

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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2020

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 June 12, 2020, there were 203,910,204 shares of common stock issued and 201,601,796 shares outstanding, 8 shares of Series A Preferred Stock, convertible at any time into 8 shares of common stock, 0 shares of Series B Preferred Stock, 1,313,460 shares of common stock issuable upon the exercise of all of our outstanding warrants and 3,320,582 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 MARCH 31, 2020**

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**EXPLANATORY NOTE**

On April 17, 2020, Terra Tech Corp. (the “Company”) filed a Current Report on Form 8-K, and is filing this Quarterly Report on Form 10-Q, in reliance on the Order of the Securities and Exchange Commission dated March 4, 2020, as modified March 25, 2020, pursuant to Section 36 of the Securities Exchange Act of 1934 granting exemptions from specified provisions of the Exchange Act and certain rules thereunder (Release No. 34-22465).

Due to the disruptions caused by the COVID-19 outbreak and related work and travel restrictions, certain Company officers and management as well as professional staff and consultants were delayed in conducting the work required to prepare our financial report for the quarter ended March 31, 2020. The Company is based in California and operates in both California and Nevada. On March 18, 2020, Governor Gavin Newsom of California issued a “Stay at Home” order due to the novel coronavirus. On April 1, 2020, Governor Steve Sisolak issued a “Stay at Home” order due to the novel coronavirus. These orders hampered the Company’s ability to conduct necessary work to finalize its financial statements, and otherwise finalize its Quarterly Report for the quarter ended March 31, 2020, in a timely manner.

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 946	\$ 1,226
Accounts receivable, net	1,561	693
Inventory	5,012	4,334
Prepaid expenses and other assets	942	675
Current assets of discontinued operations	<u>206</u>	<u>2,440</u>
Total current assets	<u>8,667</u>	<u>9,368</u>
Property, equipment and leasehold improvements, net	35,021	35,469
Intangible assets, net	16,865	14,871
Goodwill	24,034	21,471
Other assets	11,842	7,631
Investments	5,330	5,000
Assets of discontinued operations	<u>13,227</u>	<u>25,440</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 114,986</u></b>	<b><u>\$ 119,250</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 13,025	\$ 9,504
Deferred Revenue	300	-
Short-term debt	16,514	11,008
Current liabilities of discontinued operations	<u>4,436</u>	<u>7,070</u>
Total current liabilities	<u>34,275</u>	<u>27,582</u>
Long-term liabilities:		
Long-term debt, net of discounts	2,159	6,570
Long-term lease liabilities	8,422	8,902
Long-term liabilities of discontinued operations	-	869
Total long-term liabilities	<u>10,581</u>	<u>16,341</u>
<b>Total liabilities</b>	<b><u>44,856</u></b>	<b><u>43,923</u></b>
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, convertible series A, par value 0.001: 100 shares authorized as of March 31, 2020 and December 31, 2019; 12 shares issued and 8 shares outstanding as of March 31, 2020 and December 31, 2019	-	-
Preferred stock, convertible series B, par value 0.001: 41,000,000 Shares Authorized as of March 31, 2020 and December 31, 2019; 0 Shares Issued and Outstanding as of March 31, 2020 and December 31, 2019	-	-
Common stock, par value 0.001: 990,000,000 Shares authorized as of March 31, 2020 and December 31, 2019; 193,239,261 issued and 190,930,853 outstanding as of March 31, 2020 and 120,313,386 shares issued and 118,004,978 shares outstanding as of December 31, 2019	193	120
Additional paid-in capital	272,455	260,516
Treasury Stock (2,308,408 shares of common stock, 4 shares of Preferred Stock Convertible Series A)	(808)	(808)
Accumulated deficit	<u>(207,015)</u>	<u>(189,685)</u>
Total Terra Tech Corp. stockholders' equity	64,825	70,143
Non-controlling interest	<u>5,305</u>	<u>5,184</u>
<b>Total stockholders' equity</b>	<b><u>70,130</u></b>	<b><u>75,327</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 114,986</u></b>	<b><u>\$ 119,250</u></b>

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 information)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2020</b>	<b>2019</b>
Total revenues	\$ 4,313	\$ 2,045
Cost of goods sold	1,975	445
Gross profit	2,338	1,600
Selling, general and administrative expenses	9,037	8,591
Impairment of assets	5,120	-
(Gain) / Loss on sale of assets	(35)	-
Loss on interest in joint venture	-	1,067
Loss from operations	(11,784)	(8,058)
Other income (expense):		
Interest expense, net	(902)	(2,928)
Other income/loss	65	11
Total other income (expense)	(837)	(2,917)
Income (Loss) from continuing operations	(12,621)	(10,975)
Income (Loss) from discontinued operations, net of tax	(4,752)	(484)
NET INCOME (LOSS)	(17,373)	(11,459)
Less: Income (Loss) attributable to non-controlling interest from continuing operations	(44)	77
Less: Income (Loss) attributable to non-controlling interest from discontinued operations	-	200
<b>NET LOSS ATTRIBUTABLE TO TERRA TECH CORP.</b>	<b>\$ (17,329)</b>	<b>\$ (11,736)</b>
Income / ( Loss) from continuing operations per common share attributable to Terra Tech Corp. common stockholders – basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.12)</u>
Net Loss per common share attributable to Terra Tech Corp. common stockholders – basic and diluted	<u>\$ (0.11)</u>	<u>\$ (0.13)</u>
Weighted-average number of common shares outstanding – basic and diluted	<u>150,906,135</u>	<u>93,710,004</u>

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**  
**(UNAUDITED)**  
**(in thousands)**

	Three Months Ended	
	March 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (17,373)	\$ (11,459)
Less: net loss from discontinued operations	4,752	484
Net loss from continuing operations	(12,621)	(10,975)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	296	-
Cancellation of shares issued	-	(58)
Gain on sale of assets	(35)	-
Amortization of debt discount	339	2,928
Depreciation and amortization	1,804	1,306
Non-cash operating lease expense	225	168
Stock based compensation	959	1,620
Loss on revaluation of equity interests	-	1,064
Impairment loss	5,120	-
Change in operating assets and liabilities:		
Accounts receivable	(212)	(47)
Inventory	(597)	(731)
Prepaid expenses and other current assets	(26)	(60)
Other assets	(249)	(672)
Accounts payable and accrued expenses	2,320	865
Operating lease liabilities	(221)	(475)
Net cash provided by / (used in) operating activities - continuing operations	(2,898)	(5,066)
Net cash provided by / (used in) operating activities - discontinued operations	(1,281)	(806)
<b>NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>	<b>(4,179)</b>	<b>(5,872)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, equipment and leasehold improvements	(263)	(2,408)
Purchase of equity investment	-	(402)
Cash from acquisitions	57	127
Proceeds from sales of assets	35	-
Net cash provided by / (used in) investing activities - continuing operations	(171)	(2,683)
Net cash provided by / (used in) investing activities - discontinued operations	2,263	18
<b>NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES</b>	<b>2,092</b>	<b>(2,665)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of notes payable	1,392	6,000
Payments of debt principal	-	(1,000)
Cash paid for debt discount	-	(150)
Proceeds from issuance of common stock	250	2,300
Cash contribution (distribution) from non-controlling interest	165	-
Net cash provided by / (used in) financing activities - continuing operations	1,807	7,150
Net cash provided by / (used in) financing activities - discontinued operations	-	-
<b>NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES</b>	<b>1,807</b>	<b>7,150</b>
<b>NET CHANGE IN CASH</b>	<b>(280)</b>	<b>(1,387)</b>
Cash at beginning of period	1,226	7,193
<b>CASH AT END OF PERIOD</b>	<b>\$ 946</b>	<b>\$ 5,806</b>
<b>SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES:</b>		
Cash paid for interest	\$ 360	\$ 50
<b>SUPPLEMENTAL DISCLOSURE FOR NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Debt principal and accrued interest converted into common stock	\$ 1,028	\$ 7,750
Stock Issued for the acquisition of OneQor	\$ 9,305	\$ -
Fixed assets in accounts payable	\$ 167	\$ -
Consolidation of Joint Venture Net Assets	\$ -	\$ 11,957
Financing Fees in Accounts Payable	\$ -	\$ 25
Warrants issued for debt discount	\$ -	\$ 163
Beneficial Conversion Feature	\$ -	\$ 4,662

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2020**  
**(UNAUDITED)**  
**(in thousands, except for Shares)**

	Preferred Stock Convertible Series A		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount			
<b>Balance at December 31, 2019</b>	<b>8</b>	<b>\$ -</b>	<b>118,004,978</b>	<b>\$ 120</b>	<b>\$ 260,516</b>	<b>2,308,412</b>	<b>\$ (808)</b>	<b>\$ (189,685)</b>	<b>\$ 5,184</b>	<b>\$ 75,327</b>
Debt conversion - common stock	-	-	9,123,560	9	1,018	-	-	-	-	1,028
Stock compensation - employees	-	-	2,353,115	2	373	-	-	-	-	375
Stock compensation - services expense	-	-	825,000	1	108	-	-	-	-	109
Stock issued for cash	-	-	2,470,173	2	248	-	-	-	-	250
Stock issued for OneQor acquisition	-	-	58,154,027	58	9,246	-	-	-	-	9,305
Stock option expense	-	-	-	-	944	-	-	-	-	944
Contribution from non- controlling interest	-	-	-	-	-	-	-	-	165	165
Net income attributable to non-controlling interest	-	-	-	-	-	-	-	-	(44)	(44)
Net loss attributable to Terra Tech Corp.	-	-	-	-	-	-	-	(17,329)	-	(17,329)
<b>Balance at March 31, 2020</b>	<b>8</b>	<b>\$ -</b>	<b>190,930,853</b>	<b>\$ 193</b>	<b>\$ 272,455</b>	<b>2,308,412</b>	<b>\$ (808)</b>	<b>\$ (207,015)</b>	<b>\$ 5,305</b>	<b>\$ 70,130</b>

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

**TERRA TECH CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019**  
**(UNAUDITED)**  
(in thousands, except for Shares)

	Preferred Stock Convertible Series A		Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Deficit	Non- Controlling Interest	Total
	Shares	Amount	Shares	Amount		Shares	Amount			
<b>Balance at December 31, 2018</b>	<b>12</b>	<b>\$ -</b>	<b>81,759,415</b>	<b>\$ 82</b>	<b>\$ 236,543</b>	<b>-</b>	<b>\$ -</b>	<b>\$ (142,754)</b>	<b>\$ 1,003</b>	<b>\$ 94,874</b>
Stock compensation - employees	-	-	385,536	-	315	-	-	-	-	315
Stock compensation - services expense	-	-	26,376	-	23	-	-	-	-	23
Stock cancellation	-	-	(60,000)	-	(58)	-	-	-	-	(58)
Debt conversion - common stock	-	-	15,038,949	15	7,839	-	-	-	-	7,854
Stock issued for cash	-	-	3,498,168	3	2,297	-	-	-	-	2,300
Stock option expense	-	-	-	-	1,282	-	-	-	-	1,282
Issuance of warrants	-	-	-	-	4,825	-	-	-	-	4,825
Consolidation of NuLeaf joint venture	-	-	-	-	-	-	-	-	5,402	5,402
Net income attributable to non- controlling interest	-	-	-	-	-	-	-	-	277	277
Net loss attributable to Terra Tech Corp.	-	-	-	-	-	-	-	(11,736)	-	(11,736)
<b>Balance at March 31, 2019</b>	<b><u>12</u></b>	<b><u>\$ -</u></b>	<b><u>100,648,444</u></b>	<b><u>\$ 100</u></b>	<b><u>\$ 253,066</u></b>	<b><u>-</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (154,490)</u></b>	<b><u>\$ 6,682</u></b>	<b><u>\$ 105,358</u></b>

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

**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 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 Black Oak Gallery in Oakland and Blüm 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 one dispensary operating under MediFarm in Las Vegas which sells quality medical and adult use cannabis products. The cannabis dispensary in Nevada has been categorized as a discontinued operation as we have entered into an agreement to sell the related assets to an unaffiliated third party.

On February 14, 2020, the Company acquired OneQor Technologies, Inc. (“OneQor”). The acquisition of OneQor was accounted for in accordance with ASC 805-10, “Business Combinations.” OneQor is a cannabinoid-focused company, concentrating on the development, manufacturing, and delivery of patented, proprietary over-the-counter CBD products to established suppliers and consumer brands. Refer to Note 13, “*Business Combinations*” for additional information regarding the transaction.

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

**Basis of Presentation**

The accompanying interim unaudited condensed 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 condensed 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, 2019. The December 31, 2019 balances reported herein are derived from the audited consolidated financial statements for the year ended December 31, 2019. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

### **Revision of Previously Issued Financial Statements**

During the year ended December 31, 2019, management finalized the accounting for the NuLeaf transaction and recorded a measurement period adjustment that increased net loss by \$6.63 million. The Company has revised the condensed unaudited consolidated statement of operations and condensed unaudited consolidated statements of stockholders' equity for the three months ended March 31, 2019 to restate the loss on remeasurement of our equity interests in NuLeaf to equal the loss as reported at the close of the measurement period. The revision resulted in a decrease in accumulated deficit and net loss reported as of and during the three months ended March 31, 2019 of \$6.63 million.

### **Going Concern**

The accompanying unaudited condensed financial statements have been prepared assuming that we will continue as a going concern. In an effort to achieve liquidity that would be sufficient to meet all of our commitments, we have undertaken a number of actions, including minimizing capital expenditures and reducing recurring expenses. However, we believe that even after taking these actions, we may not have sufficient liquidity to satisfy all of our future financial obligations. The risks and uncertainties surrounding the timing of the close of our pending asset sales in Nevada, our limited capital resources, and the weak industry conditions impacting our business raise substantial doubt as to our ability to continue as a going concern. See Note 19, "Going Concern" of the Notes to Consolidated Financial Statements included in Part II and Item 1A – "Risk Factors" in Part I of this Quarterly Report on Form 10-Q.

### **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. See Note 16, "Discontinued Operations" for further discussion regarding discontinued operations.

### **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. The allowance for doubtful accounts was \$0.35 million as of March 31, 2020.

### **Notes Receivable**

The company reviews all outstanding notes receivable for collectability as information becomes available pertaining to the Company's inability to collect. An allowance for notes receivable is recorded for the likelihood of non-collectability. The Company accrues interest on the note receivable based upon contractual terms. There was no allowance at March 31, 2020.

### **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.

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 7, "*Property, Equipment and Leasehold Improvements, Net*" for further information.

### **Investments**

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 and Discontinued Operations

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. The Company follows the guidance within ASC 205, “*Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity*” when assets held for sale represent a strategic shift in the Company’s operations and financial results.

## 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 the impairment test, the Company measures the recoverability of goodwill by comparing a reporting unit’s carrying amount, including goodwill, to the estimated fair value of the reporting unit.

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, the Company recognizes an impairment charge equal to the amount in excess.

## 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
Dispensary licenses	14 Years
Patent	2 Years

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

Intangible assets that have indefinite useful lives are tested annually for impairment and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount of the asset group exceeds its fair value.

## **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 held one investment at fair value as of March 31, 2020. Refer to Note 10, "Fair Value Measurements" for details.

## **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**

### Canabis 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.

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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.

[Cannabinoid Products](#)

Under ASC 606, revenue from the sale of OneQor's products is generally recognized at a point in time when control over the goods has been transferred to the customer. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. Revenue is recognized upon the satisfaction of the performance obligation. The Company satisfies its performance obligation and transfers control upon delivery and acceptance by the customer.

***Disaggregation of Revenue***

See Note 17, " *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***

[Cannabis Dispensary, Cultivation and Production](#)

Due to the nature of the Company's revenue from contracts with customers, our cannabis dispensary, cultivation and production operations do not have material contract assets or liabilities that fall under the scope of ASC Topic 606.

[Cannabinoid Products](#)

The Company has established terms with its customers whereby customers generally will pay 50 percent at the time an order is placed and 50 percent at the time of completion to release the order. These terms are typically mirrored with the Company's suppliers who are paid 50 percent at the time an order is placed and the balance also due upon manufacturing completion. Deposit payments made to suppliers are recorded as prepaid inventory until fully paid, whereby goods are then shipped to customers. As of March 31, 2020, deposits from customers totaled \$0.30 million and prepaid inventory totaled \$0.23 million. Deposits from customers are reflected as deferred revenue on the balance sheet until the performance obligation has been fulfilled.

### **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 variable consideration.

### **Cost of Goods Sold**

#### Cannabis Dispensary, Cultivation and Production

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as flower, edibles, and concentrates, as well as packaging and delivery costs. It also includes the labor and overhead costs incurred in cultivating and producing cannabis flower and cannabis-derived products. Overhead expenses include allocations of rent, administrative salaries, utilities, and related costs.

#### Cannabinoid Products

Cost of goods sold includes the fees charged by suppliers to manufacture CBD products as well as packaging and shipping costs for finished goods.

### **Advertising Expenses**

The Company expenses advertising costs as incurred in accordance with ASC 720-35, "Other Expenses – Advertising Cost." Advertising expenses recognized totaled \$0.17 million and \$0.57 million the three months ended March 31, 2020 and 2019, respectively.

### **Stock-Based Compensation**

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

The Black-Scholes option-pricing model requires the input of certain assumptions that require the Company's judgment, including the expected term and the expected stock price volatility of the underlying stock. The assumptions used in calculating the fair value of stock-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, stock-based compensation expense could be materially different in the future. The Company accounts for forfeitures of stock-based awards as they occur.

### **Income Taxes**

The provision for income taxes is determined in accordance with ASC 740, "Income Taxes". The Company files a consolidated United States federal income tax return. The Company provides for income taxes based on enacted tax law and statutory tax rates at which items of income and expense are expected to be settled in our income tax return. Certain items of revenue and expense are reported for Federal income tax purposes in different periods than for financial reporting purposes, thereby resulting in deferred income taxes. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company has incurred net operating losses for financial-reporting and tax-reporting purposes. At March 31, 2020 and 2019, such net operating losses were offset entirely by a valuation allowance.

The Company recognizes uncertain tax positions based on a benefit recognition model. Provided that the tax position is deemed more likely than not of being sustained, the Company recognizes the largest amount of tax benefit that is greater than 50.0% likely of being ultimately realized upon settlement. The tax position is derecognized when it is no longer more likely than not of being sustained. The Company classifies income tax related interest and penalties as interest expense and selling, general and administrative expense, respectively, on the consolidated statements of operations.

## Loss Per Common Share

In accordance with the provisions of ASC 260, "Earnings Per Share", net loss per share is computed by dividing net loss by the weighted-average shares of common stock outstanding during the period. During a loss period, the effect of the potential exercise of stock options, warrants, convertible preferred stock, and convertible debt are not considered in the diluted loss per share calculation since the effect would be anti-dilutive. The results of operations were a net loss for the three months ended March 31, 2020 and 2019. Therefore, the basic and diluted weighted-average shares of common stock outstanding were the same for all years.

Potentially dilutive securities that are not included in the calculation of diluted net loss per share because their effect is anti-dilutive are as follows (in common equivalent shares):

	<b>Three Months Ended March</b>	
	<b>31,</b>	
	<b>2020</b>	<b>2019</b>
Common stock warrants	1,313,459	1,052,615
Common stock options	5,715,294	8,801,447
	<b><u>7,028,753</u></b>	<b><u>9,854,062</u></b>

## 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 \$0.46 million as March 31, 2020 and was \$0.18 million as of December 31, 2019.

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 March 31, 2020 and 2019.

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 three months ended March 31, 2020, 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 – VARIABLE INTEREST ENTITIES

### 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, 2019.

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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. On March 1, 2019, we remeasured our equity method investment in NuLeaf to fair value and consolidated the results of NuLeaf in our consolidated financial statements and report its results in our cannabis segment.

Year to date revenue and net loss attributed to NuLeaf is \$1.61 million and \$0.45 million, respectively. 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:

	(in thousands)	
	March 31, 2020	December 31, 2019
Current assets:		
Cash	\$ 171	\$ 243
Accounts receivable, net	221	16
Inventory	3,316	2,910
Prepaid expenses and other current assets	132	35
Total current assets	3,840	3,204
Property, equipment and leasehold improvements, net	8,965	9,543
Other assets	569	598
<b>TOTAL ASSETS</b>	<b>\$ 13,374</b>	<b>\$ 13,344</b>
Liabilities:		
Total current liabilities	\$ 296	\$ 213
Total long-term liabilities	397	415
<b>TOTAL LIABILITIES</b>	<b>\$ 693</b>	<b>\$ 628</b>

**NOTE 5 – 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 Investments on the unaudited consolidated balance sheet as of March 31, 2020.

**Edible Garden**

On March 30, 2020, Edible Garden Corp. (“Edible Garden”), a wholly-owned subsidiary of Terra Tech Corp. (the “Company”), entered into and closed an Asset Purchase Agreement (the “Purchase Agreement”) with Edible Garden Incorporated (the “Purchaser”), pursuant to which Edible Garden sold and the Purchaser purchased substantially all of the assets of Edible Garden. The consideration paid for the assets included two option agreements to purchase up to a 20% interest in the Purchaser for a nominal fee. The first option gives the Company the right to purchase a 10% interest in the Purchaser for one dollar at any time between the one and five-year anniversary of the transaction, or at any time should a change in control event or public offering occur. The second option gives the Company the right to purchase an additional 10% interest in the Purchaser for one dollar at any point prior to the five-year anniversary of the transaction. The options were recorded at fair value and are included in Investments in the unaudited consolidated balance sheet as of March 31, 2020. Refer to Note 7, “Property, Equipment and Leasehold Improvements, Net” for additional details concerning the sale and its impact on our quarterly results. Refer to Note 10, “Fair Value Measurements” for additional details on management’s approach to estimating the fair value of options.

**NOTE 6 – INVENTORY**

Raw materials consist of material for Nuleaf and IVXX’s line of cannabis pure concentrates. Work-in-progress consists of cultivation materials and live plants grown at NuLeaf and Black Oak Gallery. Finished goods consists of cannabis products sold in retail.

Inventory as of March 31, 2020 and December 31, 2019 consisted of the following:

	(in thousands)	
	March 31, 2020	December 31, 2019
Raw materials	\$ 2,654	\$ 2,400
Work-in-progress	2,630	3,142
Finished goods	746	275
Inventory reserve	(1,018)	(1,483)
<b>Total inventory</b>	<b>\$ 5,012</b>	<b>\$ 4,334</b>

**NOTE 7 – PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET**

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

	(in thousands)	
	March 31, 2020	December 31, 2019
Land and building	\$ 11,206	\$ 11,206
Furniture and equipment	2,970	2,787
Computer hardware	299	299
Leasehold improvements	16,545	16,545
Construction in progress	10,007	9,676
Subtotal	41,027	40,513
Less accumulated depreciation	(6,006)	(5,044)
<b>Property, equipment and leasehold improvements, net</b>	<b>\$ 35,021</b>	<b>\$ 35,469</b>

Depreciation expense related to property, equipment and leasehold improvements for the three months ended March 31, 2020 and 2019 was \$0.96 million and \$0.55 million, respectively.

*Assets Divested***Blum Santa Ana**

On February 26, 2020, the Company agreed to transfer governance and control of our dispensary operation located at 2911 Tech Center Drive, Santa Ana, CA to Martin Vivero and Tetra House Co. (“Tetra”), who are unaffiliated third parties. The company received \$2.00 million at closing and is due future payments of \$1.80 million, which are reflected within assets of continuing operations. MediFarm So Cal Inc. (“MediFarm So Cal”), a wholly-owned subsidiary of the Company, terminated the existing management services agreement with 55 OC Community Collective Inc. (“55 OC”). 55 OC is a mutual benefit corporation which holds a cannabis license with the City of Santa Ana in the State of California. Previously, MediFarm So Cal managed the dispensary known as “Blum Santa Ana” under the license of 55 OC. Control of 55 OC was transferred to Mr. Vivero and Tetra House Co. via a new management services agreement and the appointment of Mr. Vivero to the Board of Directors of 55 OC, which was pending final regulatory approval as of the date of our report.

The Company recognized a loss upon sale of the assets equal to the difference between the consideration paid and the book value of the assets as of the disposition date, less direct costs to sell, and reflected such loss in discontinued operations.

The following table summarizes the transaction:

	(in thousands)
Total consideration	\$ 3,800
Net book value of assets divested and liabilities transferred	
Inventory	23
Prepaid and other current assets	33
Property, plant & equipment	98
Intangible assets and goodwill	6,565
Other long-term assets	54
Lease liability, net of right-of-use asset	(78)
Net book value of assets divested and liabilities transferred	6,694
<b>Loss on sale</b>	<b>\$ (2,894)</b>

**Edible Garden**

On March 30, 2020, Edible Garden Corp. (“Edible Garden”), a wholly-owned subsidiary of Terra Tech Corp. (the “Company”), entered into and closed an Asset Purchase Agreement (the “Purchase Agreement”) with Edible Garden Incorporated (the “Purchaser”), pursuant to which Edible Garden sold and the Purchaser purchased substantially all of the assets of Edible Garden (the “Business”). The consideration paid for the Business included a five-year \$3.00 million secured promissory note bearing interest at 3.5% per annum, which is reflected within the assets under discontinued operations, and two option agreements to purchase up to a 20% interest in the Purchaser for a nominal fee. The first option gives the Company the right to purchase a 10% interest in the Purchaser for one dollar at any time between the one and five-year anniversary of the transaction, or at any time should a change in control event or public offering occur. The second option gives the Company the right to purchase an additional 10% interest in the Purchaser for one dollar at any point prior to the five-year anniversary of the transaction. The second option is automatically terminated upon payment in full of the \$3.00 million secured promissory note.

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Michael James, the Company's former Chief Financial Officer, is a principal of the Purchaser. There is no material relationship between the Company or its affiliates and the Purchaser other than as set forth in the previous sentence. The Purchase Agreement contains customary conditions, representations, warranties, indemnities and covenants by, among, and for the benefit of the parties.

The Company recognized a loss upon sale of the assets equal to the difference between the consideration paid and the book value of the assets as of the disposition date and reflected such loss in discontinued operations. The following table summarizes the transaction:

	<b>(in thousands)</b>
Consideration	
Fair value of note receivable	\$ 2,960
Fair value of options	330
Less: cash transferred to purchaser	<u>(30)</u>
Total consideration	\$ 3,260
Net book value of assets divested and liabilities transferred	
Accounts receivable	\$ 360
Inventory	520
Other current assets	80
Property, plant and equipment	4,100
Intangible assets	70
Other long-term assets	200
Accounts payable and accrued expenses	(1,700)
Lease liabilities, net of right of use assets	(70)
Net book value of assets divested and liabilities transferred	<u>3,560</u>
<b>Loss on sale</b>	<u><u>\$ (300)</u></u>

**NOTE 8 – INTANGIBLE ASSETS AND GOODWILL****Intangible Assets, Net**

Intangible assets, net consisted of the following:

	(in thousands)	
	March 31, 2020	December 31, 2019
Amortizing Intangible Assets:		
Customer Relationships	\$ 10,770	\$ 7,860
Trademarks and Patent	196	196
Dispensary Licenses	10,270	10,270
Trade Name	690	-
	<u>21,926</u>	<u>18,326</u>
<b>Gross carrying amount</b>	<b>21,926</b>	<b>18,326</b>
Accumulated Amortization	<u>(9,370)</u>	<u>(8,525)</u>
	<u>12,555</u>	<u>9,801</u>
<b>Total intangible assets, net</b>	<b>12,555</b>	<b>9,801</b>
Indefinite-lived intangible assets:		
Trade Name	4,310	5,070
	<u>4,310</u>	<u>5,070</u>
<b>Total Indefinite-Lived Intangible Assets</b>	<b>4,310</b>	<b>5,070</b>
<b>Total Intangible Assets, Net</b>	<b>\$ 16,865</b>	<b>\$ 14,871</b>

Amortization expense for the three months ended March 31, 2020 and 2019 was \$0.85 and \$0.82 million, respectively.

*Impairment of Long-Lived Assets Other than Goodwill and Indefinite-Lived Intangible Assets*

Long-lived assets other than goodwill and indefinite-lived intangible assets, held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company evaluates recoverability of assets to be held and used and if the carrying value is not recoverable, the Company fair values the asset and compares to the carrying value. If the asset is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. The analysis for impairment of long-lived assets other than goodwill and indefinite-lived intangible assets is the first impairment analysis performed and related impairment charges are recognized before the impairment of goodwill analysis.

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During the first quarter of 2020, the impact of COVID-19 on the retail industry had a negative impact on our revenues and management was forced to limit store operating hours due to the pandemic. Management believes the COVID-19 outbreak will continue to have a material negative impact on the Company's financial results. These factors, including management's revised forecast for the future performance of our Black Oak Gallery reporting unit, indicated the carrying value of Black Oak Gallery's customer relationships and trade name may not be recoverable. Management evaluated the recoverability of the customer relationships using level 3 inputs and a probability-weighted approach to assess the potential impact of a long-term decline in our existing customer base due to the COVID-19 pandemic. The recoverability test indicated that the book value of customer relationships exceeded fair value as of March 31, 2020. As a result, the Company recognized an impairment charge of \$0.16 million in the three months ended March 31, 2020. Management evaluated the recoverability of the Black Oak Gallery trade name using level 3 inputs and an income approach to assess the potential impact of a long-term decline in cash flows due to the pandemic. The recoverability test indicated that the book value of the trade name exceeded the fair value as of March 31, 2020. As a result, the Company recognized an impairment charge of \$0.76 million in the three months ended March 31, 2020.

Goodwill

The table below summarizes the changes in the carrying amount of goodwill during the three months ended March 31, 2020:

	Reportable Segment (in thousands)		
	Cannabis	Corporate/Other	Total
Balance at December 31, 2019	\$ 21,471	\$ -	\$ 21,471
Acquisition of OneQor		6,763	6,763
Impairment	(4,200)	-	(4,200)
Balance at March 31, 2020	\$ 17,271	\$ 6,763	\$ 24,034

*Impairment of Goodwill*

The Company tests for impairment annually on September 30, and between annual tests if the Company becomes aware of an event or a change in circumstances that would indicate the carrying value may be impaired. During the first quarter of 2020, the impact of COVID-19 on the retail industry as well as uncertainty around when the Company would be able to resume its normal operations contributed to a significant and prolonged decline in the Company's stock price, resulting in the market capitalization of the Company falling below its carrying value. As a result, management determined that a triggering event had occurred as it was more likely than not that the carrying values of the Black Oak Gallery reporting unit exceeded its fair value. Accordingly, the Company performed a quantitative assessment of the fair value of Black Oak Gallery's goodwill as of March 31, 2020 using a market capitalization approach. This analysis resulted in an impairment charge of \$4.20 million recorded in the first quarter of 2020. The goodwill impairment charge was measured as the amount by which the carrying amount of the reporting unit, including goodwill, exceeded its fair value.

**NOTE 9 – NOTES PAYABLE**

Notes payable consist of the following:

	(in thousands)	
	March 31, 2020	December 31, 2019
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
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
Promissory note dated June 11, 2019, issued to accredited investors, which matures December 11, 2020 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50 or 87% of the average of the two (2) lowest VWAPs in the thirteen (13) trading days prior to the conversion date.	3,500	4,000
Promissory note dated October 21, 2019, issued to accredited investors, which matures April 21, 2021 and bears interest at a rate of 7.5% per annum. The conversion price is \$4.50 or 87% of the average of the two (2) lowest VWAPs in the thirteen (13) trading days prior to the conversion date.	1,250	1,500
Secured promissory note dated December 30, 2019, issued to Matthew Lee Morgan Trust (a related party), which matures December 30, 2020, and bears interest at a rate of 10% per annum. The note is secured by the Company's HydroFarm investment.	500	500
Secured promissory note dated January 10, 2020, issued to an unaffiliated third party. The note matures on January 10, 2021 and incurs an interest rate of 15.0% per annum.	1,000	-
Secured promissory note dated February 13, 2020 issued to an unaffiliated third party. The loan accrues interest at a rate of 5% per annum and matures on August 13, 2020.	105	-
Agreement dated March 11, 2020, issued to Clearfi, LLC, an unaffiliated third party. The loan accrues interest at a rate of 20% per annum and matures on April 20, 2020.	200	-
Agreement dated March 12, 2020, issued to Clearfi, LLC, an unaffiliated third party. The loan accrues interest at a rate of 20% per annum and matures on April 21, 2020.	192	-
Notes payable - promissory notes	\$ 18,955	\$ 18,600
Other loan agreements	392	-
Vehicle loans	19	47
Less: Short term debt	(16,514)	(11,008)
Less: Debt discount	(692)	(1,069)
<b>Net Long Term Debt</b>	<b>\$ 2,159</b>	<b>\$ 6,570</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. The Company converted \$0.75 million of convertible notes into shares of the Company's common stock during the three months ended March 31, 2020. As of March 31, 2020, \$4.75 million of principle remains outstanding.

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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.

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.

During the three months ended March 31, 2020, the Company converted debt and accrued interest into 9,123,560 shares of the Company's common stock.

### **Additional Financing Arrangements**

On January 10, 2020, the Company issued a promissory note to an unaffiliated third party, in the amount of \$1.00 million dollars. The note accrues interest at a rate of 15.00% per annum and matures on January 10, 2021. The note is secured by the Company's real estate located at 620 E. Dyer Rd., Santa Ana, CA.

On February 14, 2020, upon the closing of the acquisition of OneQor Technologies, Inc., the Company assumed a promissory note issued to an unaffiliated third party, in the amount of \$0.11 million. The note accrues interest at a rate of 5.00% per annum and matures on August 13, 2020.

In March 2020, the Company entered into two secured borrowing arrangements with Clearfi LLC, an unaffiliated third party. The borrowing agreements are secured by the Company's future cash receipts from operations.

### **NOTE 10 – FAIR VALUE MEASUREMENTS**

On March 30, 2020, Edible Garden Corp. ("Edible Garden"), a wholly-owned subsidiary of Terra Tech Corp. (the "Company"), entered into and closed an Asset Purchase Agreement (the "Purchase Agreement") with Edible Garden Incorporated (the "Purchaser"), pursuant to which Edible Garden sold and the Purchaser purchased substantially all of the assets of Edible Garden (the "Business"). The consideration paid for the Business included two option agreements to purchase up to a 20% interest in the Purchaser for a nominal fee. The first option gives the Company the right to purchase a 10% interest in the Purchaser for one dollar at any time between the one and five-year anniversary of the transaction, or at any time should a change in control event or public offering occur. The second option gives the Company the right to purchase an additional 10% interest in the Purchaser for one dollar at any point prior to the five-year anniversary of the transaction. The second option is automatically terminated upon payment in full of the \$3.00 million secured promissory note.

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Management estimated the fair value of the options using the Black-Scholes model, utilizing level 3 inputs that included the stock price, annual volatility, and the probability the second option will be terminated due to repayment of the secured promissory note. The estimated fair value of the options was \$0.33 million as of March 31, 2020. The options are included in Investments in the unaudited consolidated balance sheet.

**NOTE 11 – EQUITY**

**Common Stock**

During the three months ended March 31, 2020, senior secured convertible promissory notes and accrued interest in the amount of \$1.03 million were converted into 9,123,560 shares of common stock.

During the three months ended March 31, 2020, the Company issued 3,178,115 shares of common stock for compensation in the amount of \$0.49 million.

During the three months ended March 31, 2020, the Company sold 2,470,173 shares of common stock for the net amount of \$0.25 million pursuant to an equity financing facility with an accredited investor.

On February 14, 2020, the Company issued 58,154,027 shares of common stock as consideration for the OneQor merger agreement.

**NOTE 12 – 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 February 14, 2020, the Company amended the number of shares reserved for issuance under the 2018 Equity Incentive Plan to 43,976,425. The following table contains information about the 2016 and the 2018 Equity Incentive Plans as of March 31, 2020:

	<u>Awards Reserved for Issuance</u>	<u>Awards Outstanding</u>	<u>Awards Available for Grant</u>
2016 Equity incentive plan	2,000,000	544,397	1,455,603
2018 Equity incentive plan	43,976,425	4,661,332	39,315,093

**Stock Options**

The following table summarizes the Company's stock option activity and related information for the three months ended March 31, 2020:

	<u>Number of Shares</u>	<u>Weighted- Average Exercise Price Per Share</u>	<u>Weighted- Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value of In-the-Money Options</u>
<b>Options outstanding as of January 1, 2020</b>	<b>12,365,295</b>	<b>\$ 1.24</b>		
Options granted	-	\$ -		
Options exercised	-	\$ -		
Options forfeited	(6,416,667)	\$ 1.29		
Options expired	(233,334)	\$ 1.36		
<b>Options outstanding as of March 31, 2020</b>	<b>5,715,294</b>	<b>\$ 1.18</b>	<b>8.7 years</b>	<b>\$ -</b>
<b>Options exercisable as of March 31, 2020</b>	<b>3,320,582</b>	<b>\$ 1.31</b>	<b>8.5 years</b>	<b>\$ -</b>

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As of March 31, 2020, there was \$1.80 million total unrecognized stock-based compensation. Such costs are expected to be recognized over a weighted-average period of approximately 1.89 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 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.

### 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, within continuing operations:

Type of Award	(in thousands except for shares / options) For the Three Months Ended			
	March 31, 2020		March 31, 2019	
	Number of Shares or Options Granted	Stock-Based Compensation Expense	Number of Shares or Options Granted	Stock-Based Compensation Expense
Stock options	-	\$ 944	442,292	\$ 1,282
Stock grants:				
Employees (common stock)	2,353,115	- (*)	385,536	315
Non-employee consultants (common stock)	825,000	16 (*)	26,376	23
<b>Total stock-based compensation expense</b>		<b>\$ 960</b>		<b>\$ 1,621</b>

\* Expense for grants attributed to 2019 bonuses was recorded in 2019.

### NOTE 13 – BUSINESS COMBINATIONS

On February 14, 2020, the Company acquired all of the assets of OneQor Technologies, Inc. (“OneQor”). The acquisition of OneQor was accounted for in accordance with ASC 805-10, “Business Combinations.” The total consideration transferred included 58,154,027 shares of the Company’s common stock, with a fair value of \$9.31 million. The preliminary allocation of the purchase price was based upon a preliminary valuation, and the Company’s estimates and assumptions of the assets acquired and liabilities assumed were subject to change within the measurement period pending the finalization of a third-party valuation. The multi-period excess earnings method, an income approach, was utilized to estimate the fair value of OneQor’s customer relationships. The relief-from-royalty method, an income approach, was utilized to estimate the fair value of OneQor’s trade name. The following table summarizes the preliminary allocation of the purchase price:

	(in thousands)
<b>Assets acquired</b>	
Accounts receivable	\$ 51
Inventory	81
Prepaid expenses	241
Property, plant and equipment	80
Customer relationships	3,070
Trade name	690
Goodwill	6,763
Other long-term assets	260
<b>Total Assets acquired</b>	<b>\$ 11,237</b>
<b>Liabilities assumed</b>	
Accounts payable and accrued expenses	\$ 1,481
Deferred income	300
Short-term debt	100
Long-term lease liabilities	108
<b>Total liabilities assumed</b>	<b>\$ 1,990</b>

During the three months ended March 31, 2020, the Company recognized \$0.27 million of revenue and a net loss of \$0.50 million from OneQor. In the view of management, goodwill reflects the future cash flow expectations for OneQor’s market position in the growing CBD industry, synergies and the assembled workforce. Goodwill recorded for the OneQor transaction is non-deductible for tax purposes.

**Supplemental Pro-Forma Information**

Supplemental information on an unaudited pro-forma basis is reflected as if each of the OneQor acquisition had occurred at the beginning of 2019, after giving effect to certain pro forma adjustments primarily related to interest expense, amortization of acquired intangible assets and the elimination of expense associated with convertible debt securities that were accounted for as derivative instruments.

The unaudited pro-forma supplemental information is based on estimates and assumptions that the Company believes are reasonable. The supplemental unaudited pro-forma financial information is presented for comparative purposes only and is not necessarily indicative of what the Company’s financial position or results of operations actually would have been had the Company completed the acquisitions at the dates indicated, nor is it intended to project the future financial position or operating results of the Company as a result of the OneQor acquisition.

**(in thousands)  
For the Three Months Ended  
March 31, 2019**

Pro-forma revenues	\$ 2,419
Pro-forma net loss from continuing operations	\$ (10,399)

**NOTE 14 – 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.

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.

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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. Total operating lease costs were \$0.22 million in the three months ended March 31, 2020. Short-term lease costs during the three months ended March 31, 2020 were not material.

Cash paid for amounts included in operating lease liabilities was \$0.22 million for the three months ended March 31, 2020. As of March 31, 2020, short term lease liabilities of \$1.57 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 March 31, 2020:

	<b>(in thousands) Three Months Ended March 31, 2020</b>
Operating lease ROU assets	6,783
Operating lease liabilities	10,011

The table below presents the maturities of operating lease liabilities as of March 31, 2020:

	<b>(in thousands) Operating Leases</b>
2020	\$ 2,396
2021	2,155
2022	1,857
2023	1,885
2024	1,338
Thereafter	5,044
Total lease payments	14,675
Less: payments made to date 2020	(221)
Less: discount	(4,443)
Total operating lease liabilities	\$ 10,011

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>Three Months Ended March 31, 2020</b>
Weighted average remaining lease term (years)	8.7
Weighted average discount rate	11.5%

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

### California Operating Licenses

Terra Tech entities have operated compliantly and have been eligible for applicable licenses and renewals of those licenses. Currently, we have received annual as well as provisional licenses from California’s cannabis licensing agencies. We are actively working with the State to provide all required information and have confidence that the provisional licenses that we have received will become annual licenses in the future.

## NOTE 16 – DISCONTINUED OPERATIONS

On May 8, 2019, MediFarm LLC, a wholly-owned subsidiary of Terra Tech Corp. (the “Company”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Picky, LLC (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company’s dispensary located at 1130 East Desert Inn Road, Las Vegas, NV 89109 (the “Business”). The aggregate consideration to be paid for the Business is \$10.00 million, of which \$7.20 million is cash (the “Purchase Price”). A portion of the Purchase Price is payable by the Purchaser pursuant to a 12 month Secured Promissory Note with a principal amount of \$2.80 million (the “Note”). The Note is secured by all the assets sold pursuant to the Purchase Agreement. In conjunction with the Note, Purchaser and the Company entered into a Security Agreement granting the Company a security interest in all the assets sold pursuant to the Purchase Agreement. The transaction is subject to approval by the Nevada Department of Taxation and is expected to close promptly following receipt of such approval. As of June 18, 2020, we are still awaiting regulatory approval.

On August 19, 2019, MediFarm I LLC, a wholly-owned subsidiary of Terra Tech Corp. (the “Company”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Picky Reno, LLC (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company’s dispensary located at 1085 S Virginia St Suite A, Reno, NV 89502 (the “Business”). The aggregate consideration to be paid for the Business is \$13.50 million, of which \$9.30 million is cash (the “Purchase Price”). A portion of the Purchase Price is payable by the Purchaser pursuant to a 12 month Secured Promissory Note with a principal amount of \$4.20 million (the “Note”). The Note is secured by all the assets sold pursuant to the Purchase Agreement. In conjunction with the Note, Purchaser and the Company entered into a Security Agreement granting the Company a security interest in all the assets sold pursuant to the Purchase Agreement. The transaction is subject to approval by the Nevada Department of Taxation and is expected to close promptly following receipt of such approval. As of June 18, 2020, we are still awaiting regulatory approval.

As of March 31, 2020, Management classified a real estate asset held in California and a real estate asset held in Nevada as available-for-sale, as they met the criteria of ASC 360-10-45-9. Assets divested, as disclosed in Note 7, “*Property, Equipment and Leasehold Improvements*,” are included in discontinued operations.

The pending sales of our Nevada dispensaries, expected sales of real estate assets, and assets divested in the first quarter of 2020 represent a strategic shift that will have a major effect on the Company’s operations and financial results. As a result, Management determined the results of these components qualified for discontinued operations presentation in accordance with ASC 205, “*Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity*.”

Operating results for the discontinued operations were comprised of the following:

	(in thousands)	
	Three Months ended March 31,	
	2020	2019
<b>Total revenues</b>	\$ 2,310	\$ 5,313
<b>Cost of goods sold</b>	1,787	2,909
<b>Gross profit</b>	523	2,404
<b>Selling, general and administrative expenses</b>	2,089	2,924
<b>(Gain) / Loss on sale of assets</b>	3,197	-
<b>Income (Loss) from operations</b>	<b>\$ (4,763)</b>	<b>\$ (520)</b>
Other income (expense)	11	36
Income (Loss) from discontinued operations	<b>\$ (4,752)</b>	<b>\$ (484)</b>
<b>Income (Loss) from discontinued operations per common share attributable to Terra Tech Corp common stockholders - basic and diluted</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>

	(in thousands)	
	March 31, 2020	December 31, 2019
	<b>Accounts receivable, net</b>	\$ 980
<b>Inventory</b>	89	1,073
<b>Prepaid expenses and other assets</b>	37	271
<b>Property, equipment and leasehold improvements, net</b>	10,545	15,069
<b>Intangible assets, net</b>	-	399
<b>Goodwill</b>	-	6,251
<b>Other assets</b>	6,541	3,720
<b>Investments</b>	330	-
<b>Assets of discontinued operations</b>	<b>\$ 18,522</b>	<b>\$ 27,879</b>
<b>Accounts payable and accrued expenses</b>	\$ 538	\$ 3,320
<b>Deferred gain on sale of assets</b>	3,898	3,750
<b>Liabilities of discontinued operations</b>	<b>\$ 4,436</b>	<b>\$ 7,070</b>

**NOTE 17 – SEGMENT INFORMATION**

During 2018, the Company acquired additional real property and determined that a previously insignificant operating segment “*Real Estate and Construction*” was significant and was a reportable segment requiring disclosure in accordance with ASC 280. As of March 31, 2020, the majority of our real property is included in discontinued operations. As of March 31, 2020, the “*Real Estate and Construction*” has been merged with our “*Corporate & Other*” reportable segment.

During the three months ended March 31, 2020, the “*Herbs and Produce Products*” segment was discontinued as was included in discontinued operations. Prior period information below has been revised to conform to current period presentation.

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We are now organized into two reportable segments:

- **Cannabis Dispensary, Cultivation and Production** – Includes cannabis-focused retail, cultivation and production operations; and
- **Other / Corporate** – Includes CBD formulation and production, building ownership and corporate support operations.

	<b>For the Three Months Ended March 31, 2020</b>		
	<b>(Unaudited)</b>		
	<b>(in thousands)</b>		
	<b>Cannabis</b>	<b>Other / Corporate</b>	<b>Total</b>
Total Revenues	\$ 3,746	\$ 567	\$ 4,313
Cost of Goods Sold	1,422	553	1,975
Gross Profit	2,324	14	2,338
Selling, General and Administrative Expenses	3,878	5,159	9,037
Impairment of Assets	5,120	-	5,120
(Gain) / Loss on Sale of Assets	(35)	-	(35)
(Gain) / Loss on Interest in Joint Venture	-	-	-
Loss from operations	(6,639)	(5,145)	(11,784)
Other Income (Expense):			
Interest Income (Expense)	(245)	(657)	(902)
Other Income / (Loss)	38	27	65
Total Other Income (Expense)	(207)	(630)	(837)
Income (loss) from subsidiaries	-	-	-
Net Income (Loss) from continuing operations	\$ (6,846)	\$ (5,775)	\$ (12,621)
Total assets at March 31, 2020	\$ 49,915	\$ 65,071	\$ 114,986

**For the Three Months Ended March 31, 2019  
(Unaudited)  
(in thousands)**

	<u>Cannabis</u>	<u>Other / Corporate</u>	<u>Total</u>
Total Revenues	\$ 2,045	\$ -	\$ 2,045
Cost of Goods Sold	445	-	445
Gross Profit	1,600	-	1,600
Selling, General and Administrative Expenses	3,052	5,539	8,591
Impairment of Assets	-	-	-
(Gain) / Loss on Sale of Assets	-	-	-
(Gain) / Loss on Interest in Joint Venture	1,067	-	1,067
Loss from operations	(2,519)	(5,539)	(8,058)
Other Income (Expense):			
Interest Income (Expense)	(227)	(2,701)	(2,928)
Other Income / (Loss)	-	11	11
Total Other Income (Expense)	(227)	(2,690)	(2,917)
Income (loss) from subsidiaries	-	-	-
Net Income (Loss) from continuing operations	<u>\$ (2,746)</u>	<u>\$ (8,229)</u>	<u>\$ (10,975)</u>
Total assets at March 31, 2019	<u>\$ 41,862</u>	<u>\$ 77,388</u>	<u>\$ 119,250</u>

**NOTE 18 – LITIGATION AND CLAIMS**

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. The Company reviews any such legal proceedings and claims on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and it discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued if such disclosure is necessary for the Company's financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, the Company determined that there were no matters that required an accrual as of March 31, 2020.

**NOTE 19 – GOING CONCERN**

We have incurred significant losses in prior periods. For this reporting period ended March 31, 2020, we incurred a net loss of \$17.33 million and cash outflows from operations were \$4.18 million. For the year ended December 31, 2019, we incurred a net loss of \$46.93 million, cash outflows from operations of \$14.74 million, and, as of that date, we had an accumulated deficit of \$189.69 million. We expect to experience further significant net losses in 2020 and the foreseeable future.

In an effort to achieve liquidity that would be sufficient to meet all of our commitments, we have undertaken a number of actions, including minimizing capital expenditures and reducing recurring expenses. However, we believe that even after taking these actions, we may not have sufficient liquidity to satisfy all of our future financial obligations and execute our business plan.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplate our continuation as a going concern. If the Company is unable to obtain the funds due upon the close of our pending asset sales or obtain additional financing, future operations would need to be scaled back or discontinued. The risks and uncertainties surrounding the timing of the close of our pending asset sales in Nevada, our limited capital resources, and the weak industry conditions impacting our business raise substantial doubt as to our ability to continue as a going concern for twelve months from the issuance of these financial statements.

#### **NOTE 20 – SUBSEQUENT EVENTS**

On April 13, 2020, 1815 Carnegie LLC, a wholly-owned subsidiary of the Company, entered into a Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate (the “PSA”) with Dyer 18 LLC (the “Buyer”) pursuant to which the Company agreed to sell and the Buyer agreed to purchase the real property located at 1815 E. Carnegie, Santa Ana, CA (the “Property”) for \$9.20 million in cash. There is no material relationship between the Company or its affiliates and the Buyer other than in respect of the transactions contemplated by the PSA. The closing of the sale of the Property is subject to certain conditions set forth in the PSA. The PSA contains customary conditions, representations, warranties, indemnities and covenants by, among, and for the benefit of the parties.

On April 15, 2020, MediFarm LLC, a wholly-owned subsidiary of Terra Tech Corp. (the “Company”), entered into an Asset Purchase Agreement (the “Purchase Agreement”) with a non-affiliated third party (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase substantially all of the assets of the Company related to the Company’s dispensary located at 3650 S. Decatur Blvd., Las Vegas, NV 89103 (the “Business”). The aggregate consideration to be paid for the Business is \$5.25 million, of which \$2.50 million is cash and \$2.75 million is payable by the Purchaser pursuant to a 12-month Secured Promissory Note bearing 8% interest per annum, which is secured by all of the assets sold pursuant to the Purchase Agreement. The transaction is subject to approval by the Nevada Department of Taxation, and other customary closing conditions, and is expected to close promptly following receipt of such approval and satisfaction of all conditions to close.

On May 4, 2020, OneQor Technologies, Inc entered into a Promissory Note dated May 4, 2020 (the “PPP Note”) with Harvest Small Business Finance, LLC (the “Lender”), pursuant to which the Lender agreed to make a loan to the Company under the Paycheck Protection Program (the “PPP Loan”) offered by the U.S. Small Business Administration (the “SBA”) in a principal amount of \$0.56 million pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The amount that will be forgiven will be calculated in part with reference to OneQor’s full time headcount during the eight week period following the funding of the PPP loan. The interest rate on the PPP Note is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP Loan, or a portion of them, are not forgiven, OneQor will be required to make principal and interest payments in monthly installments beginning seven months from April 2020. The PPP Note matures in two years. The PPP Note includes events of default. Upon the occurrence of an event of default, the lender will have the right to exercise remedies against OneQor, including the right to require immediate payment of all amounts due under the PPP Note.

Subsequent to March 31, 2020, \$0.73 million of debt principal and accrued interest of \$0.08 million were converted into 12,943,496 shares of the Company’s common stock.

On the weekend of May 29<sup>th</sup> - 31<sup>st</sup>, 2020 our Oakland and San Leandro stores were damaged during civil unrest and are temporarily closed as we work through damage assessment, insurance claims, and restoration work. While the damage assessment is not complete, we assume it will be significant and will have a negative impact on 2<sup>nd</sup> Quarter 2020 results. We anticipate having these stores back open in the 3<sup>rd</sup> Quarter of this year.

## 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, 2019 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.oneqor.com](http://www.oneqor.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."

On February 14, 2020, the Company acquired OneQor Technologies, Inc. ("OneQor"). The acquisition of OneQor was accounted for in accordance with ASC 805-10, "Business Combinations." OneQor is a cannabinoid-focused company, concentrating on the development, manufacturing, and delivery of patented, proprietary over-the-counter CBD products to established suppliers and consumer brands.

### 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. We have cannabis operations in California and Nevada. Our cannabis dispensaries operate under the name Blüm. Our cannabis dispensaries in California operate as Black Oak Gallery in Oakland and Blüm 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 one dispensary operating under MediFarm in Las Vegas which sells quality medical and adult use cannabis products. The cannabis dispensary in Nevada has been categorized as discontinued operations as we have entered into agreements to sell it to an unaffiliated third party.

Our business also represents our operating segments. See our Part I, Item 1. Business, "Company Overview" and Note 17 "Segment Information" to our unaudited consolidated financial statements for further discussion of our operating segments.

### Our Operations

We are organized into two reportable segments:

- **Cannabis Dispensary, Cultivation and Production** – Includes cannabis-focused retail, cultivation and production operations; and
- **Other / Corporate** – Includes corporate support operations for the entire company, real estate, and CBD operations.

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Our segment net revenue and contributions to consolidated net revenue for each of the three months ended March 31, 2020 and 2019 were as follows:

	<b>(in thousands)</b>		<b>Percentage of Total Revenue</b>	
	<b>Total Revenue</b>		<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Cannabis Dispensary, Cultivation and Production	\$ 3,746	\$ 2,045	86.9%	100.0%
Other / Corporate	567	-	13.1%	-%
<b>Total</b>	<b>\$ 4,313</b>	<b>\$ 2,045</b>	<b>100.0%</b>	<b>100.1%</b>

See Note 2, "Summary of Significant Accounting Policies" to our unaudited condensed 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.

***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.

***Other / Corporate Operations***

The other/corporate segment includes our corporate operations which include accounting, human resources, legal, and executive salaries and costs. We also own real property in Nevada which we plan to use for future expansion of our operations. The other/corporate segment also includes our CBD operations from the acquisition of OneQor; and included our Edible Garden Transportation up to the date it was sold.

**Employees**

As March 31, 2020, we had 188 employees.

**RESULTS OF OPERATIONS**

The impact of moving the Nevada Dispensaries into discontinued operations was as follows on revenue and gross profit.

Revenue & Gross Profit Breakdown Continuing & Discontinued Operations (in thousands)	Three Months Ended March 31			
	2020	2019	Variance vs. 2019	
			\$-Amt	%
<b>Revenue</b>				
Continuing Operations	\$ 4,313	\$ 2,045	\$ 2,268	110.9%
Discontinued Operations	2,310	5,313	(3,003)	-56.5%
<b>Total Revenue</b>	<b>6,623</b>	<b>7,358</b>	<b>(735)</b>	<b>-10.0%</b>
<b>Cost of Goods Sold</b>				
Continuing Operations	1,975	445	(1,530)	-343.9%
Discontinued Operations	1,787	2,909	1,122	38.6%
<b>Total Cost of Goods Sold</b>	<b>3,762</b>	<b>3,354</b>	<b>(408)</b>	<b>-12.2%</b>
<b>Gross Profit \$</b>				
Continuing Operations	\$ 2,338	\$ 1,600	\$ 738	46.1%
Discontinued Operations	523	2,404	(1,881)	-78.2%
<b>Total Gross Profit \$</b>	<b>2,861</b>	<b>4,004</b>	<b>(1,143)</b>	<b>-28.5%</b>
<b>Gross Profit %</b>				
Continuing Operations	54.2%	78.2%	17.4%pts	
Discontinued Operations	22.6%	45.2%	2.4%pts	
<b>Total Gross Profit %</b>	<b>43.2%</b>	<b>54.4%</b>	<b>9.1%pts</b>	

**Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019**

*Revenues*

For the three months ended March 31, 2020, we generated revenues of \$4.31 million, compared to \$2.05 million for the three months ended March 31, 2019, an increase of \$2.26 million or 110.2 percent. The increase was primarily due to more mature Cannabis segment operations in 2020 operating more efficiently and productively compared to 2019, when these operations were just ramping up. More specifically we had year-over-year growth of \$0.82 million at our San Leandro store. It operated as medical only in 2019 whereas in 2020 it was operating as both medical and recreational. Our NuLeaf production operation which began in Q1 of 2019 grew by \$0.89 million year-over-year; and our NuLeaf cultivation operation which as began in Q1 of 2019, grew by \$0.56 million year-over year.

*Gross Profit*

Our gross profit for the three months ended March 31, 2020 was \$2.34 million, compared to a gross profit of \$1.60 million for the three months ended March 31, 2019, an increase of \$0.74 million or 46.1 percent. The increase in gross margin was entirely due to our increase in revenue and partially offset by lower gross margin percentage year-over-year.

*Selling, General and Administrative Expenses and Other Operating Expenses*

Selling, general and administrative expenses for the three months ended March 31, 2020 were \$9.04 million, compared to \$8.59 million for the three months ended March 31, 2019, an increase of \$0.45 million or 5.2 percent. The increase was primarily due to (i) a \$0.40 million increase in depreciation expense, (ii) a \$0.39 million increase in legal expense related to litigation activity, and (iii) a \$0.27 million increase in business / city / property taxes, partially offset by a \$0.34 million decrease in option expense and a \$0.32 million decrease in employee stock compensation. Other operating expenses increased by \$6.15 million due to a \$5.12 million goodwill impairment charge slightly offset by a \$0.04 gain on sale of assets in 2020 compared to \$1.07 million loss on the NuLeaf joint venture in 2019.

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*Operating Income (Loss)*

We realized an operating loss of \$11.78 million for the three months ended March 31, 2020, compared to an operating loss of \$8.06 million for the three months ended March 31, 2019, an increase in loss of approximately \$3.72 million or 46.2 percent.

*Other Income (Expense)*

Other expense for the three months ended March 31, 2020 was \$0.84 million. This was down by \$2.08 million or 71.2 percent compared to \$2.92 million for the three months ended March 31, 2019. This was almost entirely attributable to lower interest expense.

*Discontinued Operations*

We realized an operating loss for discontinued operations of \$4.75 million for the three months ended March 31, 2020. This was an increase of \$4.27 million over the three months ended March 31, 2019 when we had a loss of \$0.48 million. This increase was primarily due to the \$3.30 million loss recorded on the sale of assets, Edible Garden experienced a \$0.33 million larger loss in 2020 compared to 2019, and additional stores were operating in 2019 generating profit of \$0.40 million.

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

We incurred a net loss of \$17.33 million, or \$0.11 per share, for the three months ended March 31, 2020, compared to a net loss of \$9.60 million, or \$0.10 per share, for the three months ended March 31, 2019.

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 condensed consolidated financial statements included in this report.

## **LIQUIDITY AND CAPITAL RESOURCES**

We have never reported net income. We incurred net losses for the three months ended March 31, 2020 and 2019 and have an accumulated deficit of approximately \$207.15 million and \$154.49 million at March 31, 2020 and 2019, respectively.

As of March 31, 2020, we had working capital of (\$25.61) million, including \$0.95 million of cash compared to working capital of (\$18.22) million, including \$1.23 million of cash as of March 31, 2019. Current assets were approximately 0.25 times current liabilities as of March 31, 2020, compared to approximately 0.34 times current liabilities as of March 31, 2019.

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 \$0.50 million in capital to complete.

We will be required to raise additional funds through public or private financing, additional collaborative relationships or other arrangements until we are able to raise revenues to a point of positive cash flow. We believe our existing and available capital resources will be sufficient to satisfy our funding requirements through the third quarter of 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 March 31, 2020, the Company has received \$37.4 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 three months ended March 31, 2020 was \$4.18 million, compared to \$5.87 million for the three months ended March 31, 2019, a decrease of \$1.69 million, or approximately 28.8 percent. The decrease in cash used in operating activities was due to primarily to the timing on A/R receipts and vendor payments.

### **Investing Activities**

Cash provided in investing activities for the three months ended March 31, 2020 was \$2.09 million, compared to cash used in investing activities of \$2.67 million for the three months ended March 31, 2019, a increase of \$4.76 million, or 178.3 percent. During the three months ended March 31, 2020, cash provided by investing activities was primarily from the sale of our Santa Ana dispensary whereas the 2019 cash used was primarily comprised of expenditures related to the construction of the San Leandro and Oakland facilities.

## **Financing Activities**

Cash provided by financing activities for the three months ended March 31, 2020 was \$1.81 million, compared to \$7.15 million for the three months ended March 31, 2019, a decrease of \$5.34 million, or 74.7 percent. The decrease in cash provided by financing activities for the three months ended March 31, 2020 was primarily due to: \$4.61 million less proceeds from the issuance of debt and \$2.05 million less proceeds from issuance of common stock. This was partially offset by \$1.15 million less cash used for payment of debt and 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 March 31, 2020, we had no outstanding variable-rate debt and \$19.37 million of principal fixed-rate debt.

### **Credit Risk**

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

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

Under the supervision and with the participation of our management, our principal executive officer and our principal financial officer are responsible for conducting an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of March 31, 2020. 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 March 31, 2020.

We regularly assesses the adequacy of our internal controls over financial reporting and enhance our controls in response to internal control assessments 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 March 31, 2020 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.

## 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 18, “*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, 2019, except for the risk factors noted below. Please refer to that section for disclosures regarding the risk and uncertainties relating to our business.

#### *There is uncertainty regarding the impact of COVID-19 upon our business*

In December 2019, a novel strain of coronavirus (“COVID-19”) emerged in Wuhan, China. Since then, it has spread broadly and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in the United States and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 in the United States and globally could have an adverse impact on our business, operations and financial results, including through disruptions in our cultivation and processing activities, supply chains and sales channels, and retail sales, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on our business, operations or financial results; however, the impact could be material.

#### *The effects of war, acts of terrorism, threat of terrorism, or other types of violence, could adversely affect our business.*

Some of our stores are located in areas with a high amount of foot traffic. Any threat of terrorist attacks or actual terrorist events, or other types of violence, such as shootings or riots, could lead to lower consumer traffic and a decline in sales. Decreased sales could have a material adverse effect on our business, financial condition and results of operations.

### 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.

**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 March 31, 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="#">Amended and Restated Executive Employment Agreement, dated as of October 29, 2019, by and between OneOor and Matthew Morgan, as amended by Amendment to Amended and Restated Executive Employment Agreement, dated as of February 13, 2020, by and between Matthew Morgan and OneOor (13)</a>
<a href="#">10.2</a>	<a href="#">Amendment and Waiver Agreement, dated as of February 13, 2020, by and between Terra Tech and Derek Peterson (13)</a>
<a href="#">10.3</a>	<a href="#">Forfeiture Agreement, dated as of February 14, 2020, by and between Terra Tech and Derek Peterson (13)</a>
<a href="#">10.4</a>	<a href="#">Forfeiture Agreement, dated as of February 14, 2020, by and between Terra Tech and Michael Nahass (13)</a>
<a href="#">10.5</a>	<a href="#">Amendment to Terra Tech Corp. Amended and Restated 2018 Equity Incentive Plan dated as of February 14, 2020 (13)</a>
<a href="#">10.6</a>	<a href="#">Forfeiture Agreement, dated as of March 9, 2020, by and between Terra Tech and Derek Peterson (14)</a>
<a href="#">10.7</a>	<a href="#">Forfeiture Agreement, dated as of March 9, 2020, by and between Terra Tech and Michael Nahass (14)</a>
<a href="#">31.1</a>	<a href="#">Certification of Matthew Morgan, Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</a>
<a href="#">31.2</a>	<a href="#">Certification of Megan Jimenez, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *</a>
<a href="#">32.1</a>	<a href="#">Certification of Matthew Morgan, 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 Megan Jimenez, 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 Current Report on Form 8-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 February 18, 2020.*
- (14) *Incorporated by reference to Current Report on Form 8-K filed with the SEC on March 16, 2020.*

**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: June 18, 2020

By: /s/ Megan Jimenez

Megan Jimenez  
Chief Financial Officer  
(Principal Accounting Officer and  
Principal Financial Officer)

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

I, Matthew Morgan, 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: June 18, 2020

By: /s/ Matthew Morgan

Matthew Morgan  
Chief Executive Officer and  
Director

**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, Megan Jimenez, 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: June 18, 2020

By: /s/ Megan Jimenez

Megan Jimenez  
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 March 31, 2020 (the "Form 10-Q"), I, Matthew Morgan, 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: June 18, 2020

By: /s/ Matthew Morgan

Matthew Morgan  
Chief Executive Officer and  
Director

**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 March 31, 2020 (the "Form 10-Q"), I, Megan Jimenez, 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: June 18, 2020

By: /s/ Megan Jimenez  
Megan Jimenez  
Chief Financial Officer