

Terra Tech Corp.
Form 10-Q
August 13, 2014

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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2014

OR

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

For the transition period from _____ to _____

Commission File No. 000-54258

TERRA TECH CORP.
(Exact name of registrant as specified in its
charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

26-3062661
(I.R.S. Employer
Identification No.)

4700 Von Karman, Suite 110
Newport Beach, California 92660
(Address of principal executive offices, zip code)

(855) 447-6967
(Registrant's telephone number, including area code)

18101 Von Karman, Third Floor
Irvine, California 92612
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of August 5, 2014, there were 291,744,319 shares of common stock issued and outstanding, which assumes the conversion of 100 shares of Series A Preferred Stock, convertible at any time into 100 shares of common stock, and 14,750,000 shares of Series B Preferred Stock, convertible at any time into 79,418,802 shares of common stock, and warrants convertible at any time into 17,320,340 shares of common stock.

TERRA TECH CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014 Unaudited	December 31, 2013
Assets		
Current Assets:		
Cash	\$2,674,101	\$26,943
Accounts receivable, net	156,249	41,903
Prepaid expenses	916,295	857
Note receivable	-	173,754
Total Current Assets	3,746,645	243,457
Property, equipment and leasehold improvements, net	4,797,076	21,369
Intangible assets, net	182,652	194,872
Deposits	147,783	3,580,887
Total Assets	\$8,874,156	\$4,040,585
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$652,532	\$1,275,918
Note payable	3,788,833	1,197,680
Loans from Related Party	-	102,500
Derivative liability	2,708,000	1,381,000
Total Current Liabilities	7,149,365	3,957,098
Commitment and Contingencies		
Stockholders' Equity		
Preferred stock, Convertible Series A, Par value \$0.001; authorized and issued 100 shares as of June 30, 2014 and December 31, 2013 respectively	-	-
Preferred stock, Convertible Series B, Par value \$0.001; authorized 24,999,900 shares; issued and outstanding 14,750,000 shares as of June 30, 2014 and December 31, 2013, respectively	14,750	14,750
Common stock, Par value \$0.001; authorized 350,000,000 shares; issued 171,941,673 and 146,806,928 shares as of June 30, 2014 and Decemebr 31, 2013, respectively	171,942	146,808
Additional paid-in capital	25,846,983	14,759,246
Accumulated Deficit	(24,308,884)	(14,837,317)
Total Stockholders' Equity	1,724,791	83,487
Total Liabilities and Stockholders' Equity	\$8,874,156	\$4,040,585

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

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TERRA TECH CORP.
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
Unaudited

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total Revenues	\$3,711,801	\$665,365	\$4,272,120	\$731,486
Cost of Goods Sold	3,811,438	659,570	4,369,667	727,575
	(99,637)	5,795	(97,547)	3,911
Selling, general and administrative expenses	3,892,077	881,642	6,095,882	1,627,175
Loss from operations	(3,991,714)	(875,847)	(6,193,429)	(1,623,264)
Other Income (Expenses)				
Loss from derivatives issued with debt greater than debt carrying value	(1,346,000)	(643,000)	(2,560,000)	(1,361,000)
Gain (Loss) on fair market valuation of derivatives	1,017,000	656,000	(267,825)	656,000
Interest Expense	(234,363)	(212,279)	(450,313)	(295,232)
Total Other Income (Expense)	(563,363)	(199,279)	(3,278,138)	(1,000,232)
Loss before Provision of Income Taxes	(4,555,077)	(1,075,126)	(9,471,567)	(2,623,496)
Provision for income taxes	-	1,650	-	1,650
Net Loss applicable to common shareholders	\$(4,555,077)	\$(1,076,776)	\$(9,471,567)	\$(2,625,146)
Net Loss per Common Share Basic and Diluted	\$(0.03)	\$(0.01)	\$(0.06)	\$(0.03)
Weighted Average Number of Common Shares				
Outstanding - Basic and Diluted	168,573,863	88,002,641	162,393,643	85,699,333

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

TERRA TECH CORP.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited

	6 Months Ended June 30, 2014	6 Months Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$(9,471,567)	\$(2,625,146)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Gain) loss on fair market valuation of derivatives	267,825	(656,000)
Depreciation and amortization	202,854	13,929
Warrants issued with common stock	2,979,953	383,005
Stock issued for interest expense	203,624	55,777
Stock issued for services	397,500	671,924
Equity instruments issued with debt greater than debt carrying amount	2,560,000	1,361,000
Change in accounts receivable reserve	(1,391)	(5,000)
Changes in operating assets and liabilities:		
Accounts receivable	(112,955)	(611,519)
Prepaid expenses	(120,438)	-
Inventory	-	7,248
Prepaid inventory	-	51,988
Note receivable	173,754	-
Deposits	(47,783)	(1,672,688)
Accounts payable	(592,756)	1,592,314
Net cash used in operations	(3,561,380)	(1,433,168)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,473,954)	-
Purchase of intangible assets - domain names	(11,500)	-
Cash assumed in merger	-	100
Net cash used in investing activities	(1,485,454)	100
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of notes payable	3,721,053	1,378,474
Proceeds from issuance of notes payable to related parties	27,500	17,502
Payments on notes payable	(300,000)	(100,000)
Payments on notes payable to related parties	(130,000)	(20,000)
Proceeds from issuance of common stock and warrants and common stock subscribed	4,014,919	310,160
Proceeds from issuance of common stock from the exercise of warrants	293,420	-
Short swing profit payment	67,100	-
Net cash provided by financing activities	7,693,992	1,586,136

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NET CHANGE IN CASH AND CASH EQUIVALENTS	2,647,158	153,068
CASH AND CASH EQUIVALENTS, beginning of period	26,943	16,312
CASH AND CASH EQUIVALENTS, end of period	\$2,674,101	\$169,380
SUPPLEMENTAL DISCLOSURE FOR OPERATING ACTIVITIES		
Cash paid for interest	\$285,371	\$6,750
SUPPLEMENTAL DISCLOSURE FOR FINANCING ACTIVITIES		
Warrant expense	\$2,979,953	\$383,005

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

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TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Recent Developments

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

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

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

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

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Accounts Receivable

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

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

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

Intangibles

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

Deposits

Deposits are for a store and land in Nevada.

Revenue Recognition

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

Cost of Goods Sold

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

Research and Development

Research and development costs are expensed as incurred.

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

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

Loss Per Common Share

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

Fair Value of Financial Instruments

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

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

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

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

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Recently Issued Accounting Standards

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

2. GOING CONCERN

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

However, the Company has incurred net losses for the three months ended June 30, 2014 and has accumulated a deficit of approximately \$24.3 million at June 30, 2014. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

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

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

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SHARE EXCHANGE

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

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

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

Intangible assets with estimated useful lives are amortized over a 5 year period. Amortization expense was \$21,240 for the six months ended June 30, 2014.

5. REVERSE MERGER

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

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

Purchase Accounting

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

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REVERSE MERGER, Continued

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

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

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

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

6. PROPERTY, EQUIPMENT AND LEASEHLD IMPROVEMENTS

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

	June 30, 2014	December 31, 2013
Furniture	\$ 43,282	\$ 31,539
Equipment	1,137,283	26,022
Leasehold improvements	3,844,717	10,400
Subtotal	5,025,282	67,961
Less accumulated depreciation	(228,206)	(46,592)
Total	\$ 4,797,076	\$ 21,369

Depreciation expense related to property and equipment for the six months ended June 30, 2013 was \$181,614 and for the six months ended June 30, 2013 was \$6,141.

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	June 30, 2014	December 31, 2013,
Accounts payable	\$ 406,519	\$ 948,421
Accrued officers' salary	60,000	60,000
Accrued interest	123,414	204,898
Accrued payroll taxes	62,599	62,599
	\$ 652,532	\$ 1,275,918

8. NOTE PAYABLE

Notes payable is as follows:

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

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE PAYABLE, Continued

Senior secured promissory notes dated July 26, 2013, issued to accredited investors, maturing April 26, 2013, bearing interest at a rate of 6% per annum. Principal and interest was be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option during the quarter ended March 31, 2014.	-	250,000
Senior secured promissory notes dated October 10, 2013, issued to accredited investors, maturing April 5, 2014, bearing interest at a rate of 6% per annum. Principal and interest was be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option during the quarter ended March 31, 2014.	-	54,900
Senior secured promissory note dated October 10, 2013, issued to an accredited investor, maturing May 22, 2014, bearing interest at a rate of 6% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option. \$50,000 was converted during the six months ended June 30, 2014.	-	50,000
Senior secured promissory notes dated November 22, 2013, issued to accredited investors, maturing May 15, 2014, bearing interest at a rate of 6% per annum. Principal and interest may be converted into common stock based on the average trading price of the ten days prior to maturity at the holders' option. \$175,000 was converted during the quarter ended March 31, 2014. \$100,000 principal plus accrued interest was paid during the quarter ended March 31, 2014.	-	275,000
Senior secured promissory notes dated December 5, 2013, issued to accredited investors, maturing July 1, 2014, bearing interest at a rate of 12% per annum. Principal and interest was converted into equity during the six months ended June 30, 2014.	-	300,000

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE PAYABLE, Continued

Demand promissory notes dated January 7, 2014, issued to an accredited investor, maturing August 7, 2014, bearing interest at a rate of 12% per annum.	100,000	-
5% Original issue discount senior secured convertible promissory note dated February 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to February 5th, 2014.	842,105	-
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to March 5th, 2014.	842,105	-
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to March 5th, 2014.	578,947	-
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to March 5th, 2014.	547,948	-
5% Original issue discount senior secured convertible promissory note dated March 5, 2014, issued to accredited investors, bearing interest at a rate of 12% per annum. The fixed conversion price in effect shall be 90% of the 20 day VWAP of Company Common Stock prior to March 5th, 2014.	547,948	-
	\$3,788,833	\$1,197,680

The senior secured promissory notes are secured by shares of common stock. There is accrued interest of \$123,414 as of June 30, 2014.

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOANS FROM RELATED PARTY

Notes payable to related party is as follows:

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

10. CAPITAL STOCK

Preferred Stock

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

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

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

On February 26, 2012, pursuant the Agreement and Plan of Merger, the Company issued an aggregate of 14,750,000 shares of Series B Preferred Stock to Derek Peterson and Amy Almsteier, both of whom are officers and directors of the Company. On April 23, 2013, we entered into a Share Exchange Agreement, dated March 23, 2013 (the "Share Exchange Agreement"), by and among the Company, Edible Garden Corp., a Nevada corporation ("Edible Garden"), and the holders of common stock of Edible Garden. Amy Almsteier, our majority shareholder, and officer and director, offered and sold 7,650,000 of her 12,500,000 shares of Series B Preferred Stock to Ken VandeVrede, Mike

VandeVrede, Steve VandeVrede and Dan VandeVrede, Beverly Willekes, and David VandeVrede (collectively, the “Edible Garden Shareholders”), each of whom acquired the Series B Preferred Stock on a pro-rata basis, based on their respective parentage equity interest in Edible Garden immediately prior to the consummation of the Share Exchange Agreement.

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TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CAPITAL STOCK, continued

Common Stock

The Company has authorized 350 million shares of common stock with \$0.001 par value, of which there were issued and outstanding 171,941,673 as of June 30, 2014.

11. WARRANTS

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

	June 30, 2014	Weighted Average Exercise Price
	Shares	
Warrants outstanding – beginning of year	19,550,817	\$ 0.17
Warrants exercised	(9,367,287)	0.19
Warrants granted	5,701,754	0.30
Warrants expired	-	-
Warrants outstanding – end of period	15,885,284	\$ 0.21

TERRA TECH CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

WARRANTS, Continued

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

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

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

Range of Exercise Prices	Number Outstanding at June 30, 2014	Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 0.33	5,540,400	13 Months	\$ 0.33
\$ 0.46	600,000	13 Months	\$ 0.46
\$ 0.46	150,000	7 Months	\$ 0.46
\$ 0.85	40,000	10 Months	\$ 0.85
\$ 0.40	333,333	14 Months	\$ 0.40
\$ 0.33	439,637	17 Months	\$ 0.33
\$ 0.16	750,000	21 Months	\$ 0.16
\$ 0.06	7,067,002	51 Months	\$ 0.06
\$ 0.30	964,912	47 Months	\$ 0.30
	15,885,284		

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

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

TERRA TECH CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

WARRANTS, Continued

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

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

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

The warrant expense of \$2,979,953 was based on the Black Scholes calculation which was expensed during the six months ended June 30, 2014.

12. OPERATING LEASE COMMITMENTS

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

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

Net rent expense for the Company for the six months ended June 30, 2014 was \$100,400.

13. LITIGATION AND CLAIMS

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

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

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

Cautionary Statement Pursuant To "Safe Harbor" Provisions Of Section 21e Of The Securities Exchange Act Of 1934

Except for historical information, the Company's reports to the Securities and Exchange Commission on Form 8-K and Form 10-Q and periodic press releases, as well as other public documents and statements, contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the statements. These risks and uncertainties include general economic and business conditions, development and market acceptance of the Company's products, current dependence on the willingness of investors to continue to fund operations of the Company and other risks and uncertainties identified in the risk factors discussed below and in the Company's other reports to the Securities and Exchange Commission, periodic press releases, or other public documents or statements.

Readers are cautioned not to place undue reliance on forward-looking statements. The Company undertakes no obligation to republish or revise forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrences of unanticipated events.

Overview

We were incorporated in Nevada on July 22, 2008, under the name Private Secretary, Inc. We changed our name to Terra Tech Corp. on January 27, 2012. Our corporate headquarters is located at 4700 Von Karman, Suite 110, Newport Beach, California 92660 and our telephone number is (855) 447-6967. Our website addresses are as follows: www.terratechcorp.com, www.growopltd.com, www.ediblegarden.com, www.egrow.com, www.goodearthhydro.com, and www.bestbuyhydro.com.

The Company's original business was to develop a software program that would allow for automatic call processing through "VoIP" technology. Our operations were to limited capital formation, organization, and development of our business plan and target customer market. We generated no revenue.

On February 9, 2012, we completed a reverse-triangular merger with GrowOp Technology, whereby we acquired all of the issued and outstanding shares of GrowOp Technology and in exchange we issued: (i) 33,998,520 shares of our Common Stock, (ii) 100 shares of Series A Preferred Stock, convertible into shares of Common Stock on a one-for-one basis, and (iii) 14,750,000 shares of Series B Preferred Stock, with each share convertible into 5.38425537 shares of Common Stock. The issuance represented approximately 50.3% of our total shares of Common Stock outstanding, assuming the conversion of all the shares of Series A Preferred Stock and Series B Preferred Stock, immediately following the closing of the merger. As a result of the merger, GrowOp Technology became our wholly-owned subsidiary. Following the merger, we ceased our prior operations and are now solely a holding company with two wholly-owned subsidiaries. We also own interests in three other subsidiaries.

In March 2013 we entered into the Share Exchange Agreement with Edible Garden and its stockholders. Pursuant to the Share Exchange Agreement, we offered and sold 1,250,000 shares of Common Stock of the Company in consideration for all the issued and outstanding shares in Edible Garden. Separately, Ms. Almsteier, a stockholder, and an officer and director, offered and sold 7,650,000 shares of Series B Preferred Stock to the Former EG Principal Stockholders. The 7,650,000 shares of Series B Preferred Stock is convertible at any time into 36,344,198 shares of Common Stock and have voting power equal to 765,000,000 shares of Common Stock.

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

On March 19, 2014, July 18, 2014, and July 30, 2014, we formed MediFarm, MediFarm I and MediFarm II, respectively.

Terra Tech Corp. designs, develops and distributes fixtures and systems for use in urban controlled environment agriculture (“CEA”). CEA encompasses any agricultural technology that enables the grower to manipulate a crop’s environment to the grower’s desired conditions, by producing plants and their products inside structures such as greenhouses. Controlled variables inside such structures include temperature, humidity, pH, and nutrient analysis. By using CEA, urban farmers and greenhouse growers can produce high-value crops at maximum productivity in an efficient and environmentally friendly way.

GrowOp Technology

Our wholly-owned subsidiary, GrowOp Technology Ltd., a Nevada corporation (“GrowOp Technology”), integrates high-quality hydroponic equipment with proprietary technology to create sustainable solutions for the cultivation of indoor agriculture. We work closely with expert horticulturists, engineers, and scientists to develop and manufacture advanced proprietary products for the hydroponic industry. Our products are utilized by horticulture enthusiasts, local urban farmers, and greenhouse growers. We believe that the emerging trend of urban and indoor agriculture has fostered an entrepreneurial push by companies to bring their concept to market. Many of these companies lack both the intellectual resources and manufacturing capabilities to bring their ideas to fruition. We have the team and the resources to help bring indoor cultivation designs from concept to production. Our products can be found through specialty retailers throughout the United States.

Edible Garden

Our second wholly-owned subsidiary, Edible Garden Corp., a Nevada corporation (“Edible Garden”), is a retail seller of a line of locally grown hydroponic produce, which is distributed throughout the Northeast, Midwest and Florida. Edible Garden has rapidly expanded the availability of its premier brand of sustainably grown produce line from just over 100 retail stores to approximately 1,000 retailers throughout markets in the Northwest, Midwest and Florida. We believe that this rapid expansion has been due to consumers demanding fresher produce grown locally using environmentally sustainable methods.

MediFarm, MediFarm I, and MediFarm II

We formed MediFarm, LLC, a Nevada limited liability company (“MediFarm”), on March 19, 2014. We own 60% of the membership interests in MediFarm, with the remaining 40% owned by two otherwise unaffiliated individuals. We formed MediFarm I, LLC, a Nevada limited liability company (“MediFarm I”), on July 18, 2014. We own 50% of the membership interests in MediFarm I, with the remaining 50% owned by one otherwise unaffiliated individual. We formed MediFarm II, LLC, a Nevada limited liability company (“MediFarm II”), on July 30, 2014. We currently own 50% of the membership interests in MediFarm II, with the remaining 50% owned by two otherwise unaffiliated parties. If and when we obtain all necessary permits, MediFarm, MediFarm I and MediFarm II will cultivate and produce medical marijuana at our facilities in Nevada. The Clark County Board of Commissioners voted on June 17, 2014, to approve a special use permit for MediFarm’s vertically integrated and co-located medical marijuana cultivation and production establishments located at 6585 West Gary Avenue, Las Vegas, Nevada 89139. This is a

local land use approval and the first step in the process for MediFarm to obtain a state medical marijuana registration certificate pursuant to Nevada Revised Statutes Chapter 453A to operate cultivation and production facilities in Clark County, Nevada. Between August 5 and 18, 2014, MediFarm will have to submit an application to the Nevada Division of Public and Behavioral Health (the "Division") to operate these medical marijuana establishments in Clark County, Nevada. Using a merit-based ranking system, the Division will award provisional registration certificates to those applicants who score the highest based upon certain criteria and point values up to the designated number of registration certificates the Division plans to issue in that jurisdiction. If MediFarm receives a provisional certificate, it would then have to apply for a local business license from Clark County and obtain a building permit for any construction before beginning business operations. The Division anticipates issuing state registration certificates on or about November 3, 2014. MediFarm would have to complete construction of these facilities by December 15, 2015, or the special use permit expires. We have not yet taken any steps to obtain permits for MediFarm I or MediFarm II.

Results of Operations for the quarter ended June 30, 2014 compared to the quarter ended June 30, 2013:

Total revenues generated from the sales of the Company's products for the quarter ended June 30, 2014 totaled \$3,711,801, an increase of \$3,046,436 or 458% from the quarter ended June 30, 2013, which totaled \$665,365. The primary reason was due the revenue generated from Edible Gardens.

At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses.

Gross profits for the quarter ended June 30, 2014 amounted to a negative \$99,637 for a negative .026% gross margin. Gross profits decreased \$105,432 for the quarter ended June 30, 2014 compared to a positive margin of \$5,795 for the quarter ended June 30, 2013. The decrease in the gross margin was due to the greenhouse coming online in the June 30, 2014 quarter for Edible Gardens.

Selling, general and administrative expenses for the quarter ended June 30, 2014 were \$3,892,077, an increase of \$3,010,435 from the quarter ended June 30, 2013, which totaled \$881,642. The major increases were from fees incurred in the amount of \$131,954 for the ramp up of the costs associated with the farm for Edible Gardens. An increase in depreciation of \$99,012 for the farm equipment put into use. An increase in director fees in the amount of \$91,000 and directors and officers insurance in the amount of \$22,089. Consulting expense increased in the amount of \$583,820 for the distribution of the Edible Gardens products. The Company has filed for licenses within Nevada to distribute and grow medical cannabis. The costs associated with consultants, lobbyists and travel totaled \$213,922. Legal and accounting increase by \$140,946 in association with additional filing made for the registration of the common stock. Warrant expense increased over the prior year by \$1,533,455 due to an increase of warrants issued with the capital raised.

The Company had a loss on issuance of derivative in the amount of \$1,346,000, and increase of \$703,000 versus \$643,000 in the prior year, due to more convertible notes issued in 2014. The Company had a gain on the fair market valuation of derivatives in the amount of \$1,017,000 versus \$656,000 from the prior year. Interest expense totaled \$234,363 for the quarter ended June 30, 2014 versus \$212,279 in the quarter ended June 30, 2013. The increase is due to more debt outstanding in the quarter ended June 30, 2014.

The net result for the quarter ended June 30, 2014 was a loss of \$4,555,077 or \$0.03 per share compared to a loss of \$1,076,776 or \$0.01 for the quarter ended June 30, 2013.

Management will continue to make an effort to lower operating expenses and increase revenue. The Company will continue to invest in further expanding its operations and a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting the name and products of the Company. Given the fact that most of the operating expenses are fixed or have quasi-fixed character management expects them to significantly decrease as a percentage of revenues as revenues increase.

Results of Operations for the six months ended June 30, 2014 compared to the six months ended June 30, 2013:

Total revenues generated from the sales of the Company's products for the six months ended June 30, 2014 totaled \$4,272,120, an increase of \$3,540,634 or 484% from the prior six months ended June 30, 2013 which totaled \$731,486. The primary reason was due the revenue generated from Edible Gardens.

At this stage in the Company's development, revenues are not yet sufficient to cover ongoing operating expenses.

Gross profits for the six months ended June 30, 2014 amounted to a negative \$97,547 for a negative .022% gross margin. Gross profits decreased \$101,458 for the six months ended June 30, 2014 compared to a positive margin of \$3,911 for the six months ended June 30, 2013. The decrease in the gross margin was due to the greenhouse coming online in the June 30, 2014 quarter for Edible Gardens.

Selling, general and administrative expenses for the six months ended June 30, 2014 were \$6,095,882, an increase of \$4,468,707 from the six months ended June 30, 2013 which totaled \$1,627,175. The major increases were from fees incurred in the amount of \$231,469 for the ramp up of the costs associated with the farm for Edible Gardens. An increase in depreciation of \$188,926 for the farm equipment put into use. An increase in director fees in the amount of \$276,000 and directors and officers insurance in the amount of \$22,089. Consulting expense increased in the amount of \$335,350 for the distribution of the Edible Gardens products. The Company has filed for licenses within Nevada to distribute and grow medical cannabis. The costs associated with consultants, lobbyists and travel totaled \$294,855. Legal and accounting increase by \$301,235 in association with additional filing made for the registration of the common stock and the application for the licenses in Nevada. Warrant expense increased over the prior year by \$2,596,948 due to an increase of warrants issued with the capital raised.

The Company had a loss on issuance of derivative in the amount of \$2,560,000, an increase of \$1,199,000 versus \$1,361,000 in the prior six months, due to more convertible notes issued in 2014. The Company had a loss on the fair market valuation of derivatives in the amount of \$267,825 versus a gain of \$656,000 from the prior six months. Interest expense totaled \$450,313 for the six months ended June 30, 2014 versus \$295,232 in the six months ended June 30, 2013. The increase is due to more debt outstanding in the six months ended June 30, 2014.

The net result for the six months ended June 30, 2014 was a loss of \$9,471,567 or \$0.06 per share compared to a loss of \$2,625,146 or \$0.03 for the six months ended June 30, 2013.

Management will continue to make an effort to lower operating expenses and increase revenue. The Company will continue to invest in further expanding its operations and a comprehensive marketing campaign with the goal of accelerating the education of potential clients and promoting the name and products of the Company. Given the fact that most of the operating expenses are fixed or have quasi-fixed character management expects them to significantly decrease as a percentage of revenues as revenues increase.

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our consolidated condensed 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 at relevant sections in this discussion and analysis and in the notes to the consolidated financial statements included in this report.

Liquidity and Capital Resources

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

The Company incurred net losses for the three months ended June 30, 2014 and has accumulated a deficit of \$24,308,884 at June 30, 2014. The Company has not been able to generate sufficient cash from operating activities to fund its ongoing operations. There is no guarantee that the Company will be able to generate enough revenue and/or raise capital to support its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company has never reported Net Income.

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

The Company's business operations generally have been financed by debt investments through promissory notes with accredited investors and equity investments in the common stock of the Company by accredited investors. During the six months of 2014, the Company obtained new debt from the issuance of secured promissory notes that supplied the funds that were needed to finance operations during the reporting period. Such new borrowings resulted in the receipt by the Company of \$3,748,553. The Company also issued 6,600,000 shares of common stock for \$4,014,919. The Company also received \$293,420 from the exercise of warrants. While these funds sufficed to compensate for the negative cash flow from operations they were not sufficient to build up a liquidity reserve. As a result, the Company's financial position at the end of the reporting period showed a working capital deficit of \$3,402,720. During the first six months of 2013 the Company obtained new financing sufficient to fund ongoing working capital requirements. We need to continue to raise funds to cover working capital requirements until we are able to raise revenues to a point of positive cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act), we are not required to provide the information called for by this Item 3.

ITEM 4. CONTROLS AND PROCEDURES.

DISCLOSURE 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 Securities Exchange Act of 1934, as of the end of the fiscal year covered by this report. Disclosure controls and procedures means that the material information required to be included in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to our company, including any consolidating subsidiaries, and was made known to us by others within those entities, particularly during the period when this report was being prepared. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were not effective as of June 30, 2014.

There were no changes in the Company's internal controls over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

On March 29, 2011, Dhar Mann and WeGrow Garden Supply LLC filed an Individual and Corporate Complaint in the Superior Court of the State of California, Alameda County, File No. RG11568327 (the "Dhar Mann Complaint"), against GrowOp Technology alleging, among other things, that Mr. Mann is a 37.5% owner of GrowOp Technology and claiming damages of approximately \$2,200,000 in connection with a purported agreement to sell Mr. Mann shares of common stock of GrowOp Technology equal to 37.5% ownership in GrowOp Technology. The Dhar Mann Complaint is also seeking an order from the court prohibiting GrowOp Technology from selling any additional securities or becoming a public company. GrowOp Technology denies, among other things in the Dhar Mann Complaint, the existence of a purported agreement to sell Mr. Mann shares of common stock of GrowOp Technology amounting to 37.5% ownership in GrowOp Technology or the damages owed. The trial has been set for December 2014. To date, the parties have not exchanged discovery.

We do not believe Mr. Mann will be successful and intend to defend this lawsuit vigorously. However, if Mr. Mann is successful, any damages we may have to pay that are awarded to Mr. Mann will have a material adverse effect on our business, financial condition, operating results.

ITEM 1A. RISK FACTORS.

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

ITEM 6 a) Exhibits

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TERRA TECH CORP.

Date: August 12, 2014

By: /s/ Michael James
Michael James
Chief Financial Officer
Chief Accounting Officer