all restrictions on or conditions to transfer or assignment, claims, liabilities, licenses, liens, pledges, mortgages, options, restrictions, rights of first refusal, security interests and encumbrances of any kind, whether accrued, absolute, contingent or otherwise and whether voluntarily or involuntarily incurred or arising by operation of Law.

7.11 “**Environmental Laws**” means any and all Laws which (i) regulate or relate to the protection or clean up of the environment; the use, treatment, storage, transportation, handling, disposal or release of Hazardous Substances, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources; or the health and safety of persons or property, including without limitation protection of the health and safety of employees; or (ii) impose liability or responsibility with respect to any of the foregoing, including without limitation the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), or any other Law of similar effect.

7.12 “**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as amended and the regulations promulgated thereunder.

7.13 “**ERISA Affiliate**” shall mean any entity (whether or not incorporated) other than Seller that, together with Seller, is required to be treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

7.14 “**Escrow Agreement**” shall mean that certain Escrow Agreement, by and among Purchaser and Seller, in the form attached hereto as Exhibit B.

7.16 “**GAAP**” shall mean generally accepted accounting principles in the United States.

7.17 “**Governmental Authority**” shall mean any court, or any federal, state, municipal, provincial or other governmental authority, department, commission, board, service, agency, political subdivision or other instrumentality.

7.18 “**Harvest Health**” shall mean Harvest Health & Recreation, Inc., a British Columbia corporation.

7.19 “**Hazardous Substances**” means: (i) any pollutant, chemical, substance and any toxic, infectious, carcinogenic, reactive, corrosive, ignitable or flammable chemical, or chemical compound, or hazardous substance, material or waste, whether solid, liquid or gas, that is subject to regulation, control or remediation under any Environmental Laws; (ii) petroleum and petroleum products, including crude oil and any fractions thereof; (iii) natural gas, synthetic gas, and any mixtures thereof; (iv) polychlorinated biphenyls, toxic mold, asbestos and radon; (v) any other contaminant; and (vi) any substance, material or waste regulated by any Governmental Authority pursuant to any Environmental Law.

7.20 “**Indebtedness**” shall mean, with respect to any Person at any date, without duplication: (i) all short-term and long-term indebtedness outstanding at any one time as determined in accordance with GAAP consistently applied, (ii) all obligations of such Person for borrowed money; (iii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (including any seller notes, deferred purchase price obligations or earn-out obligations issued or entered into in connection with any acquisition undertaken by such Person) including outstanding checks; (iv) all obligations in respect of letters of credit, to the extent drawn, and bankers’ acceptances issued for the account of such Person; (v) all liabilities of such Person under conditional sale or other title retention agreements, including capital leases; (vi) all obligations of such Person with respect to vendor advances or any other advances made to such Person; (vii) all liabilities of such Person arising out of interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates; (viii) all obligations of such Person to pay the deferred purchase price of any properties, goods or services (other than those trade payables in the ordinary course of business); (ix) any liability or obligation of others guaranteed by, or secured by any Encumbrance on the assets of, such Person; (x) all liabilities or obligations to pay any bonuses or other compensation in connection with or relating to the Transaction; and (xi) any and all principal, accrued interest, prepayment premiums or penalties, related expenses, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and other amounts related to any of the foregoing.



7.21 “**Intellectual Property**” means intellectual property, regardless of form, together with all rights in, arising out of, or associated with intellectual property in any jurisdiction (including the right to sue for infringement or misappropriation and collect damages, and to apply for and obtain any registrations or other forms of legal protection), including: (a) published and unpublished works of authorship, including audiovisual works, collective works, Software, web sites, web site content, compilations, databases, derivative works, literary works, and sound recordings, rights in databases and rights granted under the Copyright Act or similar Laws of foreign jurisdictions (“**Works of Authorship**”); (b) inventions and discoveries, whether or not patentable, including articles of manufacture, business methods, compositions of matter, improvements, machines, methods, and processes and new uses for any of the preceding items, including rights granted under the Patent Act or similar Laws of foreign jurisdictions (“**Inventions**”); (c) words, names, symbols, devices, designs, and other designations, and combinations of the preceding items, used to identify or distinguish a business, good, group, product, or service or to indicate a form of certification, including logos, product designs and product features together with the goodwill of the business associated therewith, including common law rights, applications, or registrations for the Trademarks, as well as any other proprietary rights in the Trademarks together with the goodwill of the business associated therewith anywhere in the world, including but not limited to, rights in the “look and feel” of objects and rights granted under the Lanham Act or similar Laws of foreign jurisdictions (“**Trademarks**”); (d) Confidential Information, including information that is not generally known or readily ascertainable through proper means, whether tangible or intangible, or patentable or unpatentable, including algorithms, customer lists, ideas, designs, formulas, know-how, show-how, methods, processes, programs, prototypes, systems, and techniques, including trade secrets and rights granted under the Uniform Trade Secrets Act or similar Laws of foreign jurisdictions; (e) Internet domain names, including but not limited to those set forth in the Seller Disclosure Schedule together with the goodwill of the business associated therewith (“**Domain Names**”); (f) rights in, arising out of, or associated with a person’s name, voice, signature, photograph, or likeness, including rights of personality, privacy, and publicity; and (g) rights of attribution and integrity and other moral rights of an author.

7.22 “**Key Employees**” shall mean those identified and listed separately, as mutually agreed by both Purchaser and Seller.

7.23 “**Knowledge**” or “**Know**” or “**Known**” shall mean, with respect to Seller, the current actual knowledge, after reasonable inquiry, of the following officers of Seller: Derek Peterson and Michael Nahass; provided, however, that any such reasonable inquiry shall not include any inquiry, investigation or review of any third party docket search, including patent or trademark records or any other similar third party source of information.

7.24 “**Law**” shall mean all applicable federal, state, provincial and local laws, ordinances, rules, statutes, regulations, and all orders, writs, injunctions, awards, judgments or decrees.

7.25 “**Liability**” or “**Liabilities**” shall mean any direct or indirect liability, Indebtedness, obligation, guarantee or endorsement, whether known or

unknown, whether accrued or unaccrued, whether absolute or contingent, whether due or to become due, or whether liquidated or unliquidated.



taken as a whole, whether or not occurring in the ordinary course of business.

7.27 “**Multiemployer Plan**” shall mean any “multiemployer plan” within the meaning of Sections 3(37) or 4001(a)(3) of ERISA.

7.28 “**Pension Plan**” shall mean any Employee Benefit Plan that is subject to Section 412 of the Code or Section 302 or Title IV of ERISA.

7.29 “**Permits**” shall mean any and all licenses, permits, authorizations, certificates, franchises, variances, waivers, consents, and other approvals from any Governmental Authority.

7.30 “**Permitted Encumbrances**” means statutory liens for Taxes that are not yet due and payable or liens for Taxes being contested in good faith by any appropriate proceedings for which adequate reserves have been established, non-exclusive licenses of Software or licenses granted by Seller in the ordinary course of its business consistent with past practice under its Terms and Conditions (copies of which have been made available to Purchaser’s counsel).

7.31 “**Person**” shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a Governmental Authority.

7.32 “**Post-Closing Tax Period**” means any Tax period beginning after the Closing Date and that portion of a Straddle Period beginning after the Closing Date.

7.33 “**Pre-Closing Tax Period**” means any Tax period ending on or before the Closing Date and that portion of any Straddle Period ending on the Closing Date.

7.34 “**Premises**” means the facilities located at 3650 S. Decatur, Units 6 & 7, Las Vegas, Nevada 89103.

7.35 “**Privacy Statements**” means, collectively, any and all of Seller’s privacy policies published on the Seller Websites or otherwise made available by Seller to third parties regarding the collection, retention, use and distribution of the personal information of individuals, including from visitors of any of the Seller Websites.

7.36 “**Property Taxes**” means all real property Taxes, personal property Taxes and similar ad valorem Taxes.

7.37 “**Registered Intellectual Property Rights**” means all Intellectual Property that is the subject of an application, certificate, filing, registration, or other document issued by, filed with, or recorded by, any Governmental Authority at any time in any jurisdiction, including all issued patents and applications, reissues, divisions, re-examinations, renewals, extensions, provisionals, continuations, and continuations-in-part.

7.38 “**Securities Act**” means the Securities Act of 1933, as amended.

7.39 “**Software**” means computer programs of any type or form (including source code and object code), including code, scripts, applets, engines, generators, and macros, and related programmers’ comments, data files and structures, header and include files, macros, object libraries, programming tools not commercially available, technical specifications, flowcharts, and logic diagrams, schematics, annotations, and documentation.

7.40 “**Straddle Period**” means any Tax period beginning before or on and ending after the Closing Date.

7.41 “**Tangible Personal Property**” means the tangible personal property identified on Schedule 7.41.

7.42 “**Tax**” or “**Taxes**” shall mean any federal, state, provincial, territorial, local, or foreign income, profits, gross receipts, capital gains taxes, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, business license, occupation, value added, goods and service, alternative or add- on minimum, estimated, or other tax or governmental charge of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

7.43 “**Tax Return**” shall mean a declaration, statement, report, return or other document or information with respect to Taxes.

7.44 “**Terms and Conditions**” means any and all of the visitor terms and conditions published on Seller Websites governing visitors’ use of and access to any of the Seller Websites.

7.45 “**Transfer Taxes**” means any transfer, stamp, documentary, sales, use, registration, value-added and other similar taxes imposed by any state or political subdivision thereof on the sale of the Assets under this Agreement, or the use of the Assets immediately following the sale under this Agreement, regardless of whether the legal obligation to pay, collect or remit such taxes falls on Seller or Purchaser.

7.46 “**WARN Act**” shall mean the Worker Adjustment and Retraining Notification Act of 1988 and analogous state and local Law.

7.47 “**Withdrawal Liability**” shall mean Liability to a Multiemployer Plan under Part I of Subtitle E of Title IV of ERISA.

## ARTICLE VIII

### GENERAL

8.1 Law Governing. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of Nevada without regard to choice or conflict of law principles that would result in the application of any Laws other than the Laws of the State of Nevada. All Actions arising out of or relating to this Agreement shall be heard and determined exclusively in the Courts of the State of Nevada and any state appellate court therefrom within the State of Nevada. The parties hereto hereby (a) submit to the exclusive jurisdiction of the Courts of the State of Nevada and any state appellate court therefrom within the State of Nevada for the purpose of any Action arising out of or relating to this Agreement brought by any party hereto, and (b)

irrevocably waive, and agree not to assert by way of motion, defense, or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the Transaction may not be enforced in or by any of the above-named courts.

8.2 Assignment; Binding upon Successors and Assigns. None of the parties hereto may assign any of its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Purchaser may assign its rights and obligations under this Agreement to any Affiliate or a third party in the event the Necessary Approvals are not obtained without obtaining

Seller's consent. Except as otherwise provided herein, this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

8.3 Severability. If any provision of this Agreement, or the application thereof, shall for any reason and to any extent be held to be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other Persons or circumstances shall be interpreted so as best to reasonably effect the intent of the parties hereto. The parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision which will achieve, to the extent possible, the economic, business and other purposes of the invalid or unenforceable provision.

8.4 Entire Agreement. This Agreement, the exhibits and schedules hereto, the certificates referenced herein, the exhibits thereto, constitute the entire understanding and agreement of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior and contemporaneous agreements or understandings, inducements or conditions, express or implied, written or oral, between the parties with respect hereto and thereto. This Agreement (including the documents and the instruments referred to herein and therein) is not intended to confer upon any Person other than the parties hereto and thereto any rights or remedies hereunder or thereunder.

8.5 Counterparts; Facsimile. This Agreement may be executed in any number of counterparts, each of which shall constitute an original and all of which together shall constitute one and the same instrument. Execution and delivery of this Agreement by .pdf or facsimile transmission shall be deemed for all purposes to be due execution and delivery by the signing Persons.

8.6 Other Remedies. Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party hereto shall be deemed cumulative with and not exclusive of any other remedy conferred hereby or by Law on such party, and the exercise of any one remedy shall not preclude the exercise of any other.

8.7 Amendment and Waivers. Any term or provision of this Agreement may be amended, and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof for default in payment of any amount due hereunder or default in the performance hereof shall not be deemed to constitute a waiver of any other default or any succeeding breach or default.

8.8 Waiver. Each party hereto may, by written notice to the others: (a) waive any of the conditions to its obligations hereunder or extend the time for the performance of any of the obligations or actions of the others, (b) waive any inaccuracies in the representations of the others contained in this Agreement or in any documents delivered pursuant to this Agreement, (c) waive compliance with any of the covenants of the others contained in this Agreement or (d) waive or modify performance of any of the obligations of the others. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, condition or agreement contained herein. Waiver of the breach of any one or more provisions of this Agreement shall not be deemed or construed to be a waiver of other breaches or subsequent breaches of the same provisions.



8.9 Notices. All notices and other communications hereunder will be in writing and will be deemed given (a) upon receipt if delivered personally (or if mailed by registered or certified mail), (b) the day after dispatch if sent by overnight courier, (c) upon dispatch if transmitted by telecopier, email or other means of facsimile transmission (and confirmed by a copy delivered in accordance with clause (a) or (b)), properly addressed to the parties at the following addresses:

If to Purchaser:

Harvest of Nevada (Decatur LV), LLC  
1155 W. Rio Salado Parkway, Suite 201  
Tempe, AZ 85281  
ATTN: Lazarus Rothstein, Assistant General Counsel  
Email: lrothstein@harvestinc.com

If to Seller:

MEDIFARM LLC  
ATTN: CEO  
2040 Main Street, Suite 225  
Irvine, CA 92614  
Email: Derek@terratechcorp.com

Any party may change its address for such communications by giving notice thereof to the other party in conformity with this Section.

8.10 Construction and Interpretation of Agreement.

(a) The parties hereto and their respective attorneys have negotiated this Agreement, and the language hereof shall not be construed for or against any party by reason of its having drafted such language.

(b) The titles and headings herein are for reference purposes only and shall not in any manner limit the construction of this Agreement, which shall be considered as a whole.

(c) As used in this Agreement, any reference to any state of facts, event, change or effect being "material" with respect to any entity means a state of facts that is material to the current condition (financial or otherwise), properties, assets, liabilities, business or operations of such entity.

(d) Unless the context clearly indicates otherwise, (a) each definition in this Agreement includes the singular and the plural; (b) each reference in

this Agreement to any gender includes the masculine, feminine and neuter where appropriate; (c) the words “include” and “including” and variations thereof shall not be deemed terms of limitation, but rather shall be deemed to be followed by the words “without limitation”; (d) the words “hereof,” “herein,” “hereto,” “hereby,” “hereunder” and derivative or similar words refer to this Agreement as an entirety and not solely to any particular provision of this Agreement; and (e) each reference in this Agreement to a particular Article, Section, Exhibit or Schedule means an Article or Section of, or an Exhibit or Schedule to, this Agreement, unless another agreement is specified.

(e) Capitalized terms shall have the meanings ascribed to them in this Agreement.

8.11 No Joint Venture. Nothing contained in this Agreement shall be deemed or construed as creating a joint venture or partnership between any of the parties hereto. No party hereto is by virtue of this Agreement authorized as an agent, employee or legal representative of any other party hereto. No party hereto shall have the power to control the activities and operations of any other and their status is, and at all times, will continue to be, that of independent contractors with respect to each other. No party hereto shall have any power or authority to bind or commit any other. No party hereto shall hold itself out as having any authority or relationship in contravention of this Section.

8.12 Absence of Third Party Beneficiary Rights. No provisions of this Agreement are intended, nor shall be interpreted, to provide or create any

third party beneficiary rights or any other rights of any kind in any client, customer, affiliate, shareholder, partner, or employee of any party hereto or any other Person or entity unless specifically provided otherwise herein, and, except as so provided, all provisions hereof shall be personal solely between the parties to this Agreement.

8.13 Waiver of Jury Trial. Each of the parties hereto hereby waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement or the Transaction. Each of the parties hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce that foregoing waiver and (b) acknowledges that it and the other hereto have been induced to enter into this Agreement and the Transaction, as applicable, by, among other things, the mutual waivers and certifications in this Section 8.13.

8.14 Attorneys' Fees. Except as otherwise specifically provided herein, in any suit, action or appeal (including arbitration) to enforce this Agreement or any term or provision of this Agreement, or to interpret this Agreement, the prevailing party shall be entitled to recover its costs incurred, including reasonable attorneys' fees at trial or on appeal.

8.15 Fees and Expenses. Except as set forth in Section 8.14, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses, whether or not the transaction is consummated.

8.16 Confidentiality and Publicity. Unless otherwise permitted by this Agreement or as required by applicable law, rule or regulation, Seller and Purchaser shall consult with each other before issuing any press release or otherwise making any public statement or making any other public (non-confidential) disclosure (whether or not in response to an inquiry) regarding the terms of this Agreement and the transactions contemplated hereby, and neither shall issue any such press release or make any such statement or disclosure without the prior approval of the other (which approval shall not be unreasonably withheld); provided, however, that Purchaser and Seller have the right to disclose the Transaction to third parties as may be necessary in order to obtain any necessary third party consents or permissions to take any other actions necessary to consummate the Transaction.

8.17 Bulk Transfer Laws. Notwithstanding anything to the contrary herein, Purchaser acknowledges that Seller will not comply with any bulk transfer Laws of any jurisdiction in connection with the transactions contemplated hereunder.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

**MEDIFARM LLC**

By:   /s/ Derek Peterson    
Name: Derek Peterson  
Its: Manager

**Harvest of Nevada (Decatur LV), LLC**

By:   /s/ Jason Vedadi    
Name: Jason Vedadi  
Its: Executive Chairman

**Harvest Health & Recreation, Inc.**

By:   /s/ Jason Vedadi    
Name: Jason Vedadi  
Its: Executive Chairman

EXHIBIT A  
TRADEMARK LICENSE AGREEMENT

EXHIBIT B  
ESCROW AGREEMENT

**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: August 8, 2019

By: /s/ Derek Peterson

Derek Peterson  
Chief Executive Officer and  
Chairman of the Board



**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: August 8, 2019

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 quarter ended June 30, 2019 (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: August 8, 2019

By: /s/ Derek Peterson  
Derek Peterson  
Chief Executive Officer and  
Chairman of the Board

**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 quarter ended June 30, 2019 (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: August 8, 2019

By: /s/ Michael C. James

Michael C. James  
Chief Financial Officer