Acacia Diversified Holdings, Inc.
Form 10-K
February 12, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
or

o 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: 1-14088

Acacia Diversified Holdings, Inc.
(Exact name of registrant as specified in its charter)

Texas	75-2095676
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

13575 58th Street North - #138 Clearwater, FL 33760
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (727) 678-4420

3512 East Silver Springs Blvd. - #243 Ocala, FL 34470
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered

Securities registered pursuant to section 12(g) of the Act:

Common Stock

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 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. (1) Yes x No o (2) Yes x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o (Not required) o

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company x

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

APPLICABLE ONLY TO REGISTRANTS 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 Section 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 o No o

Issuer's revenues for its most recent fiscal year. $0

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity as of June 30, 2015 was $539,738

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 12,955,406 as of December 31, 2015.

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PART I

Item 1. Business of the Company

Description of Historical Operations

Acacia Diversified Holdings, Inc. (“we”, “us”, the “Company”, or the “Parent Company”) was incorporated in Texas on October 1, 1984 as Gibbs Construction, Inc. (“Gibbs”). The Company changed its name from Gibbs Construction, Inc. to Acacia Automotive, Inc. effective February 20, 2007.

At a Special Meeting of the Company’s Shareholders on February 1, 2007, a majority of the Shareholders of the Company ratified all the actions recommended by the Company’s board of directors, including, among other matters: (i) effectuating a one for eight reverse stock split; (ii) increasing the number of authorized shares of common stock to 150,000,000 and authorizing a series of preferred stock with 2,000,000 shares; and, (ii) changing the Company’s name from Gibbs Construction, Inc. to Acacia Automotive, Inc., indicating the Company’s move into the automotive auction business.

In July 2007, the Company caused to be formed Acacia Augusta Vehicle Auction, Inc., a South Carolina corporation and wholly owned subsidiary of the Company. (“AAVA”) for the purposes of acquiring certain assets of the Augusta Auto Auction in Augusta, Georgia, and operating an auction at that same location. This became the Company’s first operating asset in the automotive auction industry and was the Company’s only revenue producing business at that time. Later, in 2009, the Company caused to be formed Acacia Chattanooga Vehicle Auction, Inc., a Tennessee corporation and wholly owned subsidiary of the Company. (“ACVA”) for the purposes of acquiring certain assets of the Chattanooga Vehicle Auction in Chattanooga, Tennessee, and operating an auction at that same location. The latter acquisition represented the Company’s second, and final, automotive auction acquisition.

Due to a dispute that arose with the seller of the Chattanooga Vehicle Auction, the Company discontinued operations there effective August 31, 2010, accounting for those operations as discontinued effective that date, and first accounted for those as discontinued operations in its Quarterly Report on Form 10-Q for the period ended June 30, 2010. In late 2011, after successfully operating the Augusta auction for more than four years, the Company determined that it was in its best interests to sell the Augusta auction and thereafter entered into a Letter of Intent with two individuals for that purpose. The sale transaction was completed on July 31, 2012. Those events were reported in their entirety by the Company on its Current Report on Form 8-K on August 27, 2012, which in incorporated herein by reference. Following the disposition of the Augusta Vehicle Auction in 2012, the Company lacked significant operations and thereafter sought to become a diversified holding company.
In accordance therewith, on October 18, 2012, the Company changed its name from Acacia Automotive, Inc. to Acacia Diversified Holdings, Inc. in an effort to exemplify the Company’s desire to expand into alternative industries as well as more diversified service and product offerings.

On July 10, 2013 the Company, through its new wholly-owned Citrus Extracts, Inc. (“CEI”) subsidiary, entered into a definitive agreement to acquire certain assets and assumed certain liabilities related to those assets from Red Phoenix Extracts, Inc. (“RPE”), a corporation located in Fort Pierce, Florida. The assets included, among other things, furnishings, machinery, and equipment. As consideration for the assets, the Company issued to the holders of RPE nine hundred thousand (900,000) restricted shares of the Company’s common stock. CEI also assumed certain liabilities of RPE, including the lease for RPE’s Fort Pierce, Florida location. There was no cash consideration in the transaction, which was more particularly described in the Company’s Current Report on Form 8-K dated July 10, 2013, which is incorporated by reference herein.

CEI was a business in the food manufacturing industry subsector that transformed livestock and agricultural products into products for intermediate or final consumption. The industry groups are distinguished by the raw materials (generally of animal or vegetable origin) processed into food products. CEI utilized our proprietary chemical-free, 100% natural processes in the manufacturing, sale, and distribution of all-natural, food-grade ingredients from raw, fresh, natural citrus peel resulting from citrus juicing operations. Through those controlled methods, CEI processed and dehydrated orange, lemon, grapefruit and tangerine peel into its "CitraBlend" and "CitraBlend Organic" products and then milled those products to varying sizes ranging from larger "cut & sift flakes" to 40+ mesh powders (or smaller sizes for custom orders). Those ingredients, both organic and non-organic, found their way into many regional and national brand-name products commonly found on America's kitchen tables in the form of spices, teas, and otherwise. Our CitraBlend products were also utilized in brewing many local and regional craft beers in addition to nationally-recognized beer brands, and because we had only recently addressed that market it remained largely untapped. At the time the Company sold its CEI subsidiary, CitraBlend was primarily sold through a network of distributors who generally blended our products or sold them as stand alone ingredients included in many well-known consumer products.

On January 15, 2014 the Company formed Acacia Transport Services, Inc. ("ATS") as another wholly-owned subsidiary, but activity did not begin until July of that year when it acquired several tandem-axle road tractors, tandem-axle aluminum end-dump trailers, and other assets necessary to operate its transport business.

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ATS was a business in the transportation industry that hauled fresh, raw, citrus peel resulting from the juice extraction process at juice plants. On July 2, 2014, ATS entered into an Agreement for Citrus Peel Hauling Services with Lambeth Groves Juice Company, a juice extraction company located in Vero Beach, Florida, some 20 miles from CEI. That contract called for ATS to assume all responsibilities for hauling the raw, remediated citrus peel products from Lambeth Groves effective July 30, 2014, with actual transport operations from Lambeth Groves commencing in early August 2014.

ATS hauled much of that raw peel to CEI for use in its manufacturing processes, and delivered the excess peel to local farmers for use as livestock feed. Acacia Transport Services transported its first load of raw peel from Lambeth Groves on August 7, 2014 and transported subsequent loads going forward from that date. Full-scale transport operations finally began with the onset of the 2015 citrus season at about the beginning of December, 2014, the number of loads transported “in season” generally being maximized during the period of December through March or April.

On March 1, 2014 the Company began performing milling operations using the trade name Acacia Milling Services (“AMS”) at the Fort Pierce location for its CEI subsidiary. Milling is the term applied to grinding or refining the finished citrus ingredient products rendered by CEI into smaller, finer particles. These services vary from simple sifting operations that separate the various sizes of materials to creating specific cuts from the original material, such as “tea bag cut” size, granulated materials of various sizes, or “powders” of various mesh sizes. Generally the greater the mesh size (finer, smaller, particle size) requested by the customer, the higher the milling charges per pound.

AMS was a developmental stage business in the milling or grinding industry that milled finished citrus ingredient products rendered by Citrus Extracts into smaller, finer particles. Those milling services varied from simple sifting operations that separated the various sizes of materials to creating specific cuts from the original material, such as “tea bag cut” size, granulated materials of various sizes, or “powders” of various mesh sizes. Generally the greater the mesh size (higher mesh sizes referring to finer, smaller, particle size) requested by the customer, the higher the milling charges per pound. Prior to sale of the assets, the Company did not yet maintain separate accounting functions for its new milling operations, but intended to further segregate those milling operations at a later time and to implement a new system of separate financial reporting for those operations. However, those plans became moot in light of the sale of the Company’s income-producing operations in June of 2015.

At a Special Meeting of the Company’s Shareholders on June 29, 2015, a majority of the Shareholders of the Company ratified all the actions recommended by the Company’s board of directors, including, among other matters: (i) authorization to sell the assets and related businesses of the Company’s CEI and ATS subsidiaries; (ii) authorization to employ the proceeds of the sale to extinguish the corporation’s indebtedness and other current financial obligations; (iii) election of four members to the Corporation’s board of directors; (iv) authorization to seek new acquisitions or business combinations; (v) authorization to terminate the Corporation’s 2012 Stock Incentive Plan and to extend the employment agreement of its CEO by two years with all other provisions unchanged; and (vi) authorization to amend Article Eleven of the Corporation’s Articles of Incorporation and Section 2.10 of its Bylaws.

The Company sold the assets and related businesses of its CEI and ATS subsidiaries, and its AMS operations, being all of its revenue-producing operations, on June 29, 2015, and accounted for those operations as discontinued effective with the Quarterly Report on Form 10-Q for the period ended June 30, 2015. Those events were reported in their entirety by the Company on its Current Report on Form 8-K on July 16, 2015, which in incorporated herein by reference.

Following June 29, 2015 the Company was without revenue-producing operations, and began reviewing opportunities for new mergers, acquisitions, or business combinations, including its review of MariJ Agricultural, Inc. and related entities in the Clearwater, Florida area in August of that same year. In November of 2015, the Company entered into a Letter of Intent to acquire the assets and businesses of the MariJ Group of Companies that included MariJ Agricultural, JR Cannabis Industries, LLC; Canna-Cures Research & Development Center, LLC; and, TropiFlora, LLC. An amended Letter of Intent was drafted on December 8, 2015 and the acquisition was consummated on January 15, 2016 with an effective date of January 4, 2015.

Recent Events and Direction of the Company

On January 15, 2016 the Company acquired the assets and related businesses of the MariJ Group of companies consisting of four (4) entities, and intends to conduct its future business operations through two (2) newly-created wholly-owned subsidiaries utilizing the majority of those assets. The four acquired entities include:

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MariJ Pharmaceuticals, Inc.

On January 15, 2016 the Company acquired the assets and business of MariJ Agricultural, Inc., a Florida corporation. Those assets and business were placed into the Company's new subsidiary named MariJ Pharmaceuticals, Inc. ("MariJ"). While that entity had only began revenue-producing operations in Q4 of 2015, it is anticipated to expand its operations and revenues substantially in 2016 as an Acacia subsidiary following planned capital expansion based on success in raising the funding necessary to fuel those plans.

MariJ's impetus will be in the extraction and processing of very high quality, high-CBD/low-THC content medical grade cannabis oils from medical cannabis plants. MariJ specializes in organic strains of the plant, setting itself apart from the general producers of non-organic products. In addition, MariJ has the technical expertise and capability to process and formulate the oils and to employ them in its compounding operations. MariJ will seek to become engaged as owner or co-owner of a grow facility in Florida or other location(s) such as to produce its own plants for processing. MariJ has also been preparing for the 2016 rollout of its newly-developed, proprietary Geotraking Technology that is fully compliant with the Health Insurance Portability and Accountability standard ("HIPAA") utilizing its "plant to patient" solution. This Geotraking Technology is designed to provide a full-channel patient care tracking system that is fully compliant under today's strict HIPAA regulations that require privacy and security of the patient's information. Beginning with RFID labeling and tracking of every single seed employed in the grow program and continuing through the sale of prescription products in a sophisticated retail PoS delivery system, the GeoTraking Technology will be the most advanced system available.

MariJ's revenues are anticipated to be generated from several activities, including but not limited to the following:

a. Cannabis oil extraction and processing. MariJ has a unique mobile cannabis oil processing and extraction unit designed into a heavy-duty vehicle. That unit has already begun performing extractions and processing of medical organic hemp into oils at various sites, and is currently developing additional contracts for services.
b. Wholesale sale of raw and processed low or zero-THC medical cannabis oils.
c. Laboratory testing and certification services. MariJ has begun construction of a mobile laboratory and testing unit, also on a heavy-duty truck chassis, intended to address the growing demand for these services in the medical cannabis industry.
d. Licensing and support of the Company's GeoTraking Technology systems
e. Processing and compounding services for medical grade cannabis oils

The Company is preparing to seek additional investments and financing to pay the costs of building its second mobile oil extraction and processing unit, to finance final construction of its mobile laboratory and testing unit for the same industry, and to complete the roll-out of its GeoTraking Technology system. There can be no assurance the Company will be successful in its plans to generate the required capital.

Canna-Cures Research & Development Center, Inc.

The Company acquired the assets and the business of Canna-Cures Research & Development Center, LLC, a Florida organization, on January 15, 2016. The Company intends to utilize this new subsidiary to engage in research and development activities as well as retail and wholesale distribution of medical cannabis products and dietary supplements, depending upon our ability to comply in each instance with FDA rules and other regulations. As a part of its R&D efforts, the new subsidiary will seek to align itself with institutions of higher learning in working to develop new products and to identify and develop additional uses for its medical cannabis products.

While this subsidiary has not yet implemented revenue-producing operations, it is anticipated to begin generating revenues after mid-2016. Those revenues will be generated from several activities, including the following:

a. Canna-Cures will seek to enter into research and development projects with institutions of higher learning in efforts to develop new and better strains of medical cannabis related products for dispensing as medications, nutraceuticals, cosmeceuticals, and probably dietary supplements. Canna-Cures anticipates participating in state and federal grants in conjunction with one or more universities as a means to defray part of its costs in these efforts.
b. Private label packaging services. The Company has obtained a majority of the equipment required to engage in the business of packaging and labeling of medical cannabis oils, oil-infused products, and related items.
c. Retail sales of medical cannabis oils, oil-infused products, and other merchandise through its web-based portal or retail dispensaries planned for that purpose. These activities are dependent in large part upon meeting FDA regulations and criteria relating to the sale and distribution of cannabis-infused products, and the Company is currently in the process of determining the status of those criteria.
d. Retail and wholesale sales of cosmeceutical and nutraceutical products and dietary supplements containing its high-quality cannabis oil extracts, again dependent upon the same FDA regulations and criteria as mentioned in item (c) above.

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The Company will require additional capital to finalize these plans and accommodate the roll-out of its services for this subsidiary, and intends to begin its capital raising activities within the next 60 to 90 days or less. There can be no assurance the Company will be successful in its plans to generate that capital.

JR Cannabis Industries, LLC

The third entity acquired in the transactions of January 15, 2016 was JR Cannabis Industries, LLC. That entity was a service business providing management services in coordination with the activities of MariJ Agricultural. Following the acquisition of those entities, Acacia determined that it no longer needed services the same or similar to those of JR Cannabis Industries, and therefore has elected to recreate it as a subsidiary of the Company

TropiFlora, LLC

The fourth and final entity acquired in the transactions of January 15, 2016 was TropiFlora, LLC

In the acquisition transactions of January 15, 2016 the Company acquired the non-capital assets and the business of TropiFlora, LLC, but not the goodwill or the capital assets of TropiFlora, as a part of its efforts to engage growing cannabis in Florida. Prior to TropiFlora's acquisition by MariJ, and ultimately by Acacia, it was a grower with decades of experience in the nursery industry with the capacity to grow large quantities of plants. MariJ and subsequently Acacia acquired the business of TropiFlora to position itself to be issued a Growers License under the new 2015 Florida cannabis laws, If successful in obtaining a Florida Growers License, TropiFlora, as an Acacia subsidiary, would cultivate and distribute legal medical cannabis products in the state, opening the door to the sale of the non-euphoric strains of cannabis to treat patients with seizure disorders and cancer. However, the State of Florida announced the names of the five applicants that were to be awarded the Growers Licenses, but TropiFlora was not among the winners. Substantial legal objections have arisen as to the Florida license award process, prompting the filing of a number of complaints and spawning litigation with the State. The Company believes that, among other things, TropiFlora was unfairly judged for the licensing opportunity. The legal complaints instituted by TropiFlora while a part of the MariJ Group of companies and before its acquisition by Acacia left many questions that can only be answered as the cases progress through the administrative and judicial systems. As a result of the fact that substantial sums would be required to pursue the reversal of the perceived errors in the licensing process, the Company believes it is not in its best interests to continue on that course. Accordingly, the Company has therefore determined to exercise its option to rescind the TropiFlora acquisition under the certain specific terms and conditions agreed prior to its acquisition. Thus, the Company will take no action to create or operate a subsidiary utilizing the acquired TropiFlora assets.

As such, the Company intends to instead seek one or more other potential new licensing opportunities within Florida in conjunction with the anticipation of future license offerings, or to seek licensing opportunities in other states.

Employees

The Parent Company had two officers in 2015, being Steven L. Sample, its Chairman, President and Chief Executive Officer, and Patricia Ann Arnold, its Secretary. Ms. Arnold served in her capacity as a non-employee, while Mr. Sample served as a full-time employee of the Company. Ms. Arnold spent less than full time on the affairs of the Parent Company. The Parent Company also had one other full time senior accounting employee in 2015. On January 15, 2016 the Company acquired the assets and businesses of the MariJ Group of companies. (See "Recent Events and Direction of the Company" for a complete summary of those transactions. As a part of those transactions, the Company's CEO, Mr. Sample, and its Secretary, Ms. Arnold, resigned in order to accommodate the appointment of new persons to those positions. Mr. Sample remains an employee and a Director of the Company.

As of January 15, 2016, the Company's new wholly-owned operating subsidiary, MariJ Pharmaceuticals, Inc., its only current revenue-producing subsidiary, had a total of approximately 6 full-time and part-time employees. The other subsidiary of the Company as of that date was in the process of organizing its business plans and had not yet instituted operations under the Company as its new parent. Both subsidiaries anticipate hiring additional personnel as their revenue-producing activities are increased in 2016.

The Company, should it be successful in executing its business plan, believes that it may be required to expand its staff to implement the controls necessary to manage a larger organization. This would possibly result in the need for a Chief Financial Officer, Corporate Controller or other officers and/or managers and additional basic support personnel. The Company will endeavor to operate with the smallest corporate management staff possible so as to maintain the lowest overhead possible while still effecting sufficient management processes to properly guide the company.

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Governmental Regulation

A majority of the states that have legalized the growing, production, and use of cannabis oil have legislated the use of high-CBD content and low-THC content oils. As a result, and in keeping with regulations and laws in those venues, the Company, through its subsidiaries, intends to concentrate on those products unless and until the laws change to facilitate a wider range of grow and production opportunities. The Company does have the technology and capability of extracting high-THC oils in those venues that do allow it, and will provide services to growers in those areas as contracted.

The Company, through its new subsidiaries, will operate in the medical cannabis sector. In order to help our shareholders better understand the products it intends to employ in its business plans, we have provided certain explanations and definitions below.

The Company will initially extract and process a derivative of the cannabis plant known as CBD oil. CBD is one of dozens of compounds found in cannabis plants that belong to a class called cannabinoids. Of these compounds, CBD and THC are usually present in the highest concentrations, and have the most common practical applications in the medical field. The Company's subsidiaries currently give most attention to high-CBD/low-THC products. Marijuana, unlike most modern day medicine, contains a wide range of chemical compounds. Scientists have identified over 60 unique molecules in cannabis known as cannabinoids, which include THC and CBD. Many other non-cannabinoid compounds are produced by the plant, but these are the compounds are most addressed as having a use by the medical community.

Terpenes, the molecules responsible for marijuana's smell, have been shown to block some cannabinoid receptor sites in the brain while promoting cannabinoid binding in others. As a result, terpenes are believed to affect many aspects of how the brain takes in THC or CBD, while offering various therapeutic benefits of their own. In fact, while THC has gotten most of the attention, studies suggest many of the compounds in marijuana work together to produce a synergy of effects. This is known as the "entourage effect."

CBD and THC levels tend to vary between different strains and varieties of cannabis. By using selective breeding techniques, certain growers have managed to create varieties with high levels of CBD and THC, being the varieties currently employed for oil production by the Company's MariJ Pharmaceuticals subsidiary. That subsidiary also specialized in extracting oil from certified organic plants, rather than the standard non-organic varieties.

Unlike THC, CBD does not cause a high or hallucinogenic effect. The reason why CBD is non-psychoactive is due to its lack of affinity for CB1 receptors, such as are found in high concentrations in the brain, and which become the channels through which THC is able to port its psychoactive effects.

The Company, as with most other companies, is subject to various business regulations, permits and licenses. The Company, through its new subsidiaries, has enter a new business realm that may entail considerably more regulation than its previous endeavors, and faces uncertainties related to federal laws that are in conflict with state laws in which the Company's subsidiaries now operate or may operate in the future. It is possible that the federal government will ease its regulations relating to the cannabis industry, or even legalize the operation of and transporting of products resulting from business operations in that sector. However, it is also possible that the government may decide to harden its stance against cannabis related products. In the event the federal government takes a harder stance against cannabis-related products, the Company could suffer impairment of its operations and could sustain substantial losses. The Company cannot foresee what direction the federal government may take in these matters, if any, but sees a continuing evidence that various states are legalizing cannabis products, both high-CBD/low-THC compounds as well as compounds containing high levels of THC. The Company believes that it has complied with appropriate state requirements for operations and believes it has obtained all permits necessary to function under the current state regulations.

Available Information

Our Web address is www.acacia.bz. The Company attempts to make its electronic filings with the Securities and Exchange Commission ("SEC"), including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and if applicable, amendments to those reports, available free of charge on its Web site as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. In addition, information regarding our board of directors is available on our Web site. The information posted on our Web site is not incorporated into this Annual Report on Form 10-K.

Any materials that we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet Web site that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

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Item 1A. Risk Factors

Our auditors have issued a going concern opinion with respect to our consolidated financial statements although our financial statements are prepared using generally accepted accounting principles, assuming the Company will continue as a going concern.

Inherent risks currently exist in this industry as a result of the determination by many nationally-chartered banks that they would be operating outside the federal laws by accepting deposits from cannabis oil producers. Many states have legalized the growing, production, sale, and consumption of various cannabis related products, but the federal government has continued to take the position that such activities are not legal. However, the federal government has taken the posture for years that it will defer to the states in those matters insofar as certain products, such as those containing a high concentration of THC, are not transported across state lines. While the federal government has generally turned a blind eye to these matters in favor of state legislation, it nonetheless sends confusing signals to the industry. As such, many nationally-chartered banks fear prosecution under money-laundering or other statutes, relegating some businesses to maintain large sums of cash on hand, even meeting payrolls and accounts payable obligations with cash rather than checks. As a result, those businesses are placed at high risk of internal and external theft and crimes relating to the lack of controls and security afforded by transactional banking. The Company is currently utilizing credit unions for its deposit needs, but this still creates risks when the proceeds at diverse production locations , often themselves in cash due to the same issues, cannot be deposited in nearby accessible depositories. The Company has acquired an armored vehicle for use in the transport of cash and cannabis products, but believes those risks will not be minimized until national depository institutions allow cannabis-related businesses to utilize their facilities.

Because We Have Limited Operating History, it is Difficult to Evaluate Our Business.

On January 15, 2016 the Company acquired certain assets that it will utilize in revenue-producing operations under two new operating subsidiaries related to the medical cannabis industry. As a result of our limited operating history in those businesses, you have very little operating and financial data about us upon which to base an evaluation. You should consider our prospects in light of the risks, expenses and difficulties we may encounter, including those frequently encountered by new companies. If we are unable to execute our plans and grow our business, either as a result of the risks identified in this section or for any other reason, this failure would have a material adverse effect on our results of operations, business prospects, and financial condition.

The medical cannabis industry faces very uncertain regulation in the light of the continuing deregulation of cannabis products in many states, either as high-CBD/low-THC products, or as high-THC products, but the continuing regulation of the cannabis industry by the federal government. While the federal government has for several years chosen to not intervene in the cannabis business conducted legally within the states that have legislated such activities, there is nonetheless the potential that the federal government may at any time chose to begin enforcing its rules against the manufacturing, possession, or use of cannabis-based products. Similarly, there is the possibility that the federal government may enact legislation or rules that authorize the manufacturing, possession or use of those products under specific guidelines. In the event the federal government were to tighten its regulation of the industry, the Company would likely suffer substantial losses. In the event the federal government were to loosen or change its rules or laws in favor of the industry, the Company would have an opportunity to benefit substantially if it were properly positioned to take advantage of the new opportunities.

As such, the purchase of our securities is a purchase of an interest in what should be considered as a high risk venture or in a new or “start-up” venture with all the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject.

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We plan to grow through acquisitions

We plan to grow through expansion of our new operations, creation of new businesses, acquisitions, and/or mergers, and investors have little current basis to evaluate the possible merits or risks of the target businesses' operations or our ability to identify and integrate acquired operations into our company. Because we intend to develop and expand our business at least in part through selective acquisitions of or mergers with other businesses, there are significant risks that we may not be successful. We may not be able to identify, acquire or profitably manage additional companies or assets or successfully integrate such additional companies or assets into our Company without substantial costs, delays or other problems. In addition, companies we may acquire may not be profitable at the time of their acquisition or may not achieve levels of profitability that would justify our investment. Acquisitions may involve a number of special risks, including but not limited to:

- adverse short-term effects on our reported operating results,
- diversion of management's attention,
- dependence hiring, training, and retaining key personnel,
- risks associated with unanticipated problems or legal liabilities,
- amortization of acquired intangible assets, some or all of which could reflect poorly on our operating results and financial reports,
- implementation or remediation of controls, procedures and policies appropriate for a public company at companies that, prior to the acquisition, lacked these controls, procedures and policies; and,
- incursion of debt to make acquisitions or for other operating uses.

To the extent we complete a business combination with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. Although our management will endeavor to evaluate the risks inherent in a particular target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors.

We will seek to implement our acquisition strategy in certain industries that may have unknown risks due to governmental regulation

The medical cannabis industry faces very uncertain regulation in the light of the continuing deregulation of cannabis products in many states, either as high-CBD/low-THC products, or as high-THC products, but the continuing regulation of the cannabis industry by the federal government. While the federal government has for several years chosen to not intervene in the cannabis business conducted legally within the states that have legislated such activities, there is nonetheless the potential that the federal government may at any time chose to begin enforcing its rules against the manufacturing, possession, or use of cannabis-based products.

Inherent risks currently exist in this industry as a result of the determination by many nationally-chartered banks that they would be operating outside the federal laws by accepting deposits from cannabis oil producers. Governmental regulation in this area may adversely affect the Company’s operations, or may eliminate this barrier to normalization of the capital controls function.

We may acquire a business in what may be considered a mature industry in which single-digit or low double-digit growth may occur. Most growth for our Company would, accordingly, occur largely through acquisitions. To the extent that competitors are also seeking to grow through acquisitions, we could encounter competition for those acquisitions or a generally increasing price to acquire going concerns.

A primary part of the Company’s strategy is to establish revenue through the acquisition of or merger with additional companies or operations. There can be no assurance that the Company will be able to identify, acquire, combine with, or profitably manage additional companies or successfully integrate the operations of additional companies into those of the Company without encountering substantial costs, delays or other problems. In addition, there can be no assurance that companies acquired in the future will achieve or maintain profitability that justify liabilities that could materially adversely affect the Company's results of operations or financial condition. The Company may compete for acquisition, merger, and expansion opportunities with companies that have greater resources than the Company. There can be no assurance that suitable acquisition or merger candidates will be available, that purchase terms or financing for acquisitions or mergers will be obtainable on terms acceptable to the Company, that acquisitions or mergers can be consummated, or that acquired businesses can be integrated successfully and profitability into the Company’s operations. Further, the Company's results of operations in fiscal quarters immediately following a material acquisition or merger could be materially adversely affected while the Company integrates the acquired business into its existing structure.

The Company will attempt to acquire or merge with business entities that are going and functioning concerns with a trailing history of profitability, but may acquire or merge with certain businesses that have either been unprofitable, have had inconsistent profitability prior to their acquisition or combination therewith, or that have had no operating history. An inability of the Company to improve the profitability of these acquired businesses could have a material adverse effect on the Company. Finally, the Company's acquisition and merger strategy places significant demands on the Company's resources and there can be no assurance that the Company's management and operational systems and structure can be expanded to effectively support the Company's acquisition strategy. If the Company is unable to successfully implement its acquisition and merger strategy, this inability could have a material adverse effect on the Company's business, results of operations, or financial condition. The Company may face the opportunity to enhance shareholder value by being acquired by another company. Upon any acquisition of the Company, the Company would be subject to various risks, including the replacement of its management by persons currently unknown. There can also be no assurance that, if acquired, new management will be successfully integrated or can profitably manage the Company. In addition, any acquisition or merger of or by the Company may involve immediate dilution to existing shareholders of the Company. No assurances can be given that the Company will be able to or desire to be acquired, or be able to acquire or merge with additional companies.

Need for Additional Financing

The Company does not have adequate capital or resources to fund its operations and other capital needs for the next six months without new and expanding revenue sources or additional capital infusion, and there can be no assurance that such funds will become available in amounts sufficient to meet the obligations of our business. The Company may require additional amounts of capital for its future expansion and working capital, possibly from private placements of its common stock or borrowing, but there can be no assurance that such financing will be available, or that such financing will be available on acceptable terms.

Dependence on Key Personnel

Our future performance depends in significant part upon the continued service of our Chief Executive Officer, Richard K. Pertile. The loss of Mr. Pertile’s services could have a material adverse effect on our business, prospects, financial condition and results of operations. The Company does not presently maintain key man life insurance on Mr. Pertile, but may obtain such insurance at the discretion of its board of directors for such term as it may deem suitable or desirable. Our future success may depend on our ability to attract and retain highly qualified technical, sales and managerial personnel. The competition for such personnel can be intense, and there can be no assurance that we can attract, assimilate or retain highly qualified technical, sales and managerial personnel for favorable compensations in the future.

Technological Change

Technology, particularly the ability to (i) stay abreast of and ahead of current production oil extraction technologies; (ii) successfully create and promote new products related to our industry; (iii) continue to take a leading role in maintenance and distribution of our planned GeoTraking technology as it relates to RFID tracking from seed to sale, HIPAA compliance across the board including in its proprietary PoS systems, and otherwise; and (iv) use the Internet to conduct business and allow several management functions, is characterized by rapidly changing technology, evolving industry standards, frequent new product and service announcements, introductions and enhancements, and changing customer demands. Our future success will to some degree depend on our ability to adapt to rapidly changing technologies, our ability to adapt its solutions to meet evolving industry standards and our ability to improve continually the performance, features and reliability of its solutions. Similarly, the Company must also continue to examine new processes and technologies related to its new citrus byproducts subsidiary. The failure of the Company to adapt successfully to such changes in a timely manner could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, there can be no assurance that the Company will not experience difficulties that could delay or prevent the successful implementation of solutions, or that any new solutions or enhancements to existing solutions will adequately meet the requirements of its current and prospective customers and achieve any degree of significant market acceptance. If the Company is unable, for technological or other reasons, to develop and introduce new solutions or enhancements to existing solutions in a timely manner or in response to changing market conditions or customer requirements, or if its solutions or enhancements do not achieve a significant degree of market acceptance, the Company's business, results of operations and financial condition could be materially and adversely affected.

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Competition

Any industry served by the Company is likely to be highly competitive across the entire United States and the rest of the world. In particular, the cannabis industry, being the impetus of all the Company's attention at this juncture, is very highly competitive and has drawn thousands of competing entities. While the Company believes its technology, programs, and plans place it in a posture to compete at the highest levels, the sheer numbers of competitors must be recognized. The Company has elected to devote the majority of its efforts on production and sales of its products and services within the continental United States, but may institute operations in diverse countries. Even so, the Company must be considered as currently competing with other companies in diverse countries than can potentially produce and sell competitive products at lower prices. While the Company believes that there are other hurdles for those foreign entities to overcome, including the high cost of international shipping to U.S. buyers, we believe that they nonetheless can compete with us in our markets. We will potentially compete with a variety of companies, both domestic and international, and as such will be subject to various levels of competition. There is no assurance the Company will be able to adhere to its plans or to engage in any acquisitions or mergers at all. The Company will consider fielding opportunities to buy, sell or distribute its products in other countries.

Control

Our Chief Executive Officer and Chairman of the Board of Directors owns or controls a significant percentage of our outstanding voting securities which could reduce the ability of minority shareholders to effect certain corporate actions.

As of January 15, 2016, in subsequent actions related to the acquisition of assets of the MariJ Group of companies by the Company, our Chief Executive Officer and Chairman of the Board of Directors, Richard K. Pertile, was issued 1,014,000 new Common shares of the Company in exchange for his interests in the acquired entities. In addition, he was granted, from the CEO and Chairman of the Board of the Company until that date, Steven L. Sample, the right of first refusal to purchase 2,500,000 shares of Mr. Sample's Common stock of the Company in a window between April 4 and May 4, 2019, and was also given a proxy to vote those shares in the interim. As such, following those transactions, Mr. Pertile owned 6.57% of the Company's issued and outstanding common stock and controlled through the proxy 2,500,000 additional votes, or 16.20% of the total issued and outstanding voting power of the Company for a combined 3,514,000 votes, or 22.77% of the total. As a result, he currently possesses significant influence and can elect a majority of our board of directors and authorize or prevent proposed significant corporate transactions. His effective control may also have the effect of delaying or preventing a future change in control, impeding a merger, consolidation, takeover or other business combination or discourage a potential acquirer from making a tender offer. As of the same date, Mr. Sample, the outgoing CEO and Chairman of the Company, continued to control the dispositive voting power of his remaining personal shares of the Company, after accounting for those votes given to Mr. Pertile by proxy, of 3,015,479 shares, or 19.54% of all issued and outstanding votes of the Company. In the event Mr. Sample were to combine his votes on any issue with the votes held by Mr. Pertile, they would jointly possess 42.31% of the voting power of the Company, allowing them significant influence that could elect a majority of our board of directors and authorize or prevent proposed significant corporate transactions. As of that same date, all officers and directors of the Company owned a combined total 6,809,979 shares representing 44.26% of the Company's issued and outstanding common stock and voting power. Based upon the Company's current business plan, it is anticipated that Mr. Pertile will continue to have substantial influence over, if not effective control over the Company's operations in the near future, including the election of a majority of its board of directors, the issuance of additional shares of equity securities, and other matters of corporate governance, perhaps even after some potential subsequent issuances by the Company of new common shares for capital raising activities, acquisitions, or merger activities.

We may, in the future, issue additional shares of common stock, which would reduce investors' percent of ownership and may dilute our share value.

Our Articles of Incorporation, as amended, authorize the issuance of 150,000,000 shares of common stock. The future issuance of common stock may result in substantial dilution in the percentage of our common stock held by our then existing shareholders. We may value any common stock issued in the future on an arbitrary basis. The issuance of common stock for future services or acquisitions or other corporate actions may have the effect of diluting the value of the shares held by our investors, and might have an adverse effect on any trading market for our common stock.

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Management of Growth

The Company is continually seeking to identify and acquire viable businesses. As a result, the Company must manage relationships with a growing number of third parties as it seeks to accommodate this goal. The Company's management, personnel, systems, procedures and controls may not be adequate to support the Company's future operations. The Company's ability to manage its growth effectively will require it to continue to expand its operating and financial procedures and controls, to replace or upgrade its operational, financial and management information systems and to attract, train, motivate, manage and retain key employees. If the Company's executives are unable to manage growth effectively, the Company's business, results of operations and financial condition could be materially adversely affected. If successful in acquiring or combining with other operations, the Company anticipates it may inherit a substantial portion of the staff necessary to operate the new entities, but there is no assurance that will happen, or that if it does happen, that the staff will remain employed by the Company for any period of time. We may find that some of the personnel and management of any acquisition target(s) may not be suitable for continued employment, while other suitable candidates may elect to discontinue their employment or affiliation with the Company for various reasons. This can create a burden on the Company's management as it seeks to fill key positions. Failure of the Company to do so in a timely manner can result in disruption of operations, loss of revenues, and an attendant reduction in profits or even substantial losses.

Risks Associated with Expansion

The Company desires to start, acquire or combine with other businesses, perhaps in diverse locations and markets. To date, the Company does not have substantial experience in developing services on a regional or national scale. There can be no assurance that the Company will be able to deploy successfully its goods or services in those markets. There are certain risks inherent in doing business in several diverse markets, such as; unexpected changes in regulatory requirements, potentially adverse tax consequences, local restrictions, controls relating to inter-company communications and technology, difficulties in staffing and managing distant operations, fluctuations in manpower availability, effects of local competition, weather and climactic trends, and customer preferences, any of which could have a material adverse effect on the success of the Company's operations and, consequently, on the Company's business, results of operations, and financial condition.

Product and Service Offerings

On January 15, 2016 the Company acquired the assets and related businesses of the MariJ Group of companies consisting of four (4) entities, and intends to conduct its future business operations through two (2) newly-created wholly-owned subsidiaries utilizing the majority of those assets. The four acquired entities include:

MariJ Pharmaceuticals, Inc.

On January 15, 2016 the Company acquired the assets and business of MariJ Agricultural, Inc., a Florida corporation. Those assets and business were placed into the Company's new subsidiary named MariJ Pharmaceuticals, Inc. ("MariJ"). While that entity had only began revenue-producing operations in Q4 of 2015, it is anticipated to expand its operations and revenues substantially in 2016 as an Acacia subsidiary following planned capital expansion based on success in raising the funding necessary to fuel those plans.

MariJ's impetus will in the extraction and processing of very high quality, high-CBD/low-THC content medical grade cannabis oils from medical hemp plants. MariJ specializes on organic strains of the plant, setting itself apart from the general producers of non-organic products. In addition, MariJ has the technical expertise and capability to process and formulate the oils and to employ them in its compounding operations. MariJ will seek to become engaged as owner or co-owner of a grow facility in Florida or other location(s) such as to produce its own plants for processing.

MariJ has also been preparing for the 2016 rollout of its newly-developed, proprietary Geotraking Technology that is fully compliant with the Health Insurance Portability and Accountability standard (“HIPAA”) utilizing its “plant to patient” solution. This Geotraking Technology is designed to provide a full-channel patient care tracking system that is fully compliant under today’s strict HIPAA regulations that require privacy and security of the patient’s information. Beginning with RFID labeling and tracking of every single seed employed in the grow program and continuing through the sale of prescription products in a sophisticated retail PoS delivery system, the GeoTraking Technology will be the most advanced system available.

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MariJ's revenues are anticipated to be generated from several activities, including but not limited to the following:

a. Cannabis oil extraction and processing. MariJ has a unique mobile cannabis oil processing and extraction unit designed into a heavy-duty vehicle. That unit has already begun performing extractions and processing of medical hemp oils at various sites, and is currently developing additional contracts for services.
b. Wholesale sale of raw and processed medical cannabis oils.
c. Laboratory testing and certification services. MariJ has begun construction of a mobile laboratory and testing unit, also on a heavy-duty truck chassis, intended to address the growing demand for these services in the medical cannabis industry.
d. Licensing and support of the Company's GeoTraking Technology systems
e. Processing and compounding services for medical grade cannabis oils

The Company is preparing to seek additional investments and financing to pay the costs of building its second mobile oil extraction and processing unit, to finance final construction of its mobile laboratory and testing unit for the same industry, and to complete the roll-out of its GeoTraking Technology system. There can be no assurance the Company will be successful in its plans to generate the required capital.

Canna-Cures Research & Development Center, Inc.

The Company acquired the assets and the business of Canna-Cures Research & Development Center, LLC, a Florida organization, on January 15, 2016. The Company intends to utilize this new subsidiary to engage in research and development activities as well as retail and wholesale distribution of medical cannabis products and dietary supplements, depending upon our ability to comply in each instance with FDA rules and other regulations. As a part of its R&D efforts, the new subsidiary will seek to align itself with institutions of higher learning in working to develop new products and to identify and develop additional uses for its medical cannabis products.

While this subsidiary has not yet implemented revenue-producing operations, it is anticipated to begin generating revenues after mid-2016. Those revenues will be generated from several activities, including the following:

a. Canna-Cures will seek to enter into research and development projects with institutions of higher learning in efforts to develop new and better strains of medical cannabis related products for dispensing as medications, nutraceuticals, cosmeceuticals, and probably dietary supplements. Canna-Cures anticipates participating in state and federal grants in conjunction with one or more universities as a means to defray part of its costs in these efforts.
b. Private label packaging services. The Company has obtained a majority of the equipment required to engage in the business of packaging and labeling of medical cannabis oils, oil-infused products, and related items.
c. Retail sales of medical cannabis oils, oil-infused products, and other merchandise through its web-based portal or retail dispensaries planned for that purpose. These activities are dependent in large part upon meeting FDA regulations and criteria relating to the sale and distribution of cannabis-infused products, and the Company is currently in the process of determining the status of those criteria.
d. Retail and wholesale sales of cosmeceutical and nutraceutical products and dietary supplements containing its high-quality cannabis oil extracts, again dependent upon the same FDA regulations and criteria as mentioned in item (c) above.

The Company will require additional capital to finalize these plans and accommodate the roll-out of its services for this subsidiary, and intends to begin its capital raising activities within the next 60 to 90 days or less. There can be no assurance the Company will be successful in its plans to generate that capital.

JR Cannabis Industries, LLC

The third entity acquired in the transactions of January 15, 2016 was JR Cannabis Industries, LLC. That entity was a service business providing management services in coordination with the activities of MariJ Agricultural. Following the acquisition of those entities, Acacia determined that it no longer needed services the same of r similar to those of JR Cannabis Industries, and therefore has elected to recreate it as a subsidiary of the Company.

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TropiFlora, LLC

The fourth and final entity acquired in the transactions of January 15, 2016 was TropiFlora, LLC

In the acquisition transactions of January 15, 2016 the Company acquired the non-capital assets and the business of TropiFlora, LLC, but not the goodwill or the capital assets of TropiFlora, as a part of its efforts to engage growing cannabis in Florida. Prior to TropiFlora's acquisition by MariJ, and ultimately by Acacia, it was a grower with decades of experience in the nursery industry with the capacity to grow large quantities of plants. MariJ and subsequently Acacia acquired the business of TropiFlora to position itself to be issued a Growers License under the new 2015 Florida cannabis laws. If successful in obtaining a Florida Growers License, TropiFlora, as an Acacia subsidiary, would cultivate and distribute legal medical cannabis products in the state, opening the door to the sale of the non-euphoric strains of cannabis to treat patients with seizure disorders and cancer. However, the State of Florida announced the names of the five applicants that were to be awarded the Growers Licenses, but TropiFlora was not among the winners. Substantial legal objections have arisen as to the Florida license award process, prompting the filing of a number of complaints and spawning litigation with the State. The Company believes that, among other things, TropiFlora was unfairly judged for the licensing opportunity. The legal complaints instituted by TropiFlora while a part of the MariJ Group of companies and before its acquisition by Acacia left many questions that can only be answered as the cases progress through the administrative and judicial systems. As a result of the fact that substantial sums would be required to pursue the reversal of the perceived errors in the licensing process, the Company believes it is not in its best interests to continue on that course. Accordingly, the Company has therefore determined to exercise its option to rescind the TropiFlora acquisition under the certain specific terms and conditions agreed prior to its acquisition. Thus, the Company will take no action to create or operate a subsidiary utilizing the acquired TropiFlora assets.

As such, the Company intends to instead seek one or more other potential new licensing opportunities within Florida in conjunction with the anticipation of future license offerings, or to seek licensing opportunities in other states.

The Company may seek to start, acquire, or combine with other service or non-service entities, including those involved in manufacturing, transportation, distribution, chemical products, or otherwise. It is important to our future success to expand the breadth and depth of our offerings to be competitive and to enhance our potentials for growth of revenues and profits. Expansion of our categories and offerings in this manner will require significant additional expenditures and could strain our management, financial and operational resources. For example, we may find it prudent to acquire or build, outfit, and operate a new manufacturing facility or to initiate a new transport subsidiary where one is not currently available. We cannot be certain that we would be able to do so in a cost-effective or timely manner or that we would be able to offer certain products or services in demand by our customers, or to do so in a quality manner. Furthermore, any new product or service offering that is not favorably received by the Company's clients could damage our reputation. The lack of market acceptance of new products or services or our inability to generate satisfactory revenues from expanded product or service offerings to offset their costs could harm our business. If we do not successfully expand our sales operations, our revenues may fall below expectations. If we do not successfully expand our operations on an ongoing basis to accommodate increases in demand, we will not be able to fulfill our customers' needs in a timely manner, which would harm our business. Most of our product or service operations are anticipated to be handled at our facilities, but some services may be performed at offsite locations or by approved vendors or contractors. Any future expansion may cause disruptions in our business and may be insufficient to meet our ongoing requirements. The Company may move into various businesses as sales, manufacturing, transport, marketing, or otherwise, and is not limited to considering only product or service business offering. There can be no assurance that the Company will be successful in identifying new businesses, or if it can be successful in acquiring or merging with any new business if identified.

Government Regulation and Legal Uncertainties

Any new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business could have a material adverse effect on the Company's business, results of operations and financial condition.

Check, Credit Card, and Other Fraud

Our business could be harmed if we experience significant credit, wire transfer, draft, check, credit card, or other fraud. If we fail to adequately control fraudulent transactions, our revenues and results of operations could be harmed. The Company may attempt to obtain insurance as partial protections from such potential losses, but even while the Company’s exposure to loss in this event may be limited by the purchase of any such insurance, losses could nonetheless occur. Any losses sustained as a result of fraud or fraudulent activity would adversely affect the Company's business and results of operations, and its financial condition could be materially adversely affected.

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Liability Claims

The Company may face costly liability claims by consumers or other businesses. Any claim of liability by a client, employee, consumer or other entity against us, regardless of merit, could be costly financially and could divert the attention of our management. It could also create negative publicity, which would harm our business. Although we maintain certain forms of liability insurance, it may not provide protections in the event of certain liability claims, or may not be sufficient to cover a covered claim if one is made.

The Company may not be able to attain profitability without additional funding, which may be unavailable.

The Company has limited capital resources. Unless the Company begins to generate sufficient revenues to finance operations as a going concern, the Company may experience liquidity and solvency problems. Such liquidity and solvency problems may force the Company to cease operations if additional financing is not available. No known alternative resources of funds are available in the event we do not generate sufficient funds from operations.

Our lack of history in our current industry makes evaluating our business difficult.

We have a limited operating history in our current industry and we may not sustain profitability in the future.

To sustain profitability, we must:

- develop and identify new clients in need of our product;
- economically increase production output;
- compete with larger, more established competitors in our industry;
- maintain and enhance our brand recognition; and
- adapt to meet changes in our markets and competitive developments.

We may not be successful in accomplishing these objectives. Further, our lack of operating history makes it difficult to evaluate our business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in highly competitive industries. The historical information in this report may not be indicative of our future financial condition and future performance. For example, we expect that our future annual growth rate in revenues will be moderate and likely be less than the growth rates experienced in the early part of our history.

If we fail to effectively manage our growth, our business, brand and reputation, results of operations and financial condition may be adversely affected.

We may experience a rapid growth in operations, which may place significant demands on our management team and our operational and financial infrastructure. As we continue to grow, we must effectively identify, integrate, develop and motivate new employees, and maintain the beneficial aspects of our corporate culture. To attract top talent, we believe we will have to offer attractive compensation packages. The risks of over-hiring or over compensating and the challenges of integrating a rapidly growing employee base may impact profitability.

Additionally, if we do not effectively manage our growth, the quality of our services could suffer, which could adversely affect our business, brand and reputation, results of operations and financial condition. If operational, technology and infrastructure improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues. To effectively manage our growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. This will require that we refine our information technology systems to maintain effective online services and enhance information and communication systems to ensure that our employees effectively communicate with each other and our growing base of customers. These system enhancements and improvements will require significant incremental and ongoing capital expenditures and allocation of valuable management and employee resources. If we fail to implement these improvements and maintenance programs effectively, our ability to manage our expected growth and comply with the rules and regulations that are applicable to publicly reporting companies will be impaired and we may incur additional expenses.

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We may be subject to regulatory inquiries, claims, suits, or prosecutions which may impact our profitability.

Any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits and prosecutions. We can give no assurance that we will prevail in such regulatory inquiries, claims, suits and prosecutions on commercially reasonable terms or at all. Responding to, defending and/or settling regulatory inquiries, claims, suits and prosecutions may be time-consuming and divert management and financial resources or have other adverse effects on our business. A negative outcome in any of these proceedings may result in changes to or discontinuance of some of our services, potential liabilities or additional costs that could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Expanding our product offerings or number of offices may not be profitable.

We may choose to develop new products to offer. Developing new offerings involves inherent risks, including:

- our inability to estimate demand for the new offerings;
- our inability to perfect the new products;
- our ability to locate and identify new buyers for those products;
- competition from more established market participants; and
- a lack of market understanding.

In addition, expanding into new geographic areas and/or expanding current service offerings is challenging and may require integrating new employees into our culture as well as assessing the demand in the applicable market.

Risks of Low Priced Stocks

Following its initial public offering of its common stock in 1996, the Company’s shares were originally traded on the NASDAQ Exchange into 2000 as Gibbs Construction, Inc. under the trading symbol GBSE. Gibbs encountered severe financial difficulties in 2000, after which it was moved from the NASDAQ Capital Markets to the OTC Pink Sheets. Following the resurrection of the Company’s operations in 2007 through the intervention and assistance of the Company’s CEO, Mr. Sample, its stock currently trades on the OTCQB exchange under the trading symbol ACCA. Most of the Company’s issued and outstanding common shares continue to be restricted shares resulting in a small “float”. For that and other reasons the Company’s securities have been thinly traded, and while a trading market for the Company's common stock could develop further with its current or new operations and the further release of restrictions on registered shares, there can be no assurance that it will do so.

Following the acquisition of the MariJ Group of companies on January 15, 2016 the Company saw immediate and continuing increased activity in the trading of its stock, with trading volumes exceeding any for at least the past ten years.

The Securities and Exchange Commission (the “SEC” or “Commission”) has adopted regulations which define a “penny stock” to be any equity security, such as those of the Company, that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. In the event the Company determined to offer its common stock for sale, or elected to utilize its common stock in an acquisition of merger transaction, it would be required to advise the potential purchasers or parties to any such acquisition or merger transaction of the risks of penny stocks. For any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to any transaction involving a penny stock by a retail customer, of a disclosure schedule prepared by the Securities and Exchange commission relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker/dealer and the registered representative and current quotations for the securities. Accordingly, market makers may be less inclined to participate in marketing the Company’s securities, which may have an adverse impact upon the liquidity of the Company's securities.

If the Company were successful in identifying a new business opportunity and/or identifying an acquisition or merger target, became successful in actually launching a new business or acquiring or merging with any such target, and was successful in bringing profitable operations to the Company, it would intend to seek to meet the new listing requirements of the NASDAQ Capital market and attempt to return to that Exchange, which listing requirements include minimal capitalization, share price, and other benchmark requirements. There is no assurance the Company can successfully identify any suitable new business opportunity, acquisition or merger candidate, or if successful in identifying a new business opportunity or merger/acquisition candidate, that it can be successful in developing a new business or completing any acquisition or merger, or if successful in developing a new business or completing any acquisition or merger that the Company could be successful in meeting the new listing requirements of the NASDAQ, or if successful in meeting those requirements, that the NASDAQ would accept the Company as a member, or that if the Company were successful in achieving a listing on the NASDAQ exchange that its share values would improve. Any attempt to return to the NASDAQ Exchange, even if the Company were successful in meeting the requirements to do so, could take as long as two years or more to complete.

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We are subject to penny stock regulations and restrictions and you may have difficulty selling shares of our common stock.

The SEC has adopted regulations which generally define so-called “penny stocks” to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. Our common stock is therefore considered a “penny stock”, and we are subject to Rule 15g-9 under the Exchange Act, or the “Penny Stock Rule”. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers. For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser’s written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

No Assurance of Payment of Dividends

Should the Company acquire additional operations, and should the operations of the Company become profitable, it is likely that the Company would retain much or all of its earnings in order to finance future growth and expansion. Therefore, the Company does not presently intend to pay dividends, and it is not likely that any dividends will be paid in the foreseeable future.

Potential Future Capital Needs

The Company may not be successful in generating sufficient cash from its new operations or in raising capital in sufficient amounts or on acceptable terms to meet its capital needs. The failure to generate sufficient cash flows or to raise sufficient funds may require the Company to delay or abandon some or all of its development and expansion plans or otherwise forego market opportunities, and may make it difficult for the Company to respond to competitive pressures, any of which could have a material adverse effect on the Company's business, results of operations, and financial condition. While the Company may seek to raise capital through the offering of common stock, there can be no assurance that it will be successful in doing so, or if successful in raising capital that the proceeds in any such offering will be sufficient to permit the Company to implement its proposed business plan, or that any assumptions relating to the implementation of such plan will prove to be accurate. To the extent that the proceeds of any such offering are not sufficient to enable the Company to generate sufficient revenues or achieve profitable operations, the inability to obtain additional financing will have a material adverse effect on the Company. There can be no assurance that any such financing will be available to the Company on commercially reasonable terms, or at all, or that the Company will be successful in finding new operations.

Implementation of Business Plan

The Company currently does not have sufficient working capital to pursue our business plan in its entirety as described herein. Our ability to implement our business plan will depend on our ability to obtain sufficient working capital and to execute its business plans. No assurance can be given that we will be able to obtain additional capital, or, if available, that such capital will be available at terms acceptable to us, or that we will be able to generate profit from operations, or if profits are generated, that they will be sufficient to carry out our business plans, or that the plans will not be modified.

Item 1B. Unresolved Staff Comments

None.

Item 2. Description of Properties

Prior to the sale of the assets of the Company's subsidiaries on June 29, 2015 the Company's Citrus Extracts, Inc. subsidiary leased manufacturing and administrative facilities in Ft. Pierce, Florida on a year-to-year lease – the maximum allowed by Florida state law in this facility. The leased premises consisted of two buildings of approximately 15,000 combined square feet indoors housing its manufacturing operations, warehouse space, elevated loading docks, and office space at a cost of $4,691 per month. The lease also provided for sufficient outdoor parking and operating space such as to accommodate the Company's needs. The Company also concurrently maintained office and administrative space in Ocala, Florida, at a cost of approximately $600 per month, but will cancel that lease in January of 2016. The Company also rented on a month-to-month basis an additional warehouse in the Fort Pierce State Farmers Market consisting of approximately 1,900 square feet for $838.50 per month for additional temporary warehouse space. Following the sale of those assets and the related business on June 29, 2015 the Company assigned the leases in Fort Pierce to the buyer of the assets, and continued to retain the office space in Ocala through December 31, 2015. The Company discontinued the lease on the Ocala office space effective January 15, 2016.

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Item 3. Legal Proceedings

None.

Item 4. Submission of Matters to a Vote of Security Holders

On June 29, 2015 shareholders holding more than 50% of the total issued and outstanding shares of our common stock entered into a Written Consent in Lieu of a Special Meeting of Shareholders approving the sale of substantially of the assets of our operating subsidiaries (the “Stockholder Resolution”)(the “Transaction”). The Resolution also approved and ratified certain agreements ancillary to the Transaction, such as asset assignment.

The Stockholder Resolution further provided that:

(a) the management of the Company was specifically authorized to employ the proceeds of the Transaction to retire any outstanding liabilities of the Company and to further employ any remainder in its effort to identify and acquire new businesses or business assets;

(b) Steven Sample, Danny Gibbs, Dan L. Rigdon and V. Weldon Hewitt were elected as Directors of the Company for a term of one (1) year subject to their replacement or resignation;

(c) authorized and approved an extension to the Amended Employment Agreement by and between the Company and Steven Sample, our Chairman of the Board of Directors, Chief Executive Officer and majority shareholder as of December 31, 2015 extending the term of such agreement two (2) years, until December 31, 2019;

(d) the Articles of Incorporation and Bylaws of the Company be amended, as described therein; and

(e) the Company’s Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan be terminated.

These events were further reported in the Company’s Current Report on Form 8-K filed on July 16, 2015, which described those events in detail, and which report is incorporated herein by reference.

On January 15, 2016 shareholders holding more than 50% of the total issued and outstanding shares of our common stock entered into a Written Consent in Lieu of a Special Meeting of Shareholders and approved the Company’s acquisition of a majority of the assets of the Marij Group of companies. The consent resolution further approved the issuance of 2,474,850 shares of the Company’s common stock for such assets as well as ratifying the formal Asset Purchase Agreement. In addition, that same majority of the shareholders of the Company elected Richard Pertile, Neil B. Gholson and Gary Roberts, Jr. as directors of the Company.

These events were further reported in the Company’s Current Report on Form 8-K filed on January 19, 2015, which described those events in detail, and which report is incorporated herein by reference.

On January 26, 2016 the Company filed with the Securities and Exchange Commission s Preliminary Proxy Statement on Form Prer-14a. Among other things, the Proxy Statement calls for a vote of the Company’s shareholders in matters relating to the election of directors, appointment of KWCO, PC as the Company’s public accounting firm for 2016, and matters relating to “say on pay” for the Company’s executives. Those events detailed in the Definitive Proxy Statement on Form Prer-14a are incorporated herein by reference.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

We are presently traded on the OTCQB Market under the ticker symbol ACCA. There were six market makers who commonly made markets in our stock as of December 31, 2015. Our stock has been thinly traded during the past three fiscal years. Moreover, we do not believe that any institutional or other large scale trading of our stock has occurred, or will in fact occur in the near future unless we are successful in funding and implementing our business plan, are successful in returning to the NASDAQ Exchange, or both. The following table sets forth information as reported by the National Association of Securities Dealers Composite Feed or Other Qualified Interdealer Quotation Medium for the high and low bid and ask prices for each of the twelve quarters ending December 31, 2015. The following prices reflect inter-dealer prices without retail markup, markdown or commissions and may not reflect actual transactions.

	Closing Bid		Closing Ask	
	High	Low	High	Low
Quarters ending in 2013				
March 31	$ 0.01	$ 0.01	$ 1.80	$ 0.69
June 30	0.25	0.15	1.80	0.80
September 30	0.65	0.20	1.80	0.55
December 31	$ 0.51	$ 0.36	$ 1.00	$ 0.51
Quarters ending in 2014				
March 31	$ 0.55	$ 0.06	$ 1.41	$ 0.70
June 30	0.20	0.06	0.70	0.70
September 30	0.20	0.06	0.70	0.65
December 31	$ 0.13	$ 0.10	$ 0.65	$ 0.51
Quarters ending in 2015				
March 31	$ 0.14	$ 0.01	$ 0.65	$ 0.49
June 30	0.06	0.02	0.49	0.44
September 30	0.40	0.03	1.00	0.30
December 31	$ 0.40	$ 0.06	$ 0.80	$ 0.53

As of December 31, 2015 the Company had 191 stockholders of record. The Company believes that it may also have as many as 200 or more additional beneficial shareholders. The number of both shareholders of record and beneficial shareholders may change on a daily basis and without the Company's immediate knowledge. In subsequent events of January 15, 2016 the Company issued 2,474,850 new shares of the Company's common stock to 39 new shareholders in the acquisition transaction of that same date, resulting in an increase to 230 shareholders of record as of that date plus an estimated 200 or more additional shareholders.

Holders of common stock are entitled to receive dividends as may be declared by our board of directors and, in the event of liquidation, to share pro rata in any distribution of assets after payment of liabilities. The board of directors has sole discretion to determine: (i) whether to declare a dividend; (ii) the dividend rate, if any, on the shares of any class of series of our capital stock, and if so, from which date or dates; and (iii) the relative rights of priority of payment of dividends, if any, between the various classes and series of our capital stock. We have not paid any dividends and do not have any current plans to pay any dividends.

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At its meeting of directors on February 1, 2007, the Company's board of directors approved the Acacia Automotive, Inc. 2007 Stock Incentive Plan1 (the "Plan"), which was approved by our stockholders on November 2, 2007, reserving 1,000,000 shares to be issued thereunder in the form of common stock or common stock purchase options. On July 26, 2012, our shareholders voted to update and extend the Acacia Automotive, Inc. 2007 Stock Incentive Plan, renaming it the Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan. Warrants, which may be included as equity compensation of used in other manners, are not a component of the Plan. On June 29, 2015 shareholders holding a majority of the shares of the Company voted to discontinue the Company's stock incentive plans, but shares or options may still be authorized and issued by the Company's Board of Directors. In resolutions since the implementation of the Plan, the directors granted restricted stock, warrants, and options for compensation summarized as follows as of December 31, 2015:

SUMMARY OF EQUITY COMPENSATION PLANS

Plan Description at December 31, 2015 and 2014	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance
Initial Number of Securities Available for Issue Under the Plan	-	-	1,000,000
Total options approved and issued in 2014 (1)	-	-	-
Options forfeited by former holders in 2014 (1)	-	-	-
Total Equity Plan Options outstanding at December 31, 2014 (1)	90,000	0.34	4,243,072
Total options approved and issued in 2015	-	-	-
Options forfeited by former holders in 2015	-	-	-
Total Equity Plan Options outstanding at December 31, 2015 (2)	90,000	0.34	*-

(1) The number of Options issued and forfeited under the Plan in the years 2007 through 2015 and the increases in securities added to the Plan* for each year are as follows:

Year	Options Granted	Options Forfeited	Securities added to Plan	Securities available* at December 31st
2007	155,000	-0-	-0-	845,000
2008	240,000	-0-	479,900	1,084,900
2009	195,000	-0-	482,500	1,372,400
2010	145,000	(255,000)	483,300	1,965,700
2011	-0-	(390,000)	462,500	2,818,200
2012	-0-	-0-	462,500	3,280,700
2013	-0-	-0-	462,500	3,743,200
2014	-0-	-0-	499,872	4,243,072
2015	-0-	-0-	*-	*-

* The plan was terminated at 6-29-2015.

(2) Of the 90,000 options still active as of December 31, 2015: (i) 15,000 expire at 2-1-2017; (ii) 10,000 expire at 11-2-2017; (iii) 15,000 expire at 12-31-2018; (iv) 30,000 expire at 11-6-2019; and, (v) 20,000 expire at 12-23-2020.

Item 6. Selected Financial Data

Not Applicable

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Limited Discussion

The following summarizes the factors affecting the operating results and financial condition of Acacia Diversified Holdings, Inc. This discussion should be read together with the financial statements and the notes to financial statements included elsewhere in this report. In addition to historical financial information, the following discussion and analysis contain forward-looking statements.

The Company sold its Citrus Extracts, Inc. and Acacia Transport Services, Inc. subsidiaries, its only revenue producing operations, in the Fort Pierce, Florida, area on June 29, 2015, and first accounted for those operations as discontinued effective with its Quarterly Report on Form 10-Q for the period ended June 30, 2015 and further reported on its Quarterly Report on Form 10-Q for the periods ended September 30, 2015. Accordingly, the Company will provide only limited components of its operational information in this report's Discussion and Analysis of Financial Condition and Results of Operations, and has elected to eliminate certain information and comparative results to prior periods in this report, as they would not be reflective of similar results or provide a proper basis for review.

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve known and unknown risks, significant uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, or implied, by those forward-looking statements. You can identify forward-looking statements by the use of the words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "will", "should", "could", "predicts", "potential", "proposed", or "continue" or the negative of tho These statements are only predictions. In evaluating these statements, you should consider various factors which may cause our actual results to differ materially from any forward-looking statements. Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements due to numerous factors, including, but not limited to, availability of financing for operations, successful performance of operations, impact of competition and other risks detailed below as well as those discussed elsewhere in this Form 10-K and from time to time in the Company's Securities and Exchange Commission filings and reports. In addition, general economic and market conditions and growth rates could affect such statements. Any forward-looking statement made by the Company speaks only as of the date on which it is made. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Executive Overview

On July 10, 2013 the Company, through its wholly-owned subsidiary Citrus Extracts, Inc., entered into a definitive agreement to acquire certain assets (the "Assets") of Red Phoenix Extracts, Inc., a Florida corporation ("RPE" or the "Seller") in Fort Pierce, Florida. The transaction is more particularly described in the Company's Current Report on Form 8-K dated July 10, 2013.

The Company on January 15, 2014 formed Acacia Transport Services, Inc. as a wholly-owned subsidiary for the primary purpose of providing transportation and a continuous source of raw citrus peel materials for its sister Citrus Extracts, Inc. manufacturing plant, and for the secondary purpose of generating transport revenues in hauling excess raw citrus peel materials to local farmers for use as feed for livestock. On July 2, 2014, that subsidiary entered into an

Agreement for Citrus Peel Hauling Services with Lambeth Groves Juice Company, a juice extraction company located in Vero Beach, Florida, some 20 miles from Citrus Extracts, Inc. That contract called for Acacia Transport to assume all responsibilities for hauling the raw, remediated citrus peel products from Lambeth Groves by July 30, 2014, and actual transport operations from Lambeth Groves commenced on August 7, 2014.

On March 1, 2014 the Company began performing milling operations using the trade name Acacia Milling Services at the Fort Pierce location for its Citrus Extracts subsidiary. Milling is the term applied to grinding or refining the finished citrus ingredient products rendered by Citrus Extracts into smaller, finer particles. Those services varied from simple sifting operations that separate the various sizes of materials to creating specific cuts from the original material, such as “tea bag cut” size, granulated materials of various sizes, or “powders” of various mesh sizes. Generally the greater the mesh size (finer, smaller, particle size) requested by the customer, the higher the milling charges per pound. The Company had not yet did not established separate accounting functions for its new milling operations, intending to further segregate those milling operations in the latter part of 2015 and to implement a new system of segregated financial reporting for those operations. The Company also intended to expand its offerings of those milling services to outside parties for the generation of additional revenues in the future.

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However, on June 29, 2015 the Company sold the assets and related businesses of its Citrus Extracts, Inc. and Acacia Transport Services, Inc. subsidiaries together with its Acacia Milling Services operations, temporarily leaving the Company without revenue-producing operations.

In August of 2015 Acacia contacted the MariJ Group of companies ("MariJ") in Clearwater, Florida in initial discussions as to a potential acquisition of their assets and related businesses, but the discussions were not fruitful. Renewed discussions in October lead the entities to come to terms in a Letter of Intent the following month, culminating in a revised Letter of Intent on December 8, 2015 in which the parties agreed to a closing on January 15, 2016 with an effective date of January 4, 2015.

In subsequent events, that transaction closed as planned, resulting in the acquisition on January 15, 2016 with an effective date of January 4, 2015 by the Company of the assets and related businesses of the MariJ Group of companies consisting of four (4) entities, and intends to conduct its future business operations through two (2) newly-created wholly-owned subsidiaries utilizing the majority of those assets. The four acquired entities included MariJ Agricultural, Inc., Canna-Cures Research & Development Center, LLC, JR Cannabis Industries, LLC, and TropiFlora, LLC.

Discussion Regarding the Business of the Company's Previous Subsidiaries

Citrus Extracts, Inc.

Until the sale and disposal thereof at June 29, 2015 the Company's business operations were conducted through two (2) wholly-owned subsidiaries and an operation that was not yet integrated as a subsidiary or division. A description of those operations follows.

Citrus Extracts, Inc. ("CEI") was a business in the food manufacturing industry subsector that transformed livestock and agricultural products into products for intermediate or final consumption. The industry groups are distinguished by the raw materials (generally of animal or vegetable origin) processed into food products. CEI utilized our proprietary chemical-free, 100% natural processes in the manufacturing, sale, and distribution of all-natural, food-grade ingredients from raw, fresh, natural citrus peel resulting from citrus juicing operations. Through those controlled methods, CEI processed and dehydrated orange, lemon, grapefruit and tangerine peel into its "CitraBlend" and "CitraBlend Organic" products and then milled those products to varying sizes ranging from larger "cut & sift flakes" to 40+ mesh powders (or smaller sizes for custom orders). Those ingredients, both organic and non-organic, found their way into many regional and national brand-name products commonly found on America's kitchen tables in the form of spices, teas, and otherwise. Our CitraBlend products were also utilized in brewing many local and regional craft beers in addition to nationally-recognized beer brands, and because we had only begun addressing that market in late 2014 and early 2015, it remained largely untapped. At the time of its sale, CitraBlend products were primarily sold through a network of distributors who blended our products and sold them as ingredients included in many well-known consumer products.

Acacia Transport Services, Inc.

Acacia Transport Services, Inc. ("ATS") was a business in the transportation industry that hauled fresh, raw, citrus peel resulting from the juice extraction process at juice plants. ATS had an exclusive contract to remove all the remediated raw citrus peel from Lambeth Groves Juice Company in Vero Beach, Florida, approximately 20 miles from the CEI manufacturing plant. ATS hauled much of the raw peel to CEI for use in its manufacturing processes, and delivered excess peel to local farmers for use as livestock feed. Acacia Transport Services transported its first load of raw peel from Lambeth Groves on August 7, 2014 and transported subsequent loads going forward from that date until sale of the subsidiary on June 29, 2015. Full-scale transport operations always occurred during the citrus season, generally between November and May, the number of loads transported generally being maximized “in season”.

Acacia Milling Services, Inc.

Acacia Milling Services (“AMS”) was a developmental stage business in the milling or grinding industry that milled finished citrus ingredient products rendered by Citrus Extracts into smaller, finer particles. Those milling services varied from simple sifting operations that separated the various sizes of materials to creating specific cuts from the original material, such as “tea bag cut” size, granulated materials of various sizes, or “powders” of various mesh sizes. Generally the greater the mesh size (higher mesh sizes referring to finer, smaller, particle size) requested by the customer, the higher the milling charges per pound. At the time of sale of those assets, the Company did not yet maintain separate accounting functions for those new milling operations, but intended to further segregate those milling operations later in 2015 and to implement a new system of segregated financial reporting for those operations as a separate division or new subsidiary of the Company, should the operations of AMS increase as expected. The Company also intended to expand its offerings of those milling services to outside parties.

All those businesses and the related assets were sold on June 29, 2015 and the Company first accounted for those operations as discontinued on its Quarterly Report on Form 10-Q for the period ended June 30, 2015.

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Discussion Regarding the Business of the Company's New Subsidiaries

The Company intends to utilize the assets and businesses it acquired in the transactions of January 15, 2016 in two newly-created operating subsidiaries and contingently a third operating subsidiary. Those will be the only current operations of the Company, and include the following.

MariJ Pharmaceuticals, Inc.

On January 15, 2016 the Company acquired the assets and business of MariJ Agricultural, Inc., a Florida corporation. Those assets and business were placed into the Company's first new operating subsidiary named MariJ Pharmaceuticals, Inc. ("MariJ"). While that entity had only began revenue-producing operations in Q4 of 2015, it is anticipated to expand its operations and revenues substantially in 2016 as an Acacia subsidiary following planned capital expansion based on success in raising the funding necessary to fuel those plans.

MariJ's impetus will in the extraction and processing of very high quality, high-CBD/low-THC content medical grade cannabis oils from medical hemp plants. MariJ specializes on organic strains of the plant, setting itself apart from the general producers of non-organic products. In addition, MariJ has the technical expertise and capability to process and formulate the oils and to employ them in its compounding operations. MariJ will seek to become engaged as owner or co-owner of a grow facility in Florida or other location(s) such as to produce its own plants for processing. MariJ has also been preparing for the 2016 rollout of its newly-developed, proprietary GeoTraking Technology that is fully compliant with the Health Insurance Portability and Accountability standard ("HIPAA") utilizing its "plant to patient" solution. This GeoTraking Technology is designed to provide a full-channel patient care tracking system that is fully compliant under today's strict HIPAA regulations that require privacy and security of the patient's information. Beginning with RFID labeling and tracking of every single seed employed in the grow program and continuing through the sale of prescription products in a sophisticated retail PoS delivery system, the GeoTraking Technology will be the most advanced system available.

MariJ's revenues are anticipated to be generated primarily from several activities, including but not limited to the following:

a. Cannabis oil extraction and processing. MariJ has a unique mobile cannabis oil processing and extraction unit designed into a heavy-duty vehicle. That unit has already begun performing extractions and processing of medical hemp oils at various sites, and is currently developing additional contracts for services.
b. Wholesale sale of raw and processed medical cannabis oils.
c. Laboratory testing and certification services. MariJ has begun construction of a mobile laboratory and testing unit, also on a heavy-duty truck chassis, intended to address the growing demand for these services in the medical cannabis industry.
d. Licensing and support of the Company's GeoTraking Technology systems
e. Processing and compounding services for medical grade cannabis oils

The Company is preparing to seek additional investments and financing to pay the costs of building its second mobile oil extraction and processing unit, to finance final construction of its mobile laboratory and testing unit for the same industry, and to complete the roll-out of its GeoTraking Technology system. There can be no assurance the Company will be successful in its plans to generate the required capital.

Canna-Cures Research & Development Center, Inc.

The Company acquired the assets and the business of Canna-Cures Research & Development Center, LLC, a Florida organization, on January 15, 2016. The Company intends to utilize this new subsidiary to engage in research and development activities as well as retail and wholesale distribution of medical cannabis products and dietary supplements, depending upon our ability to comply in each instance with FDA rules and other regulations. As a part of its R&D efforts, the new subsidiary will seek to align itself with institutions of higher learning in working to develop new products and to identify and develop additional uses for its medical cannabis products.

While this subsidiary has not yet implemented revenue-producing operations, it is anticipated to begin generating revenues after mid-2016. Those revenues will be generated from several activities, including the following:

a. Canna-Cures will seek to enter into research and development projects with institutions of higher learning in efforts to develop new and better strains of medical cannabis related products for dispensing as medications, nutraceuticals, cosmeceuticals, and probably dietary supplements. Canna-Cures anticipates participating in state and federal grants in conjunction with one or more universities as a means to defray part of its costs in these efforts.
b. Private label packaging services. The Company has obtained a majority of the equipment required to engage in the business of packaging and labeling of medical cannabis oils, oil-infused products, and related items.
c. Retail sales of medical cannabis oils, oil-infused products, and other merchandise through its web-based portal or retail dispensaries planned for that purpose. These activities are dependent in large part upon meeting FDA regulations and criteria relating to the sale and distribution of cannabis-infused products, and the Company is currently in the process of determining the status of those criteria.
d. Retail and wholesale sales of cosmeceutical and nutraceutical products and dietary supplements containing its high-quality cannabis oil extracts, again dependent upon the same FDA regulations and criteria as mentioned in item (c) above.

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The Company will require additional capital to finalize these plans and accommodate the roll-out of its services for this subsidiary, and intends to begin its capital raising activities within the next 60 to 90 days or less. There can be no assurance the Company will be successful in its plans to generate that capital.

JR Cannabis Industries, LLC

The third entity acquired in the transactions of January 15, 2016 was JR Cannabis Industries, LLC. That entity was a service business providing management services in coordination with the activities of MariJ Agricultural. Following the acquisition of those entities, Acacia determined that it no longer needed services the same as similar to those of JR Cannabis Industries, and therefore has elected to not recreate it as a subsidiary of the Company

TropiFlora, LLC

The fourth and final entity acquired in the transactions of January 15, 2016 was TropiFlora, LLC

In the acquisition transactions of January 15, 2016 the Company acquired the non-capital assets and the business of TropiFlora, LLC, but not the goodwill or the capital assets of TropiFlora, as a part of its efforts to engage growing cannabis in Florida. Prior to TropiFlora's acquisition by MariJ, and ultimately by Acacia, it was a grower with decades of experience in the nursery industry with the capacity to grow large quantities of plants. MariJ and subsequently Acacia acquired the business of TropiFlora to position itself to be issued a Growers License under the new 2015 Florida cannabis laws. If successful in obtaining a Florida Growers License, TropiFlora, as an Acacia subsidiary, would cultivate and distribute legal medical cannabis products in the state, opening the door to the sale of the non-euphoric strains of cannabis to treat patients with seizure disorders and cancer. However, the State of Florida announced the names of the five applicants that were to be awarded the Growers Licenses, but TropiFlora was not among the winners. Substantial legal objections have arisen as to the Florida license award process, prompting the filing of a number of complaints and spawning litigation with the State. The Company believes that, among other things, TropiFlora was unfairly judged for the licensing opportunity. The legal complaints instituted by TropiFlora while a part of the MariJ Group of companies and before its acquisition by Acacia left many questions that can only be answered as the cases progress through the administrative and judicial systems. As a result of the fact that substantial sums would be required to pursue the reversal of the perceived errors in the licensing process, the Company believes it is not in its best interests to continue on that course. Accordingly, the Company has therefore determined to exercise its option to rescind the TropiFlora acquisition under the certain specific terms and conditions agreed prior to its acquisition. Thus, the Company will take no action to create or operate a subsidiary utilizing the acquired TropiFlora assets.

As such, the Company intends to instead seek one or more other potential new licensing opportunities within Florida in conjunction with the anticipation of future license offerings, or to seek licensing opportunities in other states.
Discussion Regarding the Company's Consolidated Operating Results

Consolidated Operating Results in 2015 and 2014

In 2015 our consolidated net income was $528,405 compared to a loss of $151,650 in 2014. This 2015 income was primarily due to a net gain from discontinued operations of $1,475,493 resulting from the sale of the assets and related businesses of the Company's two operating subsidiaries, Citrus Extracts, Inc. and Acacia Transport Services, Inc., offsetting a loss from continuing operations of $947,088. Our 2015 consolidated costs and expenses were $932,422 compared to $540,370 in 2014.

As a result of the fact that the Company sold the business and related assets of its subsidiaries on June 29, 2015, those operations have been accounted for as discontinued since the Company's Annual Report on Form 10-K for the year ending December 31, 2014.

Consolidated employee expense, which included the corporate compensation expenses and the compensation expenses at the auction, increased about $155,000, or about 49% from 2014, primarily due to increased costs resulting from adding a truck fleet operation in the latter part of 2014 and from the sale and discontinuation of operations in at the Company's subsidiaries that resulted in the payment of certain bonuses to subsidiary personnel and the payment of amounts due to the Company's CE) that had not been calculated or paid prior to that date. The Company's CEO had, as in prior periods, deferred his personal compensations since as early as portions of 2012 to aid the Company in its liquidity.

Consolidated general and administrative expense also increased by about $240,000, or about 111% in 2015, reflecting the increased costs of operating a truck fleet the company acquired in the latter part of 2014.

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Critical Accounting Policies

Our financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A complete summary of these policies is included in Note 2 of the notes to our financial statements. In general, management's estimates are based on historical experience, information from third party professionals, and various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Liquidity and Capital Resources

Our accountants have issued, in their audit report, a going concern opinion reflecting a conclusion that our operations may not be able to continue because of a lack of financial resources.

The Company looks to its operations to provide cash flow and cash return on our investment. However, the operating cash flow from our Citrus Extracts, Inc. and Acacia Transport Services, Inc. operations, the Company’s only revenue-producing operations in 2015, were not sufficient to support the Parent Company’s operations on a consolidated basis as of prior to the closing of the sale of those assets on June 29, 2015.

In May of 2015, the President of those operating subsidiaries was identified a potential candidate for a management buyout of the assets and related businesses thereof, and entered into a Letter of Intent for that purpose. That Letter of Intent was dependent upon the buyers finding success in obtaining financing and other factors. A buyer’s group including the President of those operating subsidiaries completed the purchase on June 29, 2015. Those operations were first accounted for as discontinued in the Company’s Quarterly Report on Form 10-Q for the period ending June 30, 2015. Following the sale of those assets, the Company had no revenue-producing operations or corresponding operating revenues.

The Company's cash in fiscal year 2015 prior to the sale of its operating subsidiaries on June 29th was provided by management fee revenues assessed to the Company's subsidiary operations and by personal financial support from the Company’s then CEO, Steven Sample. In that same period, the cash flow from our subsidiary operations were sufficient to support those operations, but were not sufficient to also support the Parent Company’s operations on a consolidated basis. Our operations in 2015 did not provide sufficient cash flow to cover our corporate activity on an ongoing basis, essentially our executive officers, administrative overhead, and overhead that includes the cost of lawyers and accountants required to be publicly held. Following the sale of its operating subsidiaries, the Company no longer had the income from those units as a source of revenue to meet its expenses. As a result of those deficiencies and the loss of its revenue-producing operations, the Company had cash for its future operations sufficient to carry it into the first or second quarter of 2016.

In subsequent events, the Company acquired the assets and related businesses of the MariJ Group of companies, but will have to raise capital or institute or acquire additional operations with revenues sufficient to cover the costs of overheads. There can be no assurance the Company will be successful in raising capital, increasing its operating revenues to a level sufficient to cover the costs of its overheads, or identifying appropriate candidates for acquisition of merger, or if it is successful in identifying appropriate candidates, there is no assurance the Company will be successful in completing any acquisitions or mergers.

As of December 31, 2015, the Company had a positive consolidated cash flow of about $171,000 for the year. This resulted from negative net cash flows of approximately $827,000 used in financing activities and negative cash flows of about $1,298,000 used in operating activities, offset by positive cash flows of about $2,296,000 provided by investing activities related to the sale of the Company's two operating subsidiaries on June 29, 2015.

The Company will require substantial infusions of working capital together with a managed cost structure to insure long-term liquidity. The Company may be compelled to seek infusions of working capital in the form of equity or debt capital, or instituting or acquiring other operations. There is no assurance the Company will be successful in obtaining infusions of capital to fuel its plans, or that it can be successful in identifying or acquiring other operations. The Company's corporate overhead is relatively small by industry standards, and management believes that such expense could ultimately be covered if it were successful in implementing is current business plans or identifying and acquiring new operations.

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Discussion Regarding Management Fees

In the same fashion as some other holding companies, the Company generates revenues to pay its corporate overhead by assessing fees to its operating units. These fees, designated as Intercompany Charges or Management Fees, appear as Other Expense below the Net Ordinary Income line on the operating units' income statements and as income on the parent company's operating statements. In 2015, the Company's Citrus Extracts unit and its Acacia Transport Services unit, its only operating and revenue-producing units for the first two quarters of 2015, were assessed those Intercompany Charges. Management Fees, as with all significant intercompany accounts and transactions, are eliminated in consolidation, and as such are not represented as a separate line item on the financial statements accompanying its Quarterly and Annual Reports on Form 10-Q and 10-K

Stock-Based Compensation

The Company accounts for stock options in accordance with FASB ASC 505, "Equity," and FASB ASC 718, "Compensation—Stock Compensation." Accordingly, stock compensation expense has been recognized in the statement of operations for the year ended December 31, 2015 based on the grant date fair value of the options.

Under ASC 718 and 505, the fair value of options is estimated at the date of grant using a Black-Scholes-Merton ("Black-Scholes") option-pricing model, which requires the input of highly subjective assumptions including the expected stock price volatility. Volatility is determined using historical stock prices over a period consistent with the expected term of the option.

The Company adopted the provisions of Statement of Financial Accounting Standards No. 123R "Share-Based Payment" ("SFAS No. 123(R)") to account for stock-based compensation under ASC 718 and ASC 605, Compensation-Stock Compensation. The Codification requires that all stock-based compensation be recognized as expense in the financial statements and that such cost be measured at the fair value of the award at the grant date. An additional requirement of ASC 718 is that estimated forfeitures be considered in determining compensation expense. Estimating forfeitures did not have a material impact on the determination of compensation expense in 2015 and 2014. ASC 718 requires cash flows resulting from tax deductions from the exercise of stock options in excess of recognized compensation cost (excess tax benefits) to be classified as financing cash flows. This requirement had no impact on our consolidated statement of cash flows in 2015 and 2014, as no options were exercised. During the years ended December 31, 2015 and 2014, respectively, the Company issued no stock awards to employees.

The Company did not issue any stock options in 2015 or 2014. The fair values of options issued were amortized over the respective vesting periods (primarily four years). The amortized cost recognized for the years ended December 31, 2015 and 2014 was $0.00. There is no future amortization of the fair value of options. The Company did not issue any stock warrants in 2015 or 2014. There was no warrant expense recognized for the years ended December 31, 2015 and December 31, 2014.

Stock Options

	2015		2014	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of the year	90,000	$ 0.34	90,000	$ 0.34
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or cancelled	-	-	-	-

Outstanding at end of year*	90,000	$	0.34	90,000	$ 0.34
Exercisable	90,000	$	0.34	90,000	$ 0.34

* Of the 90,000 options still active as of December 31, 2015: (i) 15,000 expire at 2-1-2017; (ii) 10,000 expire at 11-2-2017; (iii) 15,000 expire at 12-31-2018; (iv) 30,000 expire at 11-6-2019; and, (v) 20,000 expire at 12-23-2020.

Stock Warrants

The exercisable outstanding stock purchase warrants was 1,000,000 and 1,326,250 for the years ended December 31, 2015 and 2014, respectively, with a weighted average exercise price of $3.00 and $2.64. The following summarizes the warrant activity in 2015 and 2014.

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding at beginning of the year	1,326,250	$2.64	1,326,250	$ 2.64
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or cancelled	-	-	-	-
Expired	326,250	1.31	-	-
Warrants outstanding at end of year	1,000,000	3.00	1,326,250	2.64
Exercisable	1,000,000	$3.00	1,326,250	$ 2.64

The remaining warrants outstanding as of December 31, 2015 will expire at December 30, 2016.

Liquidity and Need for Additional Capital

In 2015 the Company ended the year with a positive cash flow of about $171,000 resulting from about $1,298,000 being used in operating activities, about $827,000 used in financing activities, and about $2,296,000 provided by investing activities.

Overall, our operations were not self-funding in 2015 as a result of the lack of operations after June 29, and the delays associated with acquiring our new income producing operations. However, with the inclusion of cash generated from the disposal of assets in discontinuing operations, the Company was self-funding for the year on an overall basis. To generate a positive cash flow, the Company will have to increase its revenues, raise capital or acquire new sources of revenues through acquisitions or mergers, and will probably have to raise additional capital to fund those acquisitions. There can be no assurance the Company will be successful in increasing its revenues sufficiently to meet its liquidity needs, in raising capital, or in identifying new acquisition of merger targets, and if it is successful in identifying acquisition or merger candidates, there is no assurance the Company can be successful in completing any of those transactions.

As of December 31, 2015 the Company has no long-term debt or operating lease obligations.

The Company's Citrus Extracts subsidiary leased manufacturing and administrative space at its Ft. Pierce, Florida, location for $4,691 per month, and the Company rented administrative space in Ocala on a month-to-month basis at about $600 per month in 2015 and 2014. Following the sale of the assets and related businesses of the Company's Citrus extracts, Inc. and Acacia Transport Services, Inc. subsidiaries on June 29, 2015 the Company assigned the leases in Fort Pierce to the buyer of the assets, and continued to retain the office space in Ocala through December 31, 2015, but will cancel that lease in January of 2016.

Financing of Planned Expansions and Other Expenditures

The Company anticipates seeking additional capital through the sale of its equity securities in a private placement offering possibly in the next sixty days, but no assurance can be made that it will be able to find willing buyers for such securities. Moreover, as the Company contemplates selling its securities by way of an exemption from registration, there can be no assurance that the Company can be able to identify a satisfactory number of suitable buyers to whom the Company may legally offer such securities, or if the Company is successful in identifying suitable buyers that it will be successful in raising capital, or if successful in raising capital that it can be successful in implementing any plan for acquisitions or adding or expanding any operations.

The Company would anticipate using the proceeds from any capital raise to bolster its new operations, pay the costs of adding new equipment and services that could provide revenue streams to meet the Company's expenses.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

Item 8. Financial Statements and Supplementary Data

The response to this item is submitted as a separate section of this Form 10-K. See “Item 15. Exhibits, Financial Statements and Reports on Form 8-K.”

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A(T). Controls and Procedures

Inherent Limitations on the Effectiveness of Controls Over Financial Reporting

As is typical with most smaller enterprises, our control processes are oriented toward operations, and production of financial statements reflects an outgrowth of operations and results of those operations. Internally, financial statements are a management tool to evaluate the operations and not an end of those operations. We closely monitor the daily results of our cash position and make certain that our cash position is adequate for the foreseeable future. Our financial statements are generated as part of the reporting on our operations, one metric of our operations, and as part of our obligations as a public entity.

Management, including our Chief Executive Officer who acts as our Chief Financial Officer, does not expect that our controls and procedures will prevent all errors and fraud, and our present efforts are oriented on improving the availability and thoroughness of information to management and to generate financial statements. In designing and evaluating the controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management’s override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports, such as this report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, particularly our Chief Executive Officer, to allow timely decisions regarding operations and required disclosure.

Upon the filing of its Preliminary Proxy Statement on Form 14a in September of 2015, the Company became aware of deficiencies in its controls relating to the solicitation of votes by the Company or by individual shareholders of the Company with regard to written consents of shareholders in lieu of special meetings, and further as to the Company's reporting obligations following any such written consent by shareholders required to be filed with the Commission in an Information Statement on Form 14c. As a result, the Company determined that its procedures and controls in that regard were not effective.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures to provide reasonable assurance of achieving their objective pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2015.

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Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, particularly our chief executive officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

During 2015 the Company did not make changes in its internal control.

This Annual Report does not include an attestation report of the Company's independent registered accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only the management's report in this Annual Report.

Item 9B. Other Information

On July 10, 2013 the Company, through its wholly-owned subsidiary Citrus Extracts, Inc., entered into a definitive agreement to acquire certain assets (the "Assets") of Red Phoenix Extracts, Inc., a Florida corporation ("RPE" or the "Seller") in Fort Pierce, Florida. The transaction is more particularly described in the Company's Current Report on Form 8-K dated July 10, 2013.

The Company on January 15, 2014 formed Acacia Transport Services, Inc. as a wholly-owned subsidiary for the primary purpose of providing transportation and a continuous source of raw citrus peel materials for its sister Citrus Extracts, Inc. manufacturing plant, and for the secondary purpose of generating transport revenues in hauling excess raw citrus peel materials to local farmers for use as feed for livestock. On July 2, 2014, that subsidiary entered into an Agreement for Citrus Peel Hauling Services with Lambeth Groves Juice Company, a juice extraction company located in Vero Beach, Florida, some 20 miles from Citrus Extracts, Inc. That contract called for Acacia Transport to assume all responsibilities for hauling the raw, remediated citrus peel products from Lambeth Groves by July 30, 2014, and actual transport operations from Lambeth Groves commenced on August 7, 2014.

On March 1, 2014 the Company began performing milling operations using the trade name Acacia Milling Services at the Fort Pierce location for its Citrus Extracts subsidiary. Milling is the term applied to grinding or refining the finished citrus ingredient products rendered by Citrus Extracts into smaller, finer particles. Those services varied from simple sifting operations that separate the various sizes of materials to creating specific cuts from the original material, such as "tea bag cut" size, granulated materials of various sizes, or "powders" of various mesh sizes. Generally the greater the mesh size (finer, smaller, particle size) requested by the customer, the higher the milling charges per pound. The Company had not yet did not established separate accounting functions for its new milling operations, intending to further segregate those milling operations in the latter part of 2015 and to implement a new system of segregated financial reporting for those operations. The Company also intended to expand its offerings of those milling services to outside parties for the generation of additional revenues in the future.

However, on June 29, 2015 the Company sold the assets and related businesses of its Citrus Extracts, Inc. and Acacia Transport Services, Inc. subsidiaries together with its Acacia Milling Services operations, temporarily leaving the Company without revenue-producing operations.

In August of 2015 Acacia contacted the MariJ Group of companies ("MariJ") in Clearwater, Florida in initial discussions as to a potential acquisition of their assets and related businesses, but the discussions were not fruitful. Renewed discussions in October lead the entities to come to terms in a Letter of Intent the following month, culminating in a revised Letter of Intent on December 8, 2015 in which the parties agreed to a closing on January 15, 2016 with an effective date of January 4, 2015.

In subsequent events, that transaction closed as planned, resulting in the acquisition on January 15, 2016 with an effective date of January 4, 2015 by the Company of the assets and related businesses of the MariJ Group of companies consisting of four (4) entities, and intends to conduct its future business operations through two (2) newly-created wholly-owned subsidiaries utilizing the majority of those assets. The four acquired entities included MariJ Agricultural, Inc., Canna-Cures Research & Development Center, LLC, JR Cannabis Industries, LLC, and TropiFlora, LLC.

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PART III

Item 10. Directors, Executive Officers, and Corporate Governance

Executive Officers and Directors

The directors and executive officers of the Company, and their respective ages, as of December 31, 2015, and positions held with the Company, were as follows:

Name	Age	Position
Steven L. Sample	68	Director, Chmn. of the Board, and Chief Executive Officer
Patricia Ann Arnold	59	Secretary
Danny R. Gibbs	58	Director
V. Weldon Hewitt	78	Director
Dr. David Sadler	66	Director*
Dan L. Rigdon	67	Director

Steven L. Sample, age 68, became a director and officer of the Company in August 2006 when he was named as a Director and Chief Executive Officer. From January 2004 through December 2005, he served as Executive Director of Sales for ADESA Corporation, the second-largest automobile auctions conglomerate in North America, when he left ADESA to draft the business plan for his Acacia concept. From January 2002 through December 2003, he was the General Sales Manager of ADESA's Ocala, Florida Auto Auction where he was credited for a loss-to-profit turnaround of approximately $1.75 million in the first ten months 2002, followed by continuing profitability in ensuing years. From September 1990 through December 2001, he was employed by Mid-America Auto Auction, an Anglo-American Auto Auction (Anglo-American later being acquired by ADT and renamed ADT Automotive Auctions), which was generally acquired by Manheim Auctions in 2000, with Mr. Sample serving as General Sales Manager and in other strategic capacities. Prior to that time, Mr. Sample managed a number of automotive dealerships in various capacities for the big three U.S. automakers and such notable imports as Lamborghini, Maserati, Volkswagen, AMG, and others.

Patricia Ann Arnold was named Secretary of the Company on February 1, 2007. In 2013, Ms. Arnold joined Hospital Corporation of America (HCA) as a contractor in the Quality Standards section of the Clinical Services Group (CSG), and accepted the position of Executive Assistant to the Chief Health Information Officer in December of that year. From January of 2008 through January of 2013, Ms. Arnold served as Executive Assistant to the Managing Director, Executive Vice President of Operations and Executive Vice President of Development of Lend Lease (US) Public Partnerships LLC (f/k/a Actus Lend Lease). From 2002 through 2007, Ms. Arnold served as a Labor & Employment Paralegal with the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz; Litigation Paralegal with Stewart Estes and Donell from 1998 to 2002; and, Litigation Paralegal with Manier, Herod, Hollobaugh & Smith, in Nashville, Tennessee. Prior to the Nashville employment, Ms. Arnold was employed in similar positions with law firms in Louisville, Kentucky, since 1984.

Dan L. Rigdon, age 67. On September 1, 2013, Mr. Rigdon was appointed to the Company's Board of Directors. For the past 32 years Mr. Rigdon has served as Senior Pastor and most recently, Pastor Emeritus, in the Dallas Metroplex and has held numerous officer and director positions with a variety of organizations. At the age of 24, Reverend Rigdon was elected Executive Vice President of Christian Life College in Stockton, California after which he was elected Director of Promotions and Publications for the Youth Division of the United Pentecostal Church International ("UPCI"). Following that assignment, Reverend Rigdon was elected to the position of General Youth Secretary of

UPCI, an organization of more than 9,800 ministers, ultimately being elected to General Youth President of that organization. Following his tenure as General Youth President of UPCI, Reverend Rigdon was elected President of Christian Life College, Stockton, California. Reverend Rigdon was also a major contributor in the envisioning and formation of "Compassion Services International", serving as a driving force in the development of its philosophy and scope of endeavor and served as Chairman of its first Board of Directors in the early 1980's. For the past six years Reverend Rigdon has served on the Board of Directors of Natural Citrus Products Corporation.

Danny R. Gibbs, age 58 was reappointed to the Board of Directors on September 1, 2013 after originally serving from October of 1984 through September 29, 2011. Mr. Gibbs was the President of Gibbs Construction, Inc. (later becoming Acacia Automotive, Inc. and ultimately Acacia Diversified Holdings, Inc.) and a charter member of the Company's Board of Directors beginning with its formation in October of 1984 until April of 2000, and in February of 2007 Mr. Gibbs agreed to serve on Acacia's new board, where he served until September 29, 2011. The Company was most pleased to welcome Mr. Gibbs' return to its Board of Directors as he brings decades of experience in the public domain. From 2000 through 2003, Mr. Gibbs served as Senior Project Manager for TOC Companies in the Dallas, Texas area. From the beginning of 2004 through the present, he has served in a similar capacity with Dimensional Construction, Inc. Both companies were located in Garland, Texas where Mr. Gibbs resides with his family.

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V. Weldon Hewitt, age 78 was reappointed to the Board of Directors on September 1, 2013 after originally serving from February 1, 2007 through September 29, 2011. Mr. Hewitt has served as President and CEO of Hewitt Marketing since 1985, where he has been instrumental in establishing numerous OEM supplier contracts providing radios and other media devices and electronics, mobile cellular telephones, power-actuated equipment and accessories to many major vehicle manufacturers. Prior to that time, Mr. Hewitt founded and served as CEO of a manufacturing concern with annual sales of more than $20 Million in audio sound systems for the luxury car market. His extensive experience in providing a wide variety of products and services to the automotive industry spans more than four decades. Mr. Hewitt resides near Louisville, Kentucky with his family.

* Dr. David Sadler was age 65 at the time of his first appointment to the Company's Board of Directors on September 1, 2013. Since 1987, Dr. Sadler had served as a Partner in a private practice of Cardiothoracic and Vascular Surgery in Longview, Texas. Born, reared and educated in Texas, Dr. Sadler co-founded the Cardiovascular and Thoracic Surgery programs at two Longview, Texas hospitals where he practiced for the past twenty years. He also co-founded Longview Thoracic and Cardiovascular Associates of Longview, Texas where he was a Managing Partner. Dr. Sadler received his Bachelor of Science from Texas A&M University in 1970 and served his General and Vascular Surgery Residency along with his Cardiovascular and Thoracic Residency at Parkland Memorial Hospital in Dallas, Texas. Dr. Sadler received his Doctor of Medicine degree from the University of Texas Southwestern Medical School in Dallas, Texas in 1974. In an 8-K dated June 13, 2014 the Company sadly announced the untimely passing on June 2, 2014 of Dr. Sadler from natural causes. At the time of his passing, Dr. Sadler also served as the Chairman of the Board of Directors of Natural Citrus Products Corporation and was a Managing Member of Alarma Patents, LLC.

Committees of the Board of Directors

On March 7, 2014, the Company appointed various directors to committees and the chairs thereof as follows: V. Weldon Hewitt, Danny R. Gibbs and Dan Rigdon were duly appointed to serve as the members of the Corporation's Compensation Committee with V. Weldon Hewitt being named the Chairman of said Committee; Danny R. Gibbs, Dr. David Sadler, and Steven L. Sample were duly appointed to serve as the members of the Corporation's Primary Committee as designated in the Corporation's Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan, with Danny R. Gibbs designated as the Plan Administrator and Chairman of such Committee; Dan Rigdon, Danny R. Gibbs, and Dr. David Sadler were duly appointed to serve as the members of the Corporation's Audit Committee with Dr. Sadler being designated as the Committee's Chairman and designated as its Financial Expert; and, Dan Rigdon, V. Weldon Hewitt, and Steven L. Sample were duly appointed to serve as the members of the Corporation's Nominating Committee, with Dan Rigdon being named the Chairman of said Committee.

However, as a result of the untimely passing of Director David Sadler on June 2, 2014 as reported in an 8-K dated June 13, 2014, and as a further result of the fact that Dr. Sadler was a member of the Company's Audit Committee and its Chairman and Financial Expert, we considered that committee to be incomplete and ineffective for the remainder of 2014. Therefore, shareholders were required to rely on the entire board of directors to perform these functions until a full Audit Committee and chairman was empowered to sit.

A new Audit Committee was appointed on June 9, 2015 consisting of Dan Rigdon, Danny R. Gibbs, and Weldon Hewitt were duly appointed to serve as the members of the Corporation's Audit Committee with Danny Gibbs being designated as the Committee's Chairman and designated as its Financial Expert.

Further to Dr. Sadler's passing, the Company considered the loss of his sitting on the Primary Committee for administration of its 2012 Stock Incentive Plan to have rendered that committee incomplete and ineffective inn 2014. Therefore, shareholders were also required to rely on the entire board of directors to perform those functions until a full committee was empowered to sit.

A new Primary Committee was appointed on June 9, 2015 consisting of Danny R. Gibbs, Weldon Hewitt, and Steven L. Sample were duly appointed to serve as the members of the Corporation's Primary Committee, with Danny R. Gibbs designated as the Administrator and Chairman of such Committee. The 2012 Acacia Stock Incentive Plan was discontinued at June 29, 2015 by the written consent of shareholder with more than 50% of the voting power of the Company, but its Primary Committee continued to function in a similar capacity.

Other committees appointed on June 9, 2015 and their members include:

Compensation Committee, consisting of V. Weldon Hewitt, Danny R. Gibbs and Dan Rigdon, with V. Weldon Hewitt being named the Chairman of said Committee, and,

Nominating Committee, consisting of Dan Rigdon, V. Weldon Hewitt, and Steven L. Sample, with Dan Rigdon being named the Chairman of said Committee.

Three members of the board of directors are considered to be independent directors, but the fouth, its Chairman, is an officer and is not considered to be independent. Thus, there is a potential conflict in that the board member who is also part of management will participate in discussions concerning issues that may affect management decisions.

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Code of Ethics

Given that the Company has had only limited operating history, the Company has not adopted a Code of Ethics for the principal executive officer, principal financial officer, or principal accounting officer.

Section 16(a) Beneficial Ownership Reporting Compliance.

There were no common stock options or warrants awarded in 2015 or 2014.

Item 11. Executive Compensation

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2015 and 2014 by the Company's Chief Executive Officer, for whom disclosure is required:

SUMMARY COMPENSATION TABLE