

Terra Tech Corp.  
Form 10-Q  
November 14, 2014

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

**FORM 10-Q**

(MARK ONE)

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

For the quarterly period ended **September 30, 2014**

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 No. **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.)

**4700 Von Karman, Suite 110**

**Newport Beach, California 92660**

(Address of principal executive offices, zip code)

**(855) 447-6967**

(Registrant's telephone number, including area code)

**18101 Von Karman, Third Floor**

**Irvine, California 92612**

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

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

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

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

Large accelerated filer                    "  
Non-accelerated filer                    "

Accelerated filer                        "  
Smaller reporting company               x

(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS

As of October 28, 2014, there were 284,470,662 shares of common stock issued and outstanding, consisting of: (i) 189,648,936 shares of common stock; (ii) 100 shares of common stock issuable upon the conversion of all our currently outstanding shares of Series A Preferred Stock; (iii) 79,418,799 shares of common stock issuable upon the conversion of all of our currently outstanding shares of Series B Preferred Stock; and (iv) 15,402,827 shares of common stock issuable upon the exercise of all of our outstanding warrants.

**TERRA TECH CORP.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE PERIOD ENDED SEPTEMBER 30, 2014**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q of Terra Tech Corp., a Nevada corporation (the “Company”), contains “forward-looking statements,” as defined in the United States Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as “may”, “will”, “should”, “could”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of such terms and other comparable terminology. These forward-looking statements include, without limitation, statements about our market opportunity, our strategies, competition, expected activities and expenditures as we pursue our business plan, and the adequacy of our available cash resources. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Actual results may differ materially from the predictions discussed in these forward-looking statements. The economic environment within which we operate could materially affect our actual results. Additional factors that could materially affect these forward-looking statements and/or predictions include, among other things: (i) product demand, market and customer acceptance of Terra Tech’s produce, equipment and other goods, (ii) ability to obtain financing to expand its operations, (iii) ability to attract qualified sales representatives, (iv) competition, pricing and development difficulties, (v) ability to integrate its three newly-formed MediFarm subsidiaries into its operations, and (vi) general industry and market conditions and growth rates and general economic conditions., the exercise of the majority control the Company’s affiliates collectively hold of the Company’s voting securities, other factors over which we have little or no control; and other factors discussed in the Company’s filings with the Securities and Exchange Commission (“SEC”).

Our management has included projections and estimates in this Form 10-Q, which are based primarily on management’s experience in the industry, assessments of our results of operations, discussions and negotiations with third parties and a review of information filed by our competitors with the SEC or otherwise publicly available. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

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

	<b>September 30, 2014 Unaudited</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current Assets:		
Cash	\$ 3,476,579	\$ 26,943
Accounts receivable, net	192,832	41,903
Prepaid expenses	503,061	857
Inventory	91,271	-
Note receivable	-	173,754
Total Current Assets	4,263,743	243,457
Property, equipment and leasehold improvements, net	5,215,360	21,369
Intangible assets, net	172,032	194,872
Deposits	252,547	3,580,887
Total Assets	\$ 9,903,682	\$ 4,040,585
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 495,810	\$ 1,275,918
Note payable	6,550,205	1,197,680
Loans from Related Party	-	102,500
Derivative liability	3,210,270	1,381,000
Total Current Liabilities	10,256,285	3,957,098
Commitment and Contingencies		
Stockholders' Equity		
Preferred stock, Convertible Series A, Par value \$0.001; authorized and issued 100 shares as of September 30, 2014 and December 31, 2013 respectively	-	-
Preferred stock, Convertible Series B, Par value \$0.001; authorized 24,999,900 shares; issued and outstanding 14,750,000 shares as of September 30, 2014 and December 31, 2013, respectively	14,750	14,750
Common stock, Par value \$0.001; authorized 350,000,000 shares; issued 184,049,231 and 146,806,928 shares as of September 30, 2014 and December 31, 2013, respectively	184,049	146,808
Additional paid-in capital	33,278,930	14,759,246

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Accumulated Deficit	(33,830,332)	(14,837,317)
Total Stockholders' Equity	(352,603)	83,487
Total Liabilities and Stockholders' Equity	\$ 9,903,682	\$ 4,040,585

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

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**TERRA TECH CORP.****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****Unaudited**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Total Revenues	\$ 1,314,973	\$ 773,140	\$ 5,587,093	\$ 1,504,626
Cost of Goods Sold	1,251,035	769,620	5,620,702	1,497,195
	63,938	3,520	(33,609)	7,431
Selling, general and administrative expenses	8,035,171	162,629	14,131,053	1,789,804
Loss from operations	(7,971,233)	(159,109)	(14,164,662)	(1,782,373)
<b>Other Income (Expenses)</b>				
Loss from derivatives issued with debt greater than debt carrying value	(2,248,000)	(201,000)	(4,808,000)	(1,562,000)
Gain (Loss) on fair market valuation of derivatives	1,085,505	569,700	817,680	1,225,700
Interest Expense	(387,720)	(224,536)	(838,033)	(519,768)
Total Other Income (Expense)	(1,550,215)	144,164	(4,828,353)	(856,068)
Loss before Provision of Income Taxes	(9,521,448)	(14,945)	(18,993,015)	(2,638,441)
Provision for income taxes	-	-	-	1,650
Net Loss applicable to common shareholders	\$ (9,521,448)	\$ (14,945)	\$ (18,993,015)	\$ (2,640,091)
Net Loss per Common Share Basic and Diluted	\$ (0.05)	\$ (0.00)	\$ (0.11)	\$ (0.03)
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	181,233,509	94,071,535	168,742,609	88,520,734

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

**TERRA TECH  
CORP.  
CONDENSED  
CONSOLIDATED  
STATEMENT OF  
CASH FLOWS  
Unaudited**

	<b>9 Months Ended September 30, 2014</b>	<b>9 Months Ended September 30, 2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Loss	\$ (18,993,015)	\$ (2,640,091)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) loss on fair market valuation of derivatives	(817,680)	(1,225,700)
Depreciation and amortization	310,473	27,618
Warrants issued with common stock and debt	5,038,986	383,005
Stock issued for interest expense	284,101	55,777
Stock issued for compensation	1,657,860	-
Stock issued for services	2,900,368	671,924
Equity instruments issued with debt greater than debt carrying amount	4,808,000	1,562,000
Change in accounts receivable reserve	(1,391)	(5,000)
Changes in operating assets and liabilities:		
Accounts receivable	(149,538)	(516,005)
Prepaid expenses	(85,924)	-
Inventory	(91,271)	8,102
Prepaid inventory	-	51,988
Note receivable	173,754	-
Deposits	(152,547)	(2,439,532)
Accounts payable	(749,479)	1,578,564
Net cash used in operations	(5,867,303)	(2,487,350)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(1,989,237)	-
Purchase of intangible assets - domain names	(11,500)	-
Cash assumed in merger	-	100
Net cash used in investing activities	(2,000,737)	100
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of notes payable	7,344,737	1,757,474
Proceeds from issuance of notes payable to related parties	27,500	17,502
Payments on notes payable	(300,000)	(100,000)
Payments on notes payable to related parties	(130,000)	(20,000)
Proceeds from issuance of common stock and warrants and common stock subscribed	4,014,919	856,660
Proceeds from issuance of common stock from the exercise of warrants	293,420	-
Short swing profit payment	67,100	-

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Net cash provided by financing activities	11,317,676	2,511,636
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,449,636	24,386
CASH AND CASH EQUIVALENTS, beginning of period	26,943	16,312
CASH AND CASH EQUIVALENTS, end of period	\$ 3,476,579	\$ 40,698

SUPPLEMENTAL DISCLOSURE FOR OPERATING  
ACTIVITIES

Cash paid for interest	\$ 285,371	\$ 6,750
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SUPPLEMENTAL DISCLOSURE FOR FINANCING  
ACTIVITIES

Warrant expense	\$ 5,038,986	\$ 383,005
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The accompanying notes are an integral part of the condensed consolidated financial statements.

**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

We were incorporated as Private Secretary, Inc. on July 22, 2008 in the State of Nevada. From inception until we completed our reverse acquisition of GrowOp Technology, the principal business of the Company originally was to develop a software program that would allow for automatic call processing through VoIP technology. On January 27, 2012, the Company filed an amendment to its Articles of Incorporation changing its name to Terra Tech Corp. During that time, we had no revenue and our operations were limited to capital formation, organization, and development of our business plan and target customer market. As a result of the merger with GrowOp Technology, on February 9, 2012 we ceased our prior operations and we are now a holding company and our wholly owned subsidiary GrowOp Technology engages in the design, marketing and sale of hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture. On April 23, 2013, we entered into a Share Exchange Agreement, dated March 23, 2013 by and among the Company, Edible Garden Corp., a Nevada corporation (“Edible Garden”), and the holders of common stock of Edible Garden. As a result of the share exchange Edible Garden is now a wholly-owned subsidiary of the Company. Edible Garden is a retailer seller of its line of locally grown hydroponic produce, which is distributed throughout the Northeast United States.

**Recent Developments**

On March 23, 2013, Terra Tech Corp. (formerly named, “Private Secretary, Inc.”) (, a Nevada corporation (the “Company”) entered into a Share Exchange Agreement with Edible Garden Corp., a Nevada corporation (“Edible Garden”), and the holders of common stock Edible Garden. The share exchange was consummated on April 24, 2013, when Articles of Exchange were filed with the Secretary of State of the State of Nevada.

Under the terms and conditions of the Agreement, the Company issued 1,250,000 shares of common stock of the Company in consideration for all the issued and outstanding shares in Edible Garden Corp. The effect of the issuance is that Edible Garden Corp. shareholders now hold outstanding shares of common stock of the Company.

On February 9, 2012, Terra Tech Corp. entered into an Agreement and Plan of Merger dated February 9, 2012 (the “Agreement and Plan of Merger”), by and among the Company, TT Acquisitions, Inc., a Nevada corporation and a

wholly-owned subsidiary of the Company (“TT Acquisitions”), and GrowOp Technology Ltd., a Nevada corporation (“GrowOp Technology”).

Under the terms and conditions of the Agreement and Plan of Merger, the Company sold 33,998,500 shares of common stock of the Company in consideration for all the issued and outstanding shares in GrowOp Technology. The effect of the issuance is that GrowOp Technology shareholders now hold approximately 41.46% of the issued and outstanding shares of common stock of the Company. Separately, TT Acquisitions merged with GrowOp Technology, with the effect that GrowOp Technology is a wholly-owned subsidiary of the Company. Articles of Merger, effecting the merger of GrowOp Technology and TT Acquisitions, were filed with the Secretary of State of the State of Nevada on February 9, 2012.

**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

GrowOp Technology was founded in March 2010, in Oakland, California. GrowOp Technology's business (now the principal business of Terra Tech) is the integration of best of breed hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture. We work closely with expert horticulturists, engineers, and scientists, to develop and manufacture advanced proprietary products for the hydroponic industry. Our products are utilized by horticulture enthusiasts, local urban farmers, and green house growers. We believe that the emerging trend of urban and indoor agriculture has fostered an entrepreneurial push by companies to bring their concept to market. Many of these companies lack both the intellectual resources and manufacturing capabilities to bring their idea to fruition. That is where Terra Tech is positioned. We have the team and the resources to help bring indoor cultivation designs from concept to production. Our products can be found through specialty retailers throughout the United States.

The accompanying unaudited condensed financial statements include all of the accounts of Terra Tech. These condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States for financial information and with the instructions to Form S-1 and Regulation S-X. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

## Accounts Receivable

The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. The Company does not accrue interest receivable on past due accounts receivable. There was an allowance of \$49,168 at September 30, 2014 and \$52,000 at December 31, 2013.

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**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Property and Equipment**

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

**Intangibles**

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

**Deposits**

Deposits are for a store and land in Nevada.

**Revenue Recognition**



Revenue is recognized net of discounts, rebates, promotional adjustments, price adjustments and estimated returns and upon transfer of title and risk to the customer which occurs at shipping (F.O.B. terms). Upon shipment, the Company has no further performance obligations and collection is reasonably assured as the majority of sales are paid for prior to shipping.

#### Cost of Goods Sold

Cost of goods sold are for the plants purchased and sold into the retail marketplace.

#### Research and Development

Research and development costs are expensed as incurred.

**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Income Taxes**

The Company provides for income taxes based on enacted tax law and statutory tax rates at which items of income and expenses are expected to be settled in the Company's income tax return. Certain items of revenue and expense are reported for Federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating losses for financial-reporting and tax-reporting purposes. Accordingly, for Federal and state income tax purposes, the benefit for income taxes has been offset entirely by a valuation allowance against the related federal and state deferred tax asset for the nine months ended September 30, 2014.

**Loss Per Common Share**

Net loss per share, in accordance with the provisions of ASC 260, "Earnings Per Share" is computed by dividing net loss by the weighted average number of shares of Common Stock outstanding during the period. During a loss period, the effect of the potential exercise of stock options, warrants, convertible preferred stock and convertible debt are not considered in the diluted income (loss) per share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the nine months ended September 30, 2014 therefore the basic and diluted weighted average common shares outstanding were the same.

**Fair Value of Financial Instruments**

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

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

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

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

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

**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

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

**Recently Issued Accounting Standards**

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

**2. GOING CONCERN**

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

However, the Company has incurred net losses for the three months ended September 30, 2014 and has accumulated a deficit of approximately \$33.8 million at September 30, 2014. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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

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

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

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

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**TERRA TECH CORP.**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**4. SHARE EXCHANGE**

On April 24, 2013, the shareholders of the Company entered into a definitive agreement pursuant to which its shareholders exchanged common stock of Edible Garden Corp. for common stock of the Company. Under the agreement the Company acquired the customer list. Under the terms of this agreement the Company paid 1,250,000 shares of common stock valued at \$212,500.

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

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

Intangible assets with estimated useful lives are amortized over a 5 year period. Amortization expense was \$34,658 for the nine months ended September 30, 2014.

**5. REVERSE MERGER**

On February 9, 2012, the Company completed a reverse merger transaction through a merger with GrowOp Technology whereby we acquired all of the issued and outstanding shares of GrowOp Technology in exchange for 33,998,520 shares of our common stock, which represented approximately 41.4% of our total shares outstanding immediately following the closing of the transaction. As a result of the reverse acquisition, GrowOp Technology became our wholly owned subsidiary and the former shareholders of GrowOp Technology became our controlling stockholders. The share exchange transaction with GrowOp Technology was treated as a reverse acquisition, with GrowOp Technology as the acquiror and the Company as the acquired party.

On February 26, 2012, pursuant the Agreement and Plan of Merger, the Company issued an aggregate of 100 shares of Series A Preferred Stock and 14,750,000 shares of Series B Preferred Stock to Derek Peterson and Amy Almsteier, both of whom are officers and directors of the Company. The Company exchanged the shares for the Series A Preferred Stock and shares of Series B Preferred Stock issued by GrowOp Technology.

#### *Purchase Accounting*

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

**TERRA TECH CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**REVERSE MERGER, Continued**

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

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

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

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

**6. INVENTORY**

Inventory consist of raw materials for the Company's herb product lines. Cost of goods sold are calculated using the average costing method. The Company reviews its inventory periodically to determine net realizable value. The Company writes down inventory, if required, based on forecasted demand. These factors are impacted by market and economic conditions, new products introductions and require estimates that may include uncertain elements. Inventory at September 30, 2014 and December 31, 2013 consisted of the following:



		<b>September 30, 2014</b>	<b>December 31, 2013</b>
Raw			
Materials	\$	91,271	\$ -
Total	\$	91,271	\$ -

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

Property, equipment and leasehold improvements at cost, less accumulated depreciation, at September 30, 2014 and December 31, 2013 consisted of the following:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Furniture	\$ 46,036	\$ 31,539
Equipment	1,314,531	26,022
Leasehold improvements	4,179,997	10,400
Subtotal	5,540,564	67,961
Less accumulated depreciation	(325,204)	(46,592)
Total	\$ 5,215,360	\$ 21,369

Depreciation expense related to property and equipment for the nine months ended September 30, 2014 was \$275,815 and for the nine months ended September 30, 2013 was \$9,211.

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consisted of the following:

	<b>September 30, 2014</b>	<b>December 31, 2013,</b>
Accounts payable	\$ 121,493	\$ 948,421
Accrued officers' salary	60,000	60,000
	251,718	204,898

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Accrued interest			
Accrued payroll taxes	62,599		62,599
	\$ 495,810	\$	1,275,918

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

Notes payable is as follows:

	September 30, 2014	December 31, 2013
Unsecured promissory demand note dated May 7, 2012, issued to an accredited investor, bearing interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share.	5,000	5,000
Promissory note dated July 26, 2013, issued to an accredited investor, maturing July 15, 2014, bearing interest at a rate of 12% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option.	150,000	150,000
Unsecured promissory demand notes, issued to an accredited investor, bearing interest at a rate of 4% per annum. Holder may elect to convert into common stock at \$0.75 per share.	109,306	109,306
Unsecured promissory demand note, issued to an accredited investor, bearing interest at a rate of 15% per annum.	3,474	3,474
Senior secured promissory notes dated July 26, 2013, issued to accredited investors, maturing April 26, 2013, bearing interest at a rate of 6% per annum. Principal and interest was be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option during the quarter ended March 31, 2014.	-	250,000
Senior secured promissory notes dated October 10, 2013, issued to accredited investors, maturing April 5, 2014, bearing interest at a rate of 6% per annum. Principal and interest was be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option during the quarter ended March 31, 2014.	-	54,900

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

Senior secured promissory note dated October 10, 2013, issued to an accredited investor, maturing May 22, 2014, bearing interest at a rate of 6% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option. \$50,000 was converted during the six months ended June 30, 2014.	- 50,000
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Senior secured promissory notes dated November 22, 2013, issued to accredited investors, maturing May 15, 2014, bearing interest at a rate of 6% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option. \$175,000 was converted during the quarter ended March 31, 2014. \$100,000 principal plus accrued interest was paid during the quarter ended March 31, 2014.	- 275,000
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Senior secured promissory notes dated December 5, 2013, issued to accredited investors, maturing July 1, 2014, bearing interest at a rate of 12% per annum. Principal and interest was converted into equity during the nine months ended September 30, 2014.	- 300,000
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**TERRA TECH CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE PAYABLE, Continued**

Demand promissory notes dated January 7, 2014, issued to an accredited investor, maturing August 7, 2014, bearing interest at a rate of 12% per annum.	100,000	-
5% Original issue discount senior secured convertible promissory note dated February 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014. Principal in the amount of \$612,312 was converted into equity during the nine months ended September 30, 2014.	229,793	-
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	842,105	-
5% Original issue discount senior secured convertible promissory note dated April 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	578,947	-
5% Original issue discount senior secured convertible promissory note dated May 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	578,947	-
5% Original issue discount senior secured convertible promissory note dated June 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	578,947	-
5% Original issue discount senior secured convertible promissory note dated July 1, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	578,947	-
5% Original issue discount senior secured convertible promissory note dated July 31, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5, 2014.	2,894,739	-
	6,550,205	1,197,680

The senior secured promissory notes are secured by shares of common stock. There is accrued interest of \$251,718 as of September 30, 2014.

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**TERRA TECH CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****10. LOANS FROM RELATED PARTY**

Notes payable to related party is as follows:

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Unsecured promissory note dated December 2, 2011 and due December 2, 2012, issued to an entity controlled by Michael James an officer of the Company, bearing interest at a rate of 15% per annum. The maturity date has been extended until March 31, 2014. Interest shall be paid in cash or common stock at the holders' option. Principal in the amount of \$30,000 was paid during the quarter ended March 31, 2014.	\$ -	\$ 30,000
Unsecured promissory note dated December 2, 2011 and due December 2, 2012, issued to Michael Nahass a director of the Company, bearing interest at a rate of 15% per annum. The maturity date has been extended until March 31, 2014. Interest shall be paid in cash or common stock at the holders' option. During the year ended December 31, 2013, \$17,502 has been advanced to the Company. Principal in the amount of \$72,500 was paid during the quarter ended March 31, 2014.	-	72,500
	\$ -	\$ 102,500

**11. CAPITAL STOCK****Preferred Stock**

The Company has authorized 25 million shares of preferred stock with \$0.001 par value, of which there were 100 shares of Series A Convertible Preferred Stock outstanding as of September 30, 2014. Series A Convertible Preferred Stock is convertible on a one-for-one basis into common stock and has all of the voting rights that the holders of our common stock has.

On February 26, 2012, pursuant the Agreement and Plan of Merger, the Company issued an aggregate of 100 shares of Series A Preferred Stock to Derek Peterson and Amy Almsteier, both of whom are officers and directors of the



Company.

There were 14,750,000 shares of Series B Convertible Preferred Stock outstanding as of September 30, 2014. The Series B Convertible Preferred shares will vote with the common stock of the Company, be equal to 100 votes of common stock and be convertible into shares of common stock of the Company and a 1-for-5.384325537.

On February 26, 2012, pursuant the Agreement and Plan of Merger, the Company issued an aggregate of 14,750,000 shares of Series B Preferred Stock to Derek Peterson and Amy Almsteier, both of whom are officers and directors of the Company. On April 23, 2013, we entered into a Share Exchange Agreement, dated March 23, 2013 (the “Share Exchange Agreement”), by and among the Company, Edible Garden Corp., a Nevada corporation (“Edible Garden”), and the holders of common stock of Edible Garden. Amy Almsteier, our majority shareholder, and officer and director, offered and sold 7,650,000 of her 12,500,000 shares of Series B Preferred Stock to Ken VandeVrede, Mike VandeVrede, Steve VandeVrede and Dan VandeVrede, Beverly Willekes, and David VandeVrede (collectively, the “Edible Garden Shareholders”), each of whom acquired the Series B Preferred Stock on a pro-rata basis, based on their respective parentage equity interest in Edible Garden immediately prior to the consummation of the Share Exchange Agreement.

**TERRA TECH CORP.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CAPITAL STOCK, continued**

## Common Stock

The Company has authorized 350 million shares of common stock with \$0.001 par value, of which there were issued and outstanding 184,049,231 as of September 30, 2014.

**12. WARRANTS**

The Company has the following shares of common stock reserved for the warrants outstanding as of September 30, 2014:

	<b>September 30, 2014</b>	
	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Warrants outstanding – beginning of year	19,550,817	\$ 0.17
Warrants exercised	(9,367,287)	0.19
Warrants granted	11,491,227	0.30
Warrants expired	-	-
Warrants outstanding – end of period	21,674,757	\$ 0.23

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

The weighted exercise price and weighted fair value of the warrants granted by the Company as of September 30, 2014, are as follows:

	<b>September 30, 2014</b>	
	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Fair Value</b>
Weighted average of warrants granted during the three months whose exercise price exceeded fair market value at the date of grant	\$ 0.30	\$ 0.45
Weighted average of warrants granted during the nine months whose exercise price was equal or lower than fair market value at the date of grant	\$ -	\$ -

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

<b>Range of Exercise Prices</b>	<b>Number Outstanding at September 30, 2014</b>	<b>Average Remaining Contractual Life</b>	<b>Weighted Average Exercise Price</b>
\$0.33	5,540,400	10 Months	\$0.33
\$0.46	600,000	10 Months	\$0.46
\$0.46	150,000	4 Months	\$0.46
\$0.85	\$40,000	7 Months	\$0.85
\$0.40	\$333,333	11 Months	\$0.40
\$0.33	439,637	14 Months	\$0.33
\$0.16	750,000	18 Months	\$0.16
\$0.06	7,067,002	48 Months	\$0.06
\$0.30	964,912	44 Months	\$0.30
\$0.30	964,912	45 Months	\$0.30
\$0.30	4,824,561	46 Months	\$0.30
	21,674,757		

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For the warrants issued in February 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.57, exercise price of \$0.330, volatility of 122.84%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

For the warrants issued in March 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.50, exercise price of \$0.30, volatility of 122.61%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

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**TERRA TECH CORP.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**WARRANTS, Continued**

For the warrants issued in April 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.80, exercise price of \$0.30, volatility of 125.88%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

For the warrants issued in May 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.59, exercise price of \$0.30, volatility of 127.68%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

For the warrants issued in June 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.68, exercise price of \$0.30, volatility of 130.55%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

For the warrants issued in July 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.55, exercise price of \$0.30, volatility of 130.71%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

For the warrants issued in July 2014, the Company valued the warrants utilizing the black schools method with the following inputs: stock price of \$0.40, exercise price of \$0.30, volatility of 131.05%, years 4, treasury bond rate 2.5% and dividend rate of 0%.

The warrant expense of \$5,038,986 was based on the Black Scholes calculation which was expensed during the nine months ended September 30, 2014.

**13. OPERATING LEASE COMMITMENTS**

The Company leases certain office and industrial warehouse space in Lake Forest, California. The monthly rent is \$3,025 for the first year and will increase to \$3,300 for the second year.

The Company has an annual lease for a steel building and five acres of greenhouse space in Belvidere, New Jersey. The monthly rent is \$13,000 for an annual amount of \$156,000.

Net rent expense for the Company for the nine months ended September 30, 2014 was \$234,300.

#### **14. LITIGATION AND CLAIMS**

From time to time, the Company may be involved in various legal proceedings and claims arising in the ordinary course of business. The disposition of these additional matters, which may occur, individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial condition. However, depending on the amount and timing of such disposition, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

As of September 30, 2014, there was no accrual recorded for any potential losses related to pending litigation.

#### **15. SUBSEQUENT EVENTS**

During the fourth quarter of 2014, debt and accrued interest in the amount of \$1,545,614 was converted into 7,656,671 common shares.

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

### **Overview**

We were incorporated as Private Secretary, Inc. on July 22, 2008 in the State of Nevada. From inception until we completed our reverse acquisition of GrowOp Technology, the principal business of the Company originally was to develop a software program that would allow for automatic call processing through VoIP technology. On January 27, 2012, the Company filed an amendment to its Articles of Incorporation changing its name to Terra Tech Corp. During that time, we had

no revenue and our operations were limited to capital formation, organization, and development of our business plan and target customer market. As a result of the merger with GrowOp Technology, on February 9, 2012 we ceased our prior operations and we are now a holding company and our wholly owned subsidiary engages in the design, marketing and sale of hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture.

On February 9, 2012, Terra Tech Corp. (formerly named, "Private Secretary, Inc.") , a Nevada corporation (the "Company") entered into an Agreement and Plan of Merger dated February 9, 2012 (the "Agreement and Plan of Merger"), by and among the Company, TT Acquisitions, Inc., a Nevada corporation and a wholly-owned subsidiary of the Company ("TT Acquisitions"), and GrowOp Technology Ltd., a Nevada corporation ("GrowOp Technology").

Under the terms and conditions of the Agreement and Plan of Merger, the Company sold 33,998,520 shares of common stock of the Company in consideration for all the issued and outstanding shares in GrowOp Technology. The effect of the issuance is that GrowOp Technology shareholders now hold approximately 41.46% of the issued and outstanding shares of common stock of the Company. Separately, TT Acquisitions merged with GrowOp Technology, with the effect that GrowOp Technology is a wholly-owned subsidiary of the Company. Articles of Merger, effecting the merger of GrowOp Technology and TT Acquisitions, were filed with the Secretary of State of the State of Nevada on February 9, 2012.

GrowOp Technology was founded in March 2010, in Oakland, California. GrowOp Technology's business (now the principal business of Terra Tech) is the integration of best of breed hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture. We work closely with expert horticulturists, engineers, and scientists, to develop and manufacture advanced proprietary products for the hydroponic industry. Our products are utilized by horticulture enthusiasts, local urban farmers, and green house growers. We believe that the emerging trend of urban and indoor agriculture has fostered an entrepreneurial push by companies to bring their concept to market. Many of these companies lack both the intellectual resources and manufacturing capabilities to bring their idea to fruition. That is where Terra Tech is positioned. We have the team and the resources to help bring indoor cultivation designs from concept to production. Our products can be found through specialty retailers

throughout the United States.

In March 2013 we entered into the Share Exchange Agreement with Edible Garden Corp., a Nevada corporation (“Edible Garden”) and its stockholders. Pursuant to the Share Exchange Agreement, we offered and sold 1,250,000 shares of common stock of the Company in consideration for all the issued and outstanding shares in Edible Garden. Separately, Ms. Almsteier, a stockholder, and an officer and director, offered and sold 7,650,000 shares of Series B Preferred Stock to Ken Vande Vrede, Mike Vande Vrede, Steve Vande Vrede, Dan Vande Vrede, Beverly Willekes, and David Vande Vrede (the “Former EG Principal Stockholders”). The 7,650,000 shares of Series B Preferred Stock is convertible at any time into 36,344,198 shares of common stock and have voting power equal to 765,000,000 shares of common stock.



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

Recently, we formed three majority-owned subsidiaries for the purposes of cultivation or production of medical marijuana and/or operation of dispensary facilities in various locations in Nevada upon obtaining the necessary government approvals and permits, as to which there can be no assurance.

We formed MediFarm, LLC, a Nevada limited liability company (“MediFarm”) on March 19, 2014. We own 60% of the membership interests in MediFarm. The remaining membership interests are owned by Camden Goorjian (20%) and by Richard Vonfeldt (20%), two otherwise unaffiliated individuals. Upon receipt of the necessary governmental approvals and permitting, we expect MediFarm to operate medical marijuana cultivation, production and dispensary facilities in Clark County, Nevada and a medical marijuana dispensary facility in the City of Las Vegas.

We formed MediFarm I, LLC, a Nevada limited liability company (“MediFarm I”) on July 18, 2014. We own 50% of the membership interests in MediFarm I. The remaining membership interests are owned by Forever Green NV, LLC (50%), an otherwise unaffiliated entity. Upon receipt of the necessary governmental approvals and permitting, we expect MediFarm I to operate a medical marijuana dispensary in Reno, Nevada.

We formed MediFarm II, LLC, a Nevada limited liability company (“MediFarm II”) on July 30, 2014. We own 55% of the membership interests in MediFarm II. The remaining membership interests are owned by Nevada MF, LLC (30%) and by Forever Green NV, LLC (15%), two otherwise unaffiliated parties. Upon receipt of the necessary governmental approval and permitting, we expect MediFarm II to operate a medical marijuana cultivation and production facility in Spanish Springs, Nevada.

#### **Results of Operations for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013:**

*Revenues.* For the nine months ended September 30, 2014, we generated revenues of \$5,587,093 compared to \$1,504,626 for the nine months ended September 30, 2013, an increase of \$4,082,467 or 271%. The increase was primarily due to revenues generated by Edible Garden, which we acquired in April 2013.

*Gross Margin.* For the nine months ended September 30, 2014, we had gross profits of (\$33,609) compared to \$7,431 for the nine months ended September 30, 2013, a decrease of \$41,040. The decrease in gross profits and gross margin is a result of expenses associated with the ramp up of Edible Garden's greenhouse during the nine months ended September 30, 2014.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses for the nine months ended September 30, 2014 were \$14,131,053, compared to \$1,789,804 for the nine months ended September 30, 2013, an increase of \$12,341,249. This increase was primarily due to the following increases in expenses: (i) \$725,024 in increased expenses associated with the ramp-up of Edible Garden's greenhouse facility; (ii) \$282,855 in increased depreciation expense related to Edible Garden's equipment; (iii) \$382,000 in increased directors' fees, all paid in shares of our common stock; (iv) \$2,179,237 in compensation to officers and employees, who now receive a salary, along with awards of shares of our common stock; (v) \$49,185 in increased premiums for increases in directors and officers insurance coverage; (vi) \$795,000 in increased consulting fees incurred in connection with the distribution of Edible Gardens products; (vii) expenses totaling \$517,449 for consultant fees, lobbyist fees and travel expenses incurred in connection with the license and permit process in Nevada for MediFarm's, MediFarm I's, and MediFarm II's businesses; (viii) \$390,189 in legal and accounting fees in connection with the filing of a Registration Statement with the Securities and Exchange Commission for the common stock underlying certain debt and warrants from our February financing; and (ix) \$4,655,981 in increased warrant expense due to an increase in due to an increase of warrants issued in capital raises.

*Other Income (Expense).* Other expense for the nine months ended September 30, 2014 was \$4,828,253 compared to \$856,068 for the nine months ended September 30, 2013, an increase \$3,972,185. In the first nine months of 2014, we recorded a loss on derivatives issued with debt greater than the debt carrying value in the amount of \$4,808,000 compared to \$1,562,000 in the first nine months of 2013 due to convertible notes issued in 2014. We recognized a gain on the fair market valuation of derivatives in the amount of \$817,680 in the first nine months of 2014 compared to a gain of \$1,225,700 in the first nine months of 2013. We recognized interest expense of \$838,033 for the nine months ended September 30, 2014 compared to \$519,768 for the nine months ended September 30, 2013. The increase in interest expense is due to more debt outstanding in the nine months ended September 30, 2014 compared to the prior period.

*Net Income (Loss).* For the nine months ended September 30, 2014, we incurred a net loss of \$18,993,015 or \$0.11 per share, compared to a net loss of \$2,640,091 or \$0.03 per share for the nine months ended September 30, 2013. At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses. Management will continue to make an effort to lower operating expenses and increase revenue. In order to increase revenue, the Company plans to continue to invest in further expanding its operations and engage in a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting the name and products of the Company. Given the fact that most of our operating expenses are fixed or have quasi-fixed character, management expects them to significantly decrease as a percentage of revenue as revenues increase.

#### **Results of Operations for the quarter ended September 30, 2014 compared to the quarter ended September 30, 2013:**

*Revenues.* For the quarter ended September 30, 2014, we generated revenues of \$1,314,973 compared to \$773,140 for the quarter ended September 30, 2013, an increase of \$541,834. The increase was primarily due to revenues generated by Edible Garden, which we acquired in April 2013.

*Gross Margin.* For the quarter ended September 30, 2014, we had gross profits of \$63,938 compared to \$3,520 for the quarter ended September 30, 2013, an increase of \$60,418. The increase in the gross margin was due to the greenhouse coming online in the September 30, 2014 quarter for Edible Gardens.

Selling, general and administrative expenses for the quarter ended September 30, 2014 were \$8,035,171, compared to \$162,629 for the quarter ended September 30, 2013, an increase of \$7,872,542. This increase was primarily due to the following increases in expenses: (i) \$239,832 in increased expenses associated with the ramp-up of Edible Garden's greenhouse facility; (ii) \$85,753 in increased depreciation expense related to Edible Garden's equipment; (iii) \$106,000 in increased directors' fees, all paid in shares of our common stock; (iv) \$2,065,967 in compensation to officers and employees, who now receive a salary, along with awards of shares of our common stock; (v) \$27,096 in increased premiums for increases in directors and officers insurance coverage; (vi) \$397,500 in increased consulting fees incurred in connection with the distribution of Edible Gardens products; (vii) expenses totaling \$517,449 for consultant fees, lobbyist fees and travel expenses incurred in connection with the license and permit process in

Nevada for MediFarm's, MediFarm I's, and MediFarm II's businesses; (viii) \$256,126 in legal and accounting fees in connection with the filing of a Registration Statement with the Securities and Exchange Commission for the common stock underlying certain debt and warrants from our February financing; and (ix) \$2,596,948 in increased warrant expense due to an increase in due to an increase of warrants issued in capital raises.

*Other Income (Expense).* Other expense for the quarter ended September 30, 2014 was \$1,550,215 compared to other income of \$144,164 for the quarter ended September 30, 2013, a decrease in other income and increase in other expense of \$1,694,379. In the third quarter of 2014, we recorded a loss on derivatives issued with debt greater than the debt carrying value in the amount of \$2,248,000 compared to \$201,000 in the third quarter of 2013 due to convertible notes issued in 2014. We recognized a gain on the fair market valuation of derivatives in the amount of \$1,085,505 in the third quarter of 2014 compared to a gain of \$569,700 in the third quarter of 2013. We recognized interest expense of \$387,720 for the quarter ended September 30, 2014 compared to \$224,536 for the quarter ended September 30, 2013. The increase in interest expense is due to more debt outstanding in the three months ended September 30, 2014 compared to the prior period.

*Net Income (Loss).* For the quarter ended September 30, 2014, we incurred a net loss of \$9,521,448 or \$0.05 per share, compared to a net loss of \$14,945 or \$0.00 per share for the three months ended September 30, 2013. At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses. Management will continue to make an effort to lower operating expenses and increase revenue. In order to increase revenue, the Company plans to continue to invest in further expanding its operations and engage in a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting the name and products of the Company. Given the fact that most of the Company's operating expenses are fixed or have quasi-fixed character, management expects them to significantly decrease as a percentage of revenue as revenues increase.

## **Liquidity and Capital Resources**

We have never reported net income. We incurred net losses for the nine months ended September 30, 2014 and have an accumulated deficit of \$33,830,332 at September 30, 2014. At September 30, 2014, we had a cash balance of approximately \$3,476,579 compared to a cash balance of \$26,943 at December 31, 2013. This increase in our cash balance is primarily due to proceeds received from Dominion Capital LLC ("Dominion") related to the sale of promissory notes. At September 30, 2014, we had a working capital deficit of \$5,992,542 compared to \$3,713,641 at December 31, 2013.

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. The Company's future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities.

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

With respect to GrowOp Technology, we anticipate needing approximately \$110,000 for the commercial development of this subsidiary, which includes anticipated expenses for purchasing, marketing and selling of a new line of double

ended lighting.

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 first quarter of 2015. We are evaluating various options to further reduce our cash requirements to operate at a reduced rate, as well as options to raise additional funds, including obtaining loans and selling common stock. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations.

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

Due to the uncertainty of our ability to meet our current operating and capital expenses, our independent auditors included a note to our financial statements for the three and nine months ended September 30, 2014 regarding concerns about our ability to continue as a going concern. There is substantial doubt about our ability to continue as a going concern as the continuation and expansion of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our products, and achieving a profitable level of operations. The condensed consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

### ***Common Stock Purchase Agreement with Hanover Holdings***

On April 29, 2013, we entered in a common stock purchase agreement with Hanover Holdings I, LLC (“Hanover”) for the sale of up to \$5,000,000 of our common stock over a 36-month term. The purchase agreement provided that from time to time over the term of the purchase agreement, commencing on the trading day immediately following the date on which the initial registration statement is declared effective by the SEC, the Company had the discretion to provide Hanover with draw down notices to purchase a specified dollar amount of the shares of common stock over the course of a 10-day trading day period, subject to certain limitations as specified in the purchase agreement. The maximum amount of shares of common stock put to Hanover in any single draw down notice could not exceed 300% of the average daily trading volume of the common stock for the 10-day trading period immediately preceding the date of the draw down notice. We paid an initial commitment fee to Hanover equal to \$125,000 (or 2.5% of the total commitment under the agreement) in the form of 595,239 restricted shares of common stock. We also paid \$15,000 in reasonable attorneys’ fees and expenses incurred by Hanover in connection with the preparation, negotiation, execution and delivery of the common stock purchase agreement and related transaction documents.

Pursuant to a registration rights agreement entered into with Hanover, we agreed to file an initial registration statement with the SEC to register an agreed upon number of shares. On September 30, 2013, the SEC declared effective our registration statement on Form S-1, as amended (File No. 333-188477), which registered 10,085,259 shares of common stock pursuant to the terms of the common stock purchase agreement and 595,239 shares of common stock we issued as the “initial commitment fee.” All of these shares of common stock were put to Hanover during various times from October through December 2013. We raised aggregate proceeds of approximately \$609,045 and paid aggregate commission fees to Aegis Capital Corp. (“Aegis”) in the amount of \$18,271.

On January 24, 2014, the SEC declared effective our registration statement on Form S-1, as amended (File No. 333-191954), which registered 19,000,000 shares of common stock put to Hannover pursuant to the common stock purchase agreement.

Subsequent to the effectiveness of the registration statement, we put 6,600,000 shares of common stock to Hanover, raising aggregate proceeds of approximately \$4,014,919. We paid a 3% commission fee to Aegis in the amount of approximately \$120,448.

On June 27, 2014, the SEC declared effective a Post-effective Amendment No. 1 to the registration statement to deregister the remaining 12,400,000 shares of our common stock that remained unsold. We have determined not to put the remaining 12,400,000 shares of common stock to Hanover.

### ***Warrants***

The Company received \$293,420 from the exercise of warrants during the first nine months of fiscal 2014.



### ***Promissory Notes***

During the nine months ended September 30, 2014, the Company obtained new debt from the issuance of secured promissory notes that supplied the funds that were needed to finance operations during such reporting period. Such new borrowings resulted in the receipt by the Company of \$7,344,737. The proceeds received by the Company includes the sale of an aggregate of \$6,550,000, net of a five percent original issue discount (the "OID"), of promissory notes to Dominion. The OID, aggregated, is approximately \$344,737. All principal and interest due and owing under each such note is convertible into shares of common stock at a conversion price equal to approximately \$0.30753 per share, subject to adjustment. Each such note accrues interest at a rate of 12% per annum and has a maturity date of 18 months after issuance. The notes were sold to Dominion at various times from February 2014 through July 2014.

The Company recently loaned Palm Creek approximately \$16,000 to upgrade the facility. Palm Creek is repaying this on a monthly basis. The outstanding principal amount is approximately \$11,188.

### ***Operating Activities***

Cash used in operations for the nine months ended September 30, 2014 was \$5,867,303 compared to \$2,487,350 for the nine months ended September 30, 2013. The increase in the cash used in operations was primarily due to: (i) net loss of \$18,993,015; (ii) a \$817,680 loss on the fair market valuation of derivatives; (iii) \$5,038,986 related to the issuance of warrants; (iv) \$4,808,000 related to equity instruments issued with debt greater than the debt carrying amount; and (v) \$2,900,368 for the issuance of stock in connection with the performance of services to the Company.

### ***Investing Activities***

Cash used in investing activities for the nine months ended September 30, 2014 was \$2,000,737 compared to cash provided by investing activities of \$100 for the nine months ended September 30, 2013. During the first nine months of fiscal 2014, cash used in investing activities was primarily comprised of the purchase of property and equipment in the amount of \$1,989,237.

### ***Financing Activities***

Cash provided by financing activities for the nine months ended September 30, 2014 was \$11,317,676 compared to \$2,511,636 for the nine months ended September 30, 2013, an increase of \$8,806,040. This increase was primarily

due to: (i) \$7,344,737 in proceeds from the issuance of notes payable; (ii) \$4,014,919 in proceeds from the issuance of 6,600,000 shares of common stock to Hannover; and (iii) \$293,420 in proceeds from the exercise of warrants, offset by payments on notes payable equal to \$300,000 and payments on notes payable to related parties equal to \$130,000.

## **OFF-BALANCE SHEET ARRANGEMENTS**

We have no off-balance sheet arrangements.

## **CRITICAL ACCOUNTING POLICIES**

### *Use of Estimates*

The preparation of the financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although we believe that these estimates are reasonable, actual results could differ from those estimates given in conditions or assumptions that have been consistently applied.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value. The Company had cash and cash equivalents equal to \$3,476,579 as of September 30, 2014.

### *Accounts Receivable*

Accounts receivable are customer obligations due under normal trade terms. The Company reviews all outstanding accounts receivable for collectability on a quarterly basis. An allowance for doubtful accounts is recorded for any amounts deemed uncollectable. The Company does not accrue interest receivable on past due accounts receivable. There was an allowance of \$49,168 at September 30, 2014 and \$52,000 at December 31, 2013.

### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets: 3-8 years for machinery and equipment, leasehold improvements are amortized over the shorter of the estimated useful lives or the underlying lease term. Repairs and maintenance expenditures which do not extend the useful lives of related assets are expensed as incurred.

### *Intangibles*

Intangible assets with definite lives are amortized, but are tested for impairment annually and when an event occurs or circumstances change such that it is more likely than not that an impairment may exist. Our annual testing date is December 31. We test intangibles for impairment by first comparing the carrying value of net assets to the fair value of the related operations. If the fair value is determined to be less than the carrying value, a second step is performed to compute the amount of the impairment. In this process, a fair value for intangibles is estimated, based in part on the fair value of the operations, and is compared to its carrying value. The shortfall of the fair value below the carrying value represents the amount of intangible impairment. We test these intangibles for impairment by comparing their carrying value to current projections of discounted cash flows attributable to the customer list. Any excess value over the amount of discounted cash flows represents the amount of the impairment.

*Revenue Recognition*

Revenue is recognized net of discounts, rebates, promotional adjustments, price adjustments and estimated returns and upon transfer of title and risk to the customer which occurs at shipping (F.O.B. terms). Upon shipment, the Company has no further performance obligations and collection is reasonably assured as the majority of sales are paid for prior to shipping.

*Research and Development*

Research and development costs are expensed as incurred.

### *Fair Value of Financial Instruments*

The Company applies fair value accounting in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures* (“ASC 820”), which provides the framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. ASC 820 defines fair value as the exchange price that would have been received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. 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* – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

*Level 3* – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

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

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

### *Prepaid Inventory*

Prepaid inventory represents deposits made to foreign manufacturers for purchase orders of specific inventory.

*Income Taxes*

The Company provides for income taxes based on enacted tax law and statutory tax rates at which items of income and expenses are expected to be settled in the Company's income tax return. Certain items of revenue and expense are reported for Federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating losses for financial-reporting and tax-reporting purposes. Accordingly, for Federal and state income tax purposes, the benefit for income taxes has been offset entirely by a valuation allowance against the related federal and state deferred tax asset for the nine months ended September 30, 2014.

### *Loss Per Common Share*

Net loss per share, in accordance with the provisions of ASC 260, "Earnings Per Share" is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. During a loss period, the effect of the potential exercise of stock options, warrants, convertible preferred stock and convertible debt are not considered in the diluted income (loss) per share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the nine months ended September 30, 2014, and therefore the basic and diluted weighted average common shares outstanding were the same.

### *Recently Issued Accounting Standards*

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

### *Operating Activities*

Cash used in operations for the nine months ended September 30, 2014 was \$5,867,303 compared to \$2,487,350 for the nine months ended September 30, 2013. The increase in the cash used in operations was primarily due to: (i) net loss of \$18,993,015; (ii) a \$817,680 loss on the fair market valuation of derivatives; (iii) \$5,038,986 related to the issuance of warrants; (iv) \$4,808,000 related to equity instruments issued with debt greater than the debt carrying amount; and (v) \$2,900,368 for the issuance of stock in connection with the performance of services to the Company.

### *Investing Activities*

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### *Financing Activities*

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## **PART II. OTHER INFORMATION**

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

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

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

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by this Item 1A.

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

None.

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

None.

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

None.

### **ITEM 5. OTHER INFORMATION.**

None.

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**ITEM 6. EXHIBITS.**

(a) Exhibits required by Item 601 of Regulation SK.

Number	Description
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2.1	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 (2)
2.2	Articles of Merger (2)
2.3	Share Exchange Agreement, dated April 24, 2013, by and among the Registrant, Edible Garden Corp., a Nevada corporation, and the holders of common stock of Edible Garden Corp. (5)
2.4	Form of Articles of Share Exchange (5)
3.1.1	Articles of Incorporation dated July 22, 2008 (1)
3.1.2	Certificate of Amendment dated July 8, 2011 (4)
3.1.3	Certificate of Change dated July 8, 2011 (4)
3.1.4	Certificate of Amendment dated January 27, 2012 (2)
3.1.5	Certificate of Designation for Series A Preferred Stock (3)
3.1.6	Certificate of Designation for Series B Preferred Stock (3)
3.2.1	Bylaws (1)
2.1	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 (2)
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2.4	Form of Articles of Share Exchange (5)
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS \* XBRL Instance Document

101.SCH \* XBRL Taxonomy Extension Schema Document

101.CAL \* XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF \* XBRL Taxonomy Extension Definition Linkbase Document

101.LAB \* XBRL Taxonomy Extension Label Linkbase Document

101.PRE \* XBRL Taxonomy Extension Presentation Linkbase Document

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\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

- (1) Incorporated by reference to Registration Statement on Form S-1 (File No. 333-156421), filed with the Commission on December 23, 2008.
- (2) Incorporated by reference to Current Report on Form 8-K (File No. 000-54258), filed with the Commission on February 10, 2012.
- (3) Incorporated by reference to Amendment No. 3 to Current Report on Form 8-K (File No. 000-54258), filed with the Commission on April 19, 2012.
- (4) Incorporated by reference to Registration Statement on Form S-1 (File No. 333-191954), filed with the Commission on October 28, 2013.
- (5) Incorporated by reference to Current report on Form 8-K (File No. 000-54258), filed with the Commission on May 6, 2013.

**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.**

(Name of Registrant)

Date: November 14, 2014

By: */s/ Derek Peterson*

Name: Derek Peterson

Title: President and Chief Executive Officer (principal executive officer)

Date: November 14, 2014

By: */s/ Michael James*

Name: Michael James

Title: Chief Financial Officer (principal accounting and principal financial officer)

**EXHIBIT INDEX**

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