Acacia Diversified Holdings, Inc.
Form 10-K
April 01, 2019

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2018**
or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from _____________to ______________**

**Commission file number: 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**

______________________________________________________________________

(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 No

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 No

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 No (2) Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No (Not required)

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.

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

| | |
|---|---|
| Large accelerated filer | Accelerated filer |
| Non-accelerated filer (Do not check if a smaller reporting company) | Smaller reporting company |
| Emerging growth company | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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, 2018 was $3,954,405

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 21,318,763 Common shares as of March 27, 2019.

Table of Contents

**TABLE OF CONTENTS**

Table of Contents

**PART I**

**Item 1. Description of Business**

***Description of business, principal products, services and their markets***

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. 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 January 15, 2016, the Company acquired the assets of the MariJ Group of companies that included MariJ Agricultural, JR Cannabis Industries, LLC and Canna-Cures Research & Development Center, LLC. The transaction had an effective date of January 4, 2016. On January 19, 2016 the Company filed a Current Report on Form 8-K announcing the acquisition. The Company subsequently filed expanded and updated information relating to that acquisition on its Amended Current Report on Form 8-K/A on April 25, 2016. That document is available for viewing on the Company's website at http://www.acacia.bz/sec/sec.htm and on the SEC website at:

https://www.sec.gov/Archives/edgar/data/1001463/000118518516004336/0001185185-16-004336-index.htm

In 2016, following the acquisition, the Company formed two new subsidiaries to conduct its new medical hemp business activities, being MariJ Pharmaceuticals, Inc. ("MariJ Pharma") and Canna-Cures Research & Development Center, Inc. ("Canna-Cures"). In 2017, the Company formed a new subsidiary Eufloria Medical of Tennessee, Inc. ("EMT") to conduct its retail business in the state of Tennessee. In July 2018, the Company announced the completion of its acquisition of Medahub Operations Group, Inc. and Medahub, Inc., technology companies ("Medahub"), complete with a current compounding pharmacy license in Florida.

***MariJ Pharmaceuticals, Inc.***

MariJ Pharma has a proprietary mobile $CO_2$, supercritical hemp oil extraction unit which was USDA certified Organic on September 28th, 2016, by OneCert, under the US National Organic Program; 7 CFR PART 205. MariJ

Pharma extracts and processes very high quality, high-cannabinoid profile content medical grade hemp oils from medicinal hemp plants. MariJ specializes in organic strains of the plant where available, setting itself apart from the general producers of non-organic products.

During 2018, the Company performed its extraction activity in the state of North Carolina where its activities are deemed legal under the laws of such state.

***Canna-Cures Research & Development Center, Inc.***

Canna-Cures engaged in research and development activities as well as retail and wholesale distribution of medicinal hemp products and dietary supplements in Colorado until it closed operations in July 2017. As a part of its R&D efforts, Canna-Cures sought to align itself with institutions of higher learning in working to develop new products and to identify and develop additional uses for its medicinal hemp products.

Canna-Cures launched its first research and development center in Colorado. In conjunction with that opening, Canna-Cures officially launched the Dahlia's Botanicals Endocannabinoid Nutraceuticals product line. A portion of the proceeds from our Dahlia's Botanicals line are awarded to the Canna Moms 501(c)(3) organization in support of its continuing public education and awareness campaign.

***Eufloria Medical of Tennessee, Inc.***

In July 2018, the Company announced that its wholly-owned subsidiary, Eufloria Medical of Tennessee, Inc. ("EMT"), an entity focused on the growing and distribution of new and proprietary medicinal hemp products for patients. EMT intends to utilize MariJ Pharma's USDA certified organic mobile processing and handling solutions for its customers, and technology solutions for the expanding physician market, has leased a 14-acre farm with 32,000 square feet of indoor growing area in southern Tennessee. EMT also acquired an option to purchase the farm upon favorable terms, which option, EMT intends to exercise as soon as possible. During 2018, EMT completed excavation and other cleanup activities and developed the farm into its first grow facility, allowing for improved efficiencies through growing, processing and manufacturing the Company's own product line and building sales through dedicated distributors. The Company will grow its own plant material, process that plant material through another wholly owned subsidiary, MariJ Pharmaceuticals, Inc. ("MariJ") and manufacture consumer products with the "EUFLORIA" branding for the dedicated distribution channels.

Table of Contents

EMT also commenced its retail and wholesale distribution of medicinal hemp products and dietary supplements in Tennessee. In addition to our current extraction operations, the Company has been invited to be part of the hemp pilot program in Tennessee. This program provides the Company the license to grow, manufacture, and dispense USDA organic hemp oil in Tennessee and represents the first step in moving its operations to the east coast of the United States. The Company plans on participating in this pilot program through this new, wholly-owned subsidiary.

***Medahub, Inc.***

In July 2018, the Company announced the completion of its acquisition of Medahub Operations Group, Inc. and Medahub, Inc., technology companies ("Medahub"), complete with a current compounding pharmacy license in Florida. The Medahub acquisition allows the Company to be fully HIPAA compliant and cloud based on an HL7 platform. The Company can now offer licensing agreements for other hemp companies wanting to be HIPAA compliant from left to right or seed to sale and Doctor to Patient. The Company is continuing to develop the capabilities of this technology ahead of marketing this platform to users.

***Distribution methods of the products and services***

MariJ Pharma extracts and processes a very high quality, high-cannabinoid profile content medical grade hemp oils from medicinal hemp plants in its propriety mobile CO2, supercritical hemp oil extraction unit which was USDA certified Organic on September 28th, 2016, by OneCert, under the US National Organic Program; 7 CFR PART205. The finished product is then delivered to its customers.

EMT plans to sell medicinal hemp products and dietary supplements primarily through its retail dispensaries in Tennessee and through a dedicated distribution model.

***Status of any publicly announced new products or services***

During 2018, the Company acquired Medahub to develop its proprietary GeoTrackingTechnology 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 medicinal products in a sophisticated retail Point of Sale delivery system.

The Company also plans to enter into research and development projects with institutions of higher learning in efforts to: (i) develop new and better strains of medical hemp related products for dispensing as medications, nutraceuticals, cosmeceuticals, and potential dietary supplements; and (ii) provide private label packaging services; and (iii) sell additional medical hemp oils, oil-infused products, and other merchandise through its web-based portal or retail dispensaries planned for that purpose; and (iv) sell cosmeceutical and nutraceutical products and dietary supplements containing its high-quality hemp oil extracts.

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 fund our operations. 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.

***Competitive business conditions and the Company's competitive position in the industry and methods of 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 hemp 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 that 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.

Table of Contents

There is no assurance the Company will be able to adhere to its plans or to engage in any acquisitions or mergers. The Company will consider potential opportunities to buy, sell or distribute its products in other countries.

***Sources and availability of raw materials and the names of principal suppliers***

One of the ingredients used in the extraction process is carbon dioxide. MariJ Pharma depends on a supplier to supply high quality carbon dioxide. This supplier produces the highest quality carbon dioxide for the medicinal hemp industry. If MariJ Pharma was not able to obtain carbon dioxide from this supplier, it would need to look to other suppliers to supply this critical ingredient. However, the quality of the ingredient would suffer and the Company may not be able to obtain it at reasonable cost. At the present time, the Company is not anticipating a disruption of service by this supplier, whose identity we choose to keep confidential.

***Dependence on one or a few major customers***

During the year ended December 31, 2018, the Company's revenues were concentrated on two customers, WNC Hemp and CFH, Inc., who accounted for approximately 59% and 21%, of the total consolidated revenues, respectively.

During the year ended December 31, 2017, the Company's revenues were concentrated on three customers, CBD Rx, Precision Cultivation, Inc. and Blue Circle Development, Inc., who accounted for approximately 33%, 28% and 32%, of the total consolidated revenues, respectively.

***Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including duration***

The Company currently has patents pending, trademarks pending, and no franchises, concessions, royalty agreements or labor contracts. The Company intends to acquire, through its MariJ Pharma subsidiary, portions or complete ownership of licenses and grow operations in one or more states and is seeking to cultivate, organically extract and process its medicinal hemp crops year around in indoor facilities. The acquisition of these licenses is anticipated to provide the Company with the opportunity to compound medicinal products using mixtures of high cannabinoid profile oils that have very little hallucinogenic properties but have significantly improved medicinal properties.

***Effect of existing or probable governmental regulations on the business***

Congress voted in December 2018 to legalize the cultivation of hemp in the United States, after months of debate and negotiation between lawmakers. Hemp legalization was tucked into the 2018 farm bill, a massive piece of legislation that also addresses issues such as nutrition, conservation, trade, energy and forestry. The bill received strong bipartisan support, and the President signed it into law.

Now that hemp is legal, there are all kinds of implications for farmers, researchers and consumers. For decades, the federal government has treated hemp just like any other cannabis plant. Since 1970, it had been classified as a schedule 1 drug on the Drug Enforcement Administration's list of controlled substances, alongside heroin, LSD and marijuana. The DEA defines schedule 1 drugs as having no currently accepted medical use and a high potential for abuse. The new bill takes hemp off that list. The schedule 1 designation made universities reluctant to get involved in hemp research. With hemp being legalized now, those restrictions and hesitations about legal jeopardy have been removed.

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

The Company will initially extract and process a derivative of the hemp plant known as CBD oil. CBD is one of dozens of compounds found in hemp plants that belong to a class called cannabinoids. Of these compounds, CBD, CBG, CBN, CBC 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 to date, over 114 unique molecules in hemp known as cannabinoids, which include THC and CBD. Many other non-cannabinoid compounds are produced by the plant, but these are the compounds that are most addressed as having a use by the medical community.

Terpenes, the molecules responsible for marijuana’s smell, among other things, 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.”

Table of Contents

CBD and THC levels tend to vary between different strains and varieties of hemp.  By using selective breeding techniques, certain growers have managed to create varieties with high levels of CBD, CBG and THCA, 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, CBG, CBC, and CBN do 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.

Like most other companies in this industry, we are subject to various business regulations, permits and licenses. The Company, through its new subsidiaries, has entered a new business realm that may entail considerably more regulation than its previous endeavors. 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 where we have business operations.

Despite the passage of the Farm Bill, inherent risks continue to exist in this industry as a result of the determination by many nationally-chartered banks. As such, some businesses maintain large sums of cash on hand, and 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 various financial institutions 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 an armored vehicle for use in the transport of cash and hemp products but believes those risks will not be minimized until national depository institutions allow hemp-related businesses to utilize their facilities.

***Estimate of the amount of money spent during each of the last two fiscal years on research and development***

The Company spent a de-minimus amount on research and development during its last two fiscal years.

***Costs and effects of compliance with environmental laws***

The hemp industry, just like other industries, impacts our environment. Environmental laws relating to water rights, energy consumption, pollution, and overall carbon footprint all can and do impact the hemp industry.

While some areas of environmental law focus on the protection of the environment, others are designed to control human use of natural resources by setting up a system of environmental approvals. Environmental laws cover topics such as chemicals and pesticides, climate change and energy, coastal, marine and fisheries management, farming and private land management, forestry, clearing vegetation, trees, marine, pollution, water, just to name a few. Given all the facets of both indoor, outdoor, and greenhouse cultivation, in addition to chemical-intensive extractions and infusions of hemp oil products, it is easy to see why environmental laws are coming into play in the cannabis industry.

One of the most common environmental law issues for the hemp industry is waste management. Most states that legalize some form of hemp consumption strictly dictate the disposition and storage of the hemp by-products, as well as the types of pesticides, soil amendments, and fertilizers that can be safely applied to cannabis crops.

However, fewer states have enacted laws dealing with the industry's impact on water and air quality, but the industry is certainly under more scrutiny. In certain states, producers and processors must pay a fee to their local or state government and submit an application for a permit, provide information on odor control equipment for producing, growing, or processing and solvent usage information for each type.

Energy consumption by hemp growers is also becoming an important issue. The significant use of electricity in indoor hemp production has caused concerns for the carbon-footprint of its production. States may pass legislatures to regulate energy consumption by passing the cost of such effects and consumption onto the hemp industry by instituting licensing and permitting fees.

Outdoor growers are not completely free of environmental concerns. They are also facing pressure under environmental laws because outdoor growing has led to deforestation, loss of wildlife, and erosion, and it often requires large amounts of water and pesticides.

***Number of total employees and number of full-time employees***

As of December 31, 2018, the Company had a total of nine employees, six of which are full time.

***Available Information***

Our Web address is www.acaciadiversifiedholdings.com. The Company makes 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.

**Item 1A. Risk Factors**

As a smaller reporting company we are not required to provide any information under this item.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Description of Properties**

At December 31, 2018, the Company does not currently own any real properties.

The Company rents its administrative office in Clearwater, Florida on a month to month basis, has a two-year lease on its retail space in Nashville, Tennessee and lease property for its growing facility in Pulaski, Tennessee.

**Item 3. Legal Proceedings**

None.

**Item 4. Mine Safety Disclosures**

None.

Table of Contents

**PART II**

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

Our common stock is presently quoted on the OTCQB of the OTC Markets marketplace under the trading symbol ACCA. Historically, trading in our stock has been very limited and the trades that have occurred cannot be characterized as amounting to an established public trading market. As a result, the trading prices of our common stock may not reflect the price that would result if our stock was actively traded.

The following are high and low closing prices quoted on the OTCQB during the periods indicated.

| | **Closing Prices** | |
|---|---|---|
| | **High** | **Low** |
| **Quarters ending in 2017** | | |
| March 31 | $2.00 | $1.30 |
| June 30 | $1.75 | $1.07 |
| September 30 | $1.29 | $0.53 |
| December 31 | $0.59 | $0.34 |
| **Quarters ending in 2018** | | |
| March 31 | $0.80 | $0.45 |
| June 30 | $0.72 | $0.18 |
| September 30 | $0.25 | $0.16 |
| December 31 | $0.24 | $0.15 |

As of December 31, 2018, the Company had 218 registered 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.

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.

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 there under 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, 2018:

**SUMMARY OF THE PLAN**

| **Plan Description at December 31, 2018 and 2017** | **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 Equity Plan Options outstanding at December 31, 2016 (2) | 75,000 | $ 0.41 | *- |
| Total options approved and issued in 2017 | - | - | - |
| Options expired in 2017 | 10,000 | - | - |
| Total Equity Plan Options outstanding at December 31, 2017 (3) | 65,000 | $ 0.35 | *- |
| Total options approved and issued in 2018 | - | - | - |
| Options expired in 2018 | 15,000 | 0.50 | - |
| Total Equity Plan Options outstanding at December 31, 2018 (4) | 50,000 | $ 0.30 | *- |

Table of Contents

* The plan was terminated on June 29, 2015.

(2) Of the 75,000 options still active as of December 31, 2016: (i) 10,000 expire at 11-2-2017; (ii) 15,000 expire at 12-31-2018; (iii) 30,000 expire at 11-6-2019; and, (iv) 20,000 expire at 12-23-2020.
(3) Of the 65,000 options still active as of December 31, 2017: (i) 15,000 expire at 12-31-2018; (ii) 30,000 expire at 11-6-2019; and, (iii) 20,000 expire at 12-23-2020.
(4) Of the 50,000 options still active as of December 31, 2018: (i) 30,000 expire at 11-6-2019; and, (ii) 20,000 expire at 12-23-2020.

In February 2018, the Company adopted the Acacia Diversified Holdings, Inc. 2018 Stock Grant and Option Plan ("2018 Plan"). The purpose of the 2018 Plan is to offer selected employees, directors and consultants an opportunity to acquire a proprietary interest in the success of the Company. Awards that can be granted from the 2018 Plan include registered shares, restricted shares and options as well as the direct award or sale of shares of the Company's common stock. The aggregate number of shares which may be issued or transferred pursuant to an award shall not exceed 5,000,000 shares of authorized common stock of the Company. Subsequent to the adoption of the 2018 Plan, the Company filed Form S-8 with the Securities and Exchange Commission to register 1,000,000 shares of the Company's common stock pursuant to a consulting agreement.

**Item 6. Selected Financial Data**

As a smaller reporting company we are not required to provide any information under this item.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the other sections of this Annual Report, including our consolidated financial statements and related notes set forth in Item 8. This discussion and analysis contains forward-looking statements, including information about possible or assumed results of our financial condition, operations, plans, objectives and performance that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated and set forth in such forward-looking statements.

*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 those terms.  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*

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. 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 January 15, 2016, the Company acquired the assets and businesses of the MariJ Group of companies that included MariJ Agricultural, JR Cannabis Industries, LLC and Canna-Cures Research & Development Center, LLC.  The transaction has an effective date of January 4, 2016.

In 2016, following the acquisition, the Company formed two new subsidiaries to conduct its new medical hemp business activities, being MariJ Pharmaceuticals, Inc. ("MariJ Pharma") and Canna-Cures Research & Development Center, Inc. ("Canna-Cures"). In 2017, the Company formed a new subsidiary Eufloria Medical of Tennessee, Inc. ("EMT") to conduct its retail business in the state of Tennessee. In July 2018, the Company announced the completion of its acquisition of Medahub Operations Group, Inc. and Medahub, Inc., technology companies ("Medahub"), complete with a current compounding pharmacy license in Florida.

***MariJ Pharmaceuticals, Inc.***

MariJPharma engages in the extraction and processing of very high quality, high-CBD/low-THC content medical grade hemp oils from medical hemp plants. MariJPharma specializes in utilizing organic strains of the hemp plant, setting itself apart from the general producers of non-organic products. In addition, MariJPharma has the technical expertise and capability to process and formulate the oils and to employ them in its compounding operations. MariJPharma will seek to become engaged as owner or co-owner of a grow facility such as to produce its own plants for processing. The Company intends to acquire, through its MariJ Pharma subsidiary, portions or complete ownership of licenses and grow operations in one or more states and seeks to cultivate, organically extract and process its medicinal hemp crops year around in indoor facilities. The acquisition of these licenses is anticipated to provide the Company with the opportunity to compound medicinal products using mixtures of high cannabinoid profile oils that have very little hallucinogenic properties but have significantly improved medicinal properties. 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 medicinal products in a sophisticated retail Point of Sale delivery system.

Table of Contents

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

a. Hemp oil extraction and processing. MariJ Pharma has a unique mobile hemp oil processing and extraction unit designed into a heavy-duty trucks. 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 hemp oils.
c. Compounding and manufacturing. MariJ Pharma 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 hemp industry.
d. Licensing and support of the Company's GeoTraking Technology systems
e. Processing and compounding services for medical grade hemp oils

On September 28, 2016, MariJ Pharmaceuticals, Inc. received an Organic Certification under the U.S. National Organic Program (7 CFR Part 205) for its proprietary CO2 mobile hemp oil extraction process and handling from OneCert, Inc., the issuing authority for that certification. As such, MariJ is now authorized to process directly for certified organic farms and is able to produce ***certified organic*** hemp 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 compounding and manufacturing 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 limited liability company, on January 15, 2016. The Company utilizes this subsidiary to engage in research and development activities as well as retail and wholesale distribution of medicinal hemp products and dietary supplements in the state of Colorado, depending upon our ability to comply in each instance with FDA rules and other regulations. Canna-Cures closed its retail operations in 2017 and began to focus its efforts in its development activities in Tennessee.

***Eufloria Medical of Tennessee, Inc.***

In addition to our current extraction operations, the Company has been invited to be part of the hemp pilot program in Tennessee. This program provides the Company the license to grow, manufacture, and dispense hemp oil in Tennessee and represents the first step in moving its operations to the east coast of the United States. The Company plans on participating in this pilot program through this new, wholly-owned subsidiary.

The Company also acquired land in Tennessee and has completed excavation and other cleanup and developed the farm into its first grow facility, allowing for improved efficiencies through growing, processing and manufacturing the Company's own product line and building sales through dedicated distributors. The Company will grow its own plant material, process that plant material through another wholly owned subsidiary, MariJ Pharma and manufacture consumer products with the "EUFLORIA" branding for the dedicated distribution channels.

EMT 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 hemp products. It is anticipated that EMT could generate revenues from the following activities:

1) EMT will seek to enter into product development projects with institutions of higher learning in efforts to develop new and better strains of medical hemp related products for dispensing as medications, nutraceuticals, cosmeceuticals, and probably dietary supplements. EMT 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.
2) 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 hemp oils, oil-infused products, and related items.
3) Retail sales of medical hemp 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 hemp-infused products, and the Company is currently in the process of determining the status of those criteria.
4) Retail, and wholesale distributor, sales of cosmeceutical and nutraceutical products and dietary supplements containing its high-quality hemp oil extracts, subject to compliance with FDA and other regulations.
5) Growing high quality hemp plants and extracting oil for sale or for manufacturing of oil-infused products.

Table of Contents

The Company will require additional capital to execute these plans and there can be no assurance that the Company will be successful in its plans to generate that capital.

***Discussion Regarding the Company's Consolidated Operating Results***

The results of operations are based on preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements requires management to select accounting policies for critical accounting areas as well as estimates and assumptions that affect the amounts reported in the financial statements. The Company's accounting policies are more fully described in Note 3 to the Consolidated Financial Statements.

During the year ended December 31, 2018, we generated $415,051 of revenue compared to $478,231, an decrease of $63,180 or 13%. The decrease is primarily as a result of having fewer contracts for extraction services in 2018. In 2017, revenue was higher as a result of more aggressive advertising and marketing effort which enabled us to obtain additional contracts for extraction services. Costs of goods sold increased by $34,967, or 14%, from $241,343 to $276,310, primarily due to increase in extraction costs, including costs of the extraction technicians and depreciation on extraction equipment. As a result, gross profit decreased by $98,147 or 41% from $236,888 to $138,741.

During the year ended December 31, 2018, our selling, general and administrative expenses decreased by $76,340 or 5% from $1,634,885 to $1,558,545. Employee compensation expenses decreased primarily due to the closing of our retail store in Colorado in the summer of 2017 and a reduction of commission paid to extraction technicians in 2018. This decrease is offset by the increase in general and administrative expenses. The increase in general and administrative expenses is primarily due to the planning and opening our retail and grow operations in Tennessee in 2018. We incurred significant travel expense and growing and retail facilities expense as a result of operating in Tennessee.

As a result of the above, operating losses increased by $21,807 or 2% from $1,397,997 to $1,419,804 during the year ended December 31, 2018.

The Company's other expenses were $292,898 during the year ended December 31, 2018. This is primarily due to non-cash derivative expense from issuances of convertible notes payable and the related amortization of debt issuance costs. The Company's other expenses were $435,731 during the year ended December 31, 2017. This is primarily due to cash and non-cash interest expense incurred on note payable with related party and on convertible note and amortization of debt issuance costs. Decrease in other expenses was $142,833, or 33% during the year ended December 31, 2018.

As a result of the above, our consolidated net loss for the year ended December 31, 2018 amounted to $1,712,703 compared to a consolidated net loss of $1,833,728 for the year ended December 31, 2017, an decrease of $121,025 or 7%.

*Total Assets.* Total assets at December 31, 2018 and December 31, 2017 were $ 696,895 and $606,800, respectively. Total assets consist of current assets of $239,132 and $119,528, respectively, net property and equipment of $453,562 and $483,931, respectively, and deposits of $4,201 and $3,341, respectively. Total assets increased by $90,095, or 15% primarily due to an increase in accounts receivable of $113,150 or 496% due to meeting the revenue recognition criteria for an extraction contract completed towards the end of 2018. Management provided an allowance for doubtful accounts in the amount of $25,000 as an estimated reserve.

*Total Liabilities.* Total liabilities at December 31, 2018 and 2017 were $1,649,675 and $1,092,168, respectively. Total liabilities increased $557,507, or 51%. The increase is primarily attributable to the followings. Accounts payable and accrued expenses decreased by $151,033, from $440,838 to $289,805, or 34% primarily represents settlement of accrued salary, bonus and expenses through issuance of the Company's common stock to the Company's CEO, offset by an increase in accounts payable to our vendors due to increase in operating activities in Tennessee. In addition, the Company also issued notes payable to its CEO to obtain working capital. The Company also entered into two convertible notes agreement with an unrelated entity to obtain working capital. As a result of the variable conversion features in these convertible notes, the Company incurred additional derivative liability.

***Liquidity and Capital Resources***

Our consolidated financial statements have been prepared assuming that we will continue as a going concern. For the year ended December 31, 2018, we had a net loss of $1,712,703. In light of the continued net losses, our ability to continue as a going concern is dependent upon our ability to begin operations and to achieve a level of profitability. We intend on financing our future development activities and our working capital needs largely from the sale of its common stock with some additional funding from related parties until such time that funds provided by operations are sufficient to fund working capital requirements. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should we become unable to continue as a going concern.

As previously mentioned, since inception, we have financed our operations largely from the sale of common stock, notes payable and advances from our majority stockholder and entering into financing agreements with unrelated parties. During the year ended December 31, 2018, we obtained working capital from issuing notes payable to a related party in the amount of $254,000, entering into convertible notes with an unrelated party and received proceeds of $175,000 and obtained $70,000 of proceeds from sale of our common stock. During the year ended December 31, 2017, we obtained working capital largely from issuing a note payable to a related party in the amount of $537,283.

We have incurred significant net losses and negative cash flows from operations since its inception. As of December 31, 2018, we had an accumulated deficit of $6,666,649.

We anticipate that cash used in product development and operations, especially in the marketing, production and sale of our products, may increase significantly in the future.

We will be dependent upon its existing cash, together with anticipated net proceeds from any sale of common stock and future debt issuances, to finance our planned operations through the next 12 months. Additional capital may not be available when required or on favorable terms. If adequate funds are not available, we may be required to significantly reduce or refocus our operations or to obtain funds through arrangements that may require us to relinquish rights to certain or potential markets, either of which could have a material adverse effect on our business, financial condition and results of operations. To the extent that additional capital is raised through the sale of equity or debt securities, the issuance of such securities would result in ownership dilution to our existing stockholders.

During the year ended December 31, 2018, we used cash from operations of $465,638 compared to $566,271 in 2017, a decrease of $100,633. This is largely attributable to a higher account receivable balance at the end of 2018 and lower accounts payable and accrued expense balances. To generate a positive cash flow, we will have to increase our revenues and decrease expenses.

During the year ended December 31, 2018, we invested $47,109 in the purchase of property and equipment, compared to $11,284 in 2017. Cash investment in property and equipment was higher in current year because we were making improvements to the property and retail space in Tennessee.

During the year ended December 31, 2018, we generated $536,127 from financing activities compared to $562,094 in 2017. In 2018, we obtained working capital from issuing notes payable to a related party in the amount of $254,000, entering into convertible notes with an unrelated party and received proceeds of $175,000 and obtained $70,000 of proceeds from sale of our common stock. In 2017, we obtained working capital largely from issuing note payable to a related party for $405,000 and from issuance of a convertible note to an investor for $79,050 which was paid back in 2017.

As a result of the above, as of December 31, 2018, we had a positive consolidated cash flow of $23,380 for the year compared to a negative consolidated cash flow of $15,461 for the year ended December 31, 2017.

***Discussions Regarding Operating Leases and Commitments***

As of December 31, 2018, the Company has the following operating lease obligations.

The Company rents administrative space in Clearwater, Florida at $965 per month on a month to month basis and rents retail space in Nashville, Tennessee at $2,500 per month beginning in December 2017 for the first twelve months and at $2,250 per month for the next twelve months.

On May 1, 2016, the Company entered into an employment agreement with its CEO. The term of the employment is through December 31, 2019. The salary for our CEO for the years 2018 and 2017 was $195,000 each year plus annual bonus at 35% of the salary.. Any salary and bonus increases must be reviewed and approved by the Company's board of directors. The agreement provides for a monthly storage and corporate housing allowance of $1,000 for a property owned by the CEO and a monthly automobile allowance of $1,000.

In August 2016, the Company entered into a licensing agreement to use exclusively a brand name for its products for five years. Pursuant to the terms of the agreement, the Company issued 2,000 shares of its restricted common stock to the brand owner and 2,000 shares at the end of each of the next four years. During the years ended December 31, 2018 and 2017 was $1,420 and $3,620, respectively. There remains 6,000 shares to be issued to the brand owner.

Table of Contents

In May 2018, the board of directors approved to discontinue payment of the storage and corporate housing allowance of $1,000 per month, retroactively to January 1, 2018. As a result, no expenses related to the storage and corporate housing allowance was recorded during the year ended December 31, 2018. The automobile allowance remains unchanged at $1,000 per month. As such, the Company is committed to an annual expenditures of $12,000 for the year ended December 31, 2019.

In July 2018, the board of directors approved issuance of 85,000 shares of the Company's restricted common stock to the Company's CEO to settle the storage and corporate housing allowance and automobile allowance in the amount of $17,000 accrued through July 2018. As a result, $5,000 and $10,000 remained owed to the Company’s CEO at December 31, 2018 and 2017, respectively.

During the year ended December 31, 2018, expenses related to the automobile allowances totaled $12,000. During the year ended December 31, 2017, expenses related to the housing and automobile allowances totaled $24,000.

Rent expense for the above leases and commitments for the years ended December 31, 2018 and 2017 were approximately $42,040 and $46,200, respectively.

In December 2018, the Company entered into an agreement with a consulting firm for corporate structure and sales support services. The agreement began in January 2019 and will end in March 2019. The terms of the agreement call for compensation of $2,000 per month, 7.5% of the sales the consulting firm brought into the Company as well as payment in the form of stock based compensation for funds raised. To date, the consulting firm has not brought in any sales to nor raised any funds on behalf of the Company.

The Company’s commitment to these expenditures for the year ending December 31, 2019 are as follow:

| | |
|---|---|
| Tennessee retail space lease | $30,600 |
| Consulting fee | 6,000 |
| CEO automobile allowance | 12,000 |
| | $48,600 |

***Financing of Planned Expansions and Other Expenditures***

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

We would anticipate using the proceeds from any capital raise to bolster our new operations, pay the costs of adding new equipment and services that could provide revenue streams to meet our expenses, and/or acquire a partial or whole interest in a grow facility.

Going Concern

The Company has not generated profit to date. The Company expects to continue to incur operating losses as it proceeds with its growing and retail operations in Tennessee, extraction and research and development activities and continues to navigate it through the regulatory process. The Company expects general and administrative costs to increase, as the Company adds personnel and other administrative expenses associated with its current efforts. As such, and without substantially increasing revenue or finding new sources of capital, the Company will find it difficult to continue to meet its obligations as they come due. The Company is still locating new clients for its services and products, and the business is generally seasonal with the second and third quarters of the calendar year being the slowest as a result of it being the “off season” for outside grow of hemp plants. The Company is currently involved in a capital raise. However, there can be no assurance that the Company will be successful in its efforts to raise capital, or if it were successful in raising capital, that it would be successful in meeting its business plans. While the services performed by the Company’s MariJ Pharma subsidiary and sales of current inventory supplies, if sold on a seasonally-adjusted basis, are anticipated to be sufficient to meet the Company’s liquidity needs, these factors raise some doubt as to the ability of the Company to continue as a going concern. Management’s plans include increasing production at the Company’s new MariJ Pharma subsidiary by locating additional extraction contracts, selling its inventories of products, and attempting to raise funds from the public through an equity offering of the Company’s common stock. Management intends to make every effort to identify and develop all these sources of funds, but there can be no assurance that Management’s plans will be successful.

Table of Contents

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses for all periods presented and has a substantial accumulated deficit. As of December 31, 2018, these factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

***Critical Accounting Policies***

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") applied on a consistent basis. The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated 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 consolidated financial statements. A complete summary of these policies is included in Note 4 of the notes to our financial statements. We believe that the following accounting policies are those most critical to the judgment and estimates used in preparation of our consolidated financial statements.

**INVENTORIES** – Inventories are stated at the lower of cost or market.  Cost is determined using the average cost method. The Company's inventory consists of raw materials and finished goods. Finished goods inventories are separated into two discernible product lines of organic and non-organic products. Cost of inventory includes cost of ingredients, labor, quality control and all other costs incurred to bring our inventories to condition ready to be sold.

**DEFERRED FARM EXPENSE** - The Company's subsidiary EMT grows hemp plants in both its indoor and outdoor facility. In accordance with *Accounting Standards Codification 905 - Agriculture*, all direct and indirect costs of growing the plants are accumulated until the time of harvest. Crop costs such as soil preparation incurred before planting are deferred and allocated to the growing crop.

**PROPERTY AND EQUIPMENT** – Property and equipment are stated at cost less accumulated depreciation. Major renewals and improvements are capitalized, while minor replacements, maintenance and repairs are charged to current operations. Depreciation is computed by applying the straight-line method over the estimated useful lives, which are generally two to seven years.

**IMPAIRMENT OF LONG-LIVED ASSETS** – In accordance with *Accounting Standards Codification 360-10-05 - Impairment or Disposal of Long-Lived Assets*, long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment at least annually or whenever facts and circumstances indicate that the carrying value may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. The Company did not recognize any impairment losses for any periods presented.

**DEBT ISSUANCE COSTS -** The Company follows *Accounting Standard Update 2015-03 – Simplifying the Presentation of Debt Issuance Costs*, which requires direct costs associated with the issuance of convertible note to be presented in the balance sheet as a direct reduction from the carrying value of the associated debt liability. These costs are amortized into interest expense over the contractual term of the note or a shorter amortization period when deemed appropriate. The Company amortizes debt issuance costs for its convertible note immediately upon issuance since the note is convertible on demand.

**OFFERING COSTS -** The Company follows the *SEC Staff Accounting Bulletin, Topic 5 - Miscellaneous Accounting*, which requires that specific incremental costs directly attributable to a proposed or actual offering of securities may be deferred and charged against gross receipts of the offering. However, deferred costs of an aborted offering, or a postponement of existing offering exceeding 90 days, may not be deferred and charged against proceeds of a subsequent offering.

Table of Contents

**REVENUE RECOGNITION** - In May 2014, the FASB issued *Accounting Standard Update 2014-09 - Revenue from Contracts with Customers (Topic 606),* which replaces numerous requirements in U.S. GAAP, including industry specific requirements, and provides a single revenue recognition model for recognizing revenue from contracts with customers. The Company adopted this standard effective January 1, 2018.

The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This requires companies to identify contractual performance obligations and determine whether revenue should be recognized at a point in time or over time, based on when control of goods and services transfers to a customer. The Company's revenues from extraction activities and from retail sales are recognized at a point in time.

The ASU requires the use of a new five-step model to recognize revenue from customer contracts. The five-step model requires that the Company (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocate the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation. The application of the five-step model to the revenue streams compared to the prior guidance did not result in significant changes in the way the Company records its revenues.

**STOCK BASED COMPENSATION** - The Company accounts for stock-based compensation under *Accounting Standards Codification 718 - Compensation-Stock Compensation* ("ASC 718"). ASC 718 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 and recognized over the period during which an employee is required to provide services (requisite service period). 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 during the years ended December 31, 2018 and 2017.

The Company accounts for stock-based awards based on the fair market value of the instrument using the Black-Scholes option pricing model and utilizing certain assumptions including the followings:

*Risk-free interest rate* – This is the yield on U.S. Treasury Securities posted at the date of grant (or date of modification) having a term equal to the expected life of the option. An increase in the risk-free interest rate will increase compensation expense.

*Expected life—years* – This is the period of time over which the options granted are expected to remain outstanding. Options granted by the Company had a maximum term of ten years. An increase in the expected life will increase compensation expense.

*Expected volatility* – Actual changes in the market value of stock are used to calculate the volatility assumption. An increase in the expected volatility will increase compensation expense.

*Dividend yield* – This is the annual rate of dividends per share over the exercise price of the option. An increase in the dividend yield will decrease compensation expense. The Company does not currently pay dividends and has no immediate plans to do so in the near future.

The Company accounts for stock-based compensation issued to non-employees and consultants in accordance with the provisions of *Accounting Standards Codification 505-50, Equity – Based Payments to Non-Employees*. Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty's performance is complete.

Table of Contents

**MEDAHUB ACQUISITION** - In July 2018, the Company announced the completion of its acquisition of Medahub Operations Group, Inc. and Medahub, Inc., technology companies (“Medahub”), which includes a current compounding pharmacy license in Florida. The Medahub acquisition allows the Company to be fully HIPAA compliant and cloud based on an HL7 platform. The Company can soon offer licensing agreements for other cannabis companies wanting to be HIPAA compliant from left to right or seed to sale and Doctor to Patient. The Company issued 600,000 shares of its restricted common stock to the principal of Medahub as consideration of the acquisition, valued at $126,000.

When determining the accounting of the acquisition, the Company concluded that the acquisition does not constitute the acquisition of a business since there was no inputs, processes or outputs within Medahub. In addition, although the Company acquired certain software and technology from Medahub, the most significant asset it acquired was Medahub's principal's commitment to provide support, guidance and direction for implementing this technology. Without the principal's commitment of his time, the Company will not be able to implement the technology and begin generating cash flows. Therefore, the Company believes that the value of the purchase is concentrated on the service provided by Medahub's principal. As a result, the Company allocated the entire purchase price to the service provided and accounted for it as professional fee expense.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

As a smaller reporting company we are not required to provide any information under this item.

**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 Principal Executive Officer, who acts as our Principal Financial Officer and Principal Accounting 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.

Table of Contents

***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 and Chief Financial Officer, to allow timely decisions regarding operations and required disclosure.

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 Principal Executive Officer, Chief Executive Officer and Principal Accounting Officer, Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2018.

***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive Officer, Chief Executive Officer and Principal Financial Officer, Chief Financial Officer to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the Company's transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements and that receipts and expenditures of the Company's assets are made in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 using the criteria set forth in the Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon the evaluation, our management concluded that our internal control over financial reporting was not effective as of December 31, 2018 because of material weaknesses in our internal control over financial reporting. A material weakness is a control deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. Our management concluded that the Company has material weaknesses in our internal control over financial reporting because of inadequate segregation of duties over authorization, review and recording of transactions, as well as the financial reporting of such transactions. Management has, however, implemented controls and procedures in recent years surrounding cash disbursements, internal financial accounting, including cross reconciliations covering equity transactions and hiring a financial controller to further enhance our internal controls.

Despite the existence of these material weaknesses, the Company believes the financial information presented herein is materially correct and in accordance with generally accepted accounting principles in the United States.

While the implementation of improved controls and procedures has strengthened our internal control framework and disclosure controls, we continue to believe we have a material weakness related to the lack of sufficient segregation of duties surrounding the cash disbursements cycle. Accordingly, the Company is currently developing a plan of remediation with the amount of resources available.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered public accounting firm because the Company is not an accelerated filer under the Exchange Act.

***Changes in Control over Financial Reporting***

No change in the Company's internal control over financial reporting occurred during the year ended December 31, 2018, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. During the year ended December 31, 2018, management has, however, continued to strengthen internal controls and procedures through the implementation of entity-level controls.

Table of Contents

**Item 9B. Other Information**

Steven L. Sample resigned as an employee and director of the Company as of December 31, 2016 and accepted a settlement in cancelling the remainder of his employment contract with the Company on January 17, 2017. Those events were reported in their entirety by the Company on its Current Report on Form 8-K on January 24, 2017. That document is available for viewing on the Company’s website at: http://www.acacia.bz/sec/sec.htm and on the SEC website at:

https://www.sec.gov/Archives/edgar/data/1001463/000118518517000112/0001185185-17-000112-index.htm

Table of Contents

**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, 2018, and positions held with the Company, were as follows:

| **Name** | **Age** | **Position** |
|---|---|---|
| Richard K. Pertile | 57 | Director, President, Chairman of the Board, Chief Executive Officer and Chief Financial Officer |
| Danny R. Gibbs | 61 | Director |
| Neil Gholson | 59 | Director |
| Gary J. Roberts, Jr. | 52 | Director |
| Dr. Richard Paula | 51 | Director |
| Kim Edwards | 51 | Vice President and Chief Operating Officer |

Richard K. Pertile, age 57, became CEO, President, a Director, and Chairman of the Board of Directors of the Company on January 15, 2016. Since 2013 until January 15, 2016 Mr. Pertile served as President and Chief Executive Officer of MariJ Agricultural, Inc. He founded JR Hemp Industries, Canna-Tags, and Canna-Cures R&D in Clearwater Florida where he began building a medical hemp consortium. Born, raised and educated in the Chicago area, he successfully operated his own restaurants, hotel and nightclub. Relocating to Pinellas County, Florida in 1989, Mr. Pertile joined Cornerstone Marketing of America, a subsidiary of United Insurance Companies, quickly being promoted to Executive Vice-President with responsibility for building its nationwide outside sales team. By the end of 2003, Mr. Pertile achieved year-over-year compounded growth of 30%, generating more than $1 billion in sales through 8,000 independent contractors in 40 states. After retiring in 2004, he turned his attention to philanthropy work in helping build a workout facility with the Juvenile Protection Services Program of Florida. From 2006 to 2010, after re-entering the business sector, he became President and Chief Marketing Officer of Independent Producers of America, a small Texas corporation he lead to becoming a publicly traded company on the Nasdaq Exchange. Again turning his attention to philanthropies in 2010, he formed the Pertile Family Foundation and was appointed to the Board of Directors of the Tampa Chapter of the American Diabetes Association where he concentrated his fundraising activities. Mr. Pertile earned degrees in Business Management and Wastewater Engineering from the College of Lake County, Illinois, and trained under such recognized business leaders as Zig Ziglar, Dr. David Cook, Dr. Rick Jernigan, Brian Flanagan, and Brian Tracy. Mr. Pertile resides in Florida with his wife of 27 years, Debbie. They have two sons, both residing in Florida.

Danny R. Gibbs, age 61 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.

Neil B. Gholson, age 59. Mr. Gholson's background is rooted deeply in the financial services and insurance industries since 1988, serving on the board of directors with 4 companies during the last ten years. Mr. Gholson has been the owner and principal of Long Term Care Financial Solutions, LLC since 2003, and co-owner and principal of Medicare Insurance Consultants, LLC since 2015. He graduated with a BA in History from Atlantic Christian College in 1981 and earned a Certificate in Financial Planning from Florida State University in 2006. Mr. Gholson resides in Tampa, Florida with wife Michele and 2 daughters.

Table of Contents

Gary J. Roberts, Jr., age 52. As a young entrepreneur attending the University of Alabama, Mr. Roberts started and grew various service-oriented companies. Following college, Mr. Roberts played a key role in developing Transplatinum Plus, an electronic fuel card transfer company in Nashville, Tennessee that was eventually sold to Fleet One. For the next eight years Mr. Roberts served as Vice President and Chief Operating Officer of Perma Crete Resurfacing Products in Nashville, Tennessee from 1993 to 2001 where he expanded the operation nationally with an extensive dealership distribution system as well as running a national retail installation department. In 2001, Gary shifted gears and turned his focus to the Health Insurance industry.  He was District Manager with Cornerstone America from 2000 to 2002 while building one of the top teams in the nation. Gary assumed the position of Vice President of the Company's Southeastern Territory in 2003, maintaining that position through the present. During this time, Mr. Roberts has continued to build it into one the nation's largest insurance distribution groups, with his territory ranking in the top two USA every year as well as being ranked as the top territory in the USA one of those years.

Dr. Richard Paula, age 50. Dr. Paula joined the Company's board of directors in July 2018. Dr. Paula has over 20 years' experience in the medical field. From March 2010 through January 2014, Dr. Paula was employed by Tampa General Hospital as the Chief Medical Information Officer and Vice President. From January 2014 through the present, Dr. Paula has been employed by the Shriners Hospitals for Children in Tampa, Florida. He currently serves as the Chief Medical Information Officer at the Shriners Hospitals for Children. We believe that Dr. Paula's substantial experience in the medical field will be of great benefit to the Company as we explore and determine the various uses, including potential medical applications, for our industrial hemp oil products.

Mrs. Edwards, age 51, was born and raised in Boston, Massachusetts until moving to Florida to assume a position in resource and financial management, later managing advisory services for an independent financial firm. Mrs. Edwards subsequently owned and operated retail businesses in Florida. After serving as a Director in the healthcare industry for Independent Producers of America April 2009 through May 2014, Mrs. Edwards joined MariJ Agricultural, Inc. May 2014.  Following the merger between the MariJ Group of companies and Acacia, Mrs. Edwards assumed the duties of Chief Operating Officer of the consolidated entity and was appointed as Vice President of the Company in conjunction with her other duties on August 18, 2016. Mrs. Edwards and her husband of 25 years reside in the Palm Harbor, Florida area with their three children.

***Section 16(a) Beneficial Ownership Reporting Compliance***

Our shares of common stock are registered under the Exchange Act, and therefore our officers, directors and holders of more than 10% of our outstanding shares are subject to the provisions of Section 16(a) which requires them to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based solely upon our review of reports submitted to us during the fiscal year ended December 31, 2018, the following table sets forth the name of any such person that failed to file the required forms on a timely basis, including the number of late reports, the number of transactions not reported on a timely basis and any known failure to file a required form.

| Name | Number of late reports | Number of transactions not reported timely |
|---|---|---|
| None | | |

***Committees of the Board of Directors***

On January 15, 2016, the Company appointed various directors to committees and the chairs thereof as follows:

**Board Committees**

The Board has a standing Audit Committee, Compensation Committee, and Nominating Committee. The Board has determined that the Chairs and all non-employee committee members are independent under applicable NASDAQ, NYSE, and SEC rules for committee memberships. The members of the committees are shown in the table below.  The Company's CEO, Mr. Pertile,  as an employee and director of the Company, are considered to be "not independent".

Table of Contents

The table below reflects each of the directors and the committee(s) on which they serve. A committee member who is also the chair of that committee is designated as "Chair" rather than as "Member".

| Director Name | Audit Committee | Compensation Committee | Nominating Committee | Primary Committee |
|---|---|---|---|---|
| Richard K. Pertile | — | — | Member | Member |
| Danny R. Gibbs | Chair | Member | Member | Member |
| Neil B. Gholson | Member | Chair | Chair | — |
| Gary J. Roberts, Jr. | Member | Member | — | Chair |
| Dr. Richard Paula | Member | Member | Member | Member |

***Audit Committee***

The Audit Committee has not yet adopted a written charter. However, the Audit Committee has (i) reviewed and discussed the audited financial statements with management; (ii) discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees" issued by the Public Company Accounting Oversight Board ("PCAOB"); (iii) received the written disclosures and the letter from the independent accountants required by the Public Company Accounting Oversight Board (Rule No. 3526, *Communications with Audit Committees Concerning Independence*), as may be modified or supplemented; (iv) discussed with the independent accountant the independent accountant's independence; and (v) recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10–K.

The Company believes the Audit Committee should be responsible primarily for assisting the Board in fulfilling its oversight and monitoring responsibility of reviewing the financial information provided to shareholders and others, appointing the independent registered public accounting firm, reviewing the services performed by the Company's independent registered public accounting firm, evaluating the Company's accounting policies and the system of internal controls established by management and the Board, and reviewing significant financial transactions. The Audit Committee does not itself prepare financial statements or perform audits, and its members are not auditors or certifiers of the Company's financial statements.

***Primary Committee***

The Corporation's Board of Directors determined that it was in the best interests of the Corporation to discontinue its Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan in its entirety, continuing to honor any shares, options, or warrants heretofore issued under the Plan. The Corporation's Primary Committee continues to have full authority to issue shares, options, and warrants as it deems necessary without the Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan, and unanimously approved those actions in a meeting of the Board of Directors on June 9, 2015. Those actions were ratified in a Special Meeting of Shareholders of the Corporation by the written consent of more than 50% of the shareholders on June 29, 2015.

***Compensation Committee***

The Compensation Committee is responsible primarily for reviewing the compensation arrangements for the Company's executive officers, including the CEO, and reviewing the Board's compensation. It is authorized by the Board of Directors to approve compensation arrangements and employment agreements. The only employment agreements currently in place is that of Richard K. Pertile, the Company's current CEO who serves as an employee and a director, and Kim Edwards who serves as the Company's Chief Operating Officer

***Nominating Committee***

The Nominating Committee assists the Board in identifying qualified individuals to become directors and can make recommendations to the Board concerning the size, structure and composition of the Board and its committees. In evaluating potential nominees to the Board, the Nominating Committee considers, among other things, independence, character, ability to exercise sound judgment, demonstrated leadership skills, and experience in the context of the needs of the Board.. The Nominating Committee can consider candidates proposed by shareholders and would evaluate them using the same criteria as for other candidates.

Three members of the board of directors are considered to be independent directors, but Mr. Pertile and Ms. Edwards, as current CEO and COO, respectively, of the Company and by virtue of their status as affiliates of the Company, are not considered to be independent. Thus, there is a potential conflict in that Mr. Pertile and, as a board member who are also part of management, will participate in discussions concerning issues that may affect management decisions.

Table of Contents

***Code of Ethics***

On November 6, 2017, the Board of Directors approved, and the Company adopted the Code of Business Conduct and Ethics and the Code of Ethics for the President and Senior Financial Officers.

**Item 11. Executive Compensation**

The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2018 and 2017 by the Company's Chief Executive Officers, Chief Financial Officer and Chief Operating Officer, for whom disclosure is required:

**SUMMARY COMPENSATION TABLE**

| | | **Annual Compensation** | | |
|---|---|---|---|---|
| **Name and Principal Position** | **Fiscal Year** | **Salary** | **Bonus** | **Total** |
| Richard K. Pertile (1) | 2018 | $195,000 | $68,250 | $263,250 |
| | 2017 | $195,000 | $68,250 | $263,250 |
| Kim Edwards (2) | 2018 | $105,000 | $36,750 | $141,750 |
| | 2017 | $101,192 | $35,417 | $136,609 |

(1) Mr. Pertile became CEO and CFO of the Company on January 15, 2016 and has continued to serve in that capacity without interruption. During 2018, the board of directors approved settling accrued salary and bonus with its CEO through issuance of the Company's restricted common stock. The Company issued 2,148,125 shares of the Company's restricted common stock to its CEO to settle $262,500 of accrued salary and $167,125 of accrued bonus owed to its CEO.

(2) Ms. Edwards became Vice President and COO of the Company on August 18, 2016 and has continued to serve in that capacity without interruption. During 2018, the board of directors approved settling accrued bonus with its COO through issuance of the Company's restricted common stock. At the present time, all of the accrued bonus to our COO remains unpaid.

***Option Tables***

The following table sets forth certain information concerning grants of options to purchase shares of common stock of the Company made during the years ended December 31, 2018 and 2017, to the executive officers named in the Summary Compensation Table.

**EXECUTIVE STOCK OPTION GRANTS**

**(YEARS ENDED DECEMBER 31, 2018 AND 2017)**

| | **Number of Securities Underlying Unexercised Options** | **Number of Securities Underlying Unexercised Options Unexercisable** | **Weighted Average Per Share Exercise Price** | **Expiration Dates** |
|---|---|---|---|---|
| None | - | - | - | - |

***Director Compensation***

Since February 1, 2007 through December 31, 2010 directors of the Company served without compensation except under the Acacia Automotive, Inc. 2007 Stock Incentive Plan for which each non-employee director of the Company was granted an option to acquire an initial 10,000 shares of common stock upon his appointment or election to the board, and 15,000 additional options were granted upon election to a full term and annually thereafter.  On December 30, 2010, the Company's Board of Directors suspended the issuance of options as compensation to its directors effective January 1, 2011, and as such issued no options as director compensation from that time through December 31, 2018.  The Company did not issue any common stock purchase options for any reason since December 31, 2010.

Table of Contents

The following table sets forth certain information regarding compensation paid to directors for the fiscal years ended December 31, 2018 and 2017:

| | Dollar Amount Recognized for Financial Reporting Purposes | |
|---|---|---|
| | 2018 | 2017 |
| Richard K. Pertile (1) | $-0- | $-0- |
| Steven L. Sample (2) | -0- | -0- |
| Neil B. Gholson (3)(8) | 7,013 | 33,000 |
| Gary J. Roberts, Jr. (4)(8) | 7,013 | 33,000 |
| Danny Gibbs (5)(8) | 7,013 | 33,000 |
| Dr. Richard Paula (6)(7) | 3,600 | -0- |
| Total | $24,639 | $99,000 |

Upon a change of control, all outstanding options granted to executive officers and directors vest.

(1) Appointed as Chairman of the Company’s Board of Directors January 15, 2016.

(2) Served as Chairman of the Company’s Board of Directors from August 2006 until January 15, 2016, at which time he continued to serve as a director until resigning on January 17, 2017.

(3) Appointed to the Company’s Board of Directors on January 15, 2016.

(4) Appointed to the Company’s Board of Directors on January 15, 2016.

(5) Originally served on the Company’s board of directors from 1984 through August of 2006. Was again appointed to the Board of Directors on February 1, 2007 where he served until September 29, 2011. Was reappointed to the Board of Directors on September 1, 2013 and continues to serve.

(6) Appointed to the Company’s Board of Directors on July 13, 2018.

(7) In the year ended December 31, 2018, the Company's board of directors approved issuance of 20,000 shares of the Company's restricted common stock to this director for services performed in 2018. These shares were valued at $3,600 on commitment date and were not yet issued at December 31, 2018. There was no cash compensation paid to the director.

(8) In the year ended December 31, 2018, the Company's board of directors approved issuance of 30,000 shares of the Company's restricted common stock to these directors for services performed in 2018. Only 10,000 shares were issued to each of these directors at December 31, 2018. The 90,000 shares were valued at $21,039 on commitment date. In the year ended December 31, 2017, each of these directors was issued 20,000 shares of the Company’s restricted common stock for services performed. These 60,000 shares were valued at $99,000 on commitment date. There was no cash compensation paid to the directors.

***Benefit Plans***

As a part of the changes resulting in the emergence of Acacia Automotive, Inc. from the former Gibbs Construction, Inc. in 2007, all stock option plans and warrants existing prior to the change of name and change of control to Acacia's management in 2007 were canceled. At the board of directors meeting held on February 1, 2007, the Company adopted a new stock incentive plan. Awards of options made after that date were in congruence with the Acacia Automotive, Inc. 2007 Stock Incentive Plan. On July 26, 2012, shareholders representing a majority of the votes of the Company voted to extend the Company's stock incentive plan and rename it the Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan. The Company provided health, disability, and life insurance plans for its parent Company employees until July 31, 2012 and provided certain additional benefits to its CEO under the terms of his employment agreement. On June 29, 2015 shareholders representing a majority of the votes of the Company voted to terminate the Acacia Diversified Holdings, Inc. 2012 Stock Incentive Plan. In actions of January 15, 2016 the Company discontinued certain benefits to Mr. Sample following his resignation as CEO, President and Chairman of the Board by granting him a Modified Employment Agreement effective as of that date. He remained as an employee and a director of the Company until terminating his Employment Agreement and resigning on January 17, 2017.

In February 2018, the Company adopted the Acacia Diversified Holdings, Inc. 2018 Stock Grant and Option Plan ("2018 Plan"). The purpose of the 2018 Plan is to offer selected employees, directors and consultants an opportunity to acquire a proprietary interest in the success of the Company. Awards that can be granted from the 2018 Plan include registered shares, restricted shares and options as well as the direct award or sale of shares of the Company's common stock. The aggregate number of shares which may be issued or transferred pursuant to an award shall not exceed 5,000,000 shares of authorized common stock of the Company. Subsequent to the adoption of the 2018 Plan, the Company filed Form S-8 with the Securities and Exchange Commission to register 1,000,000 shares of the Company's common stock pursuant to a consulting agreement.

Table of Contents

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth as of December 31, 2018, the ownership of common stock by (i) each person known by the Company to be the beneficial owner of more than five percent of the Company's common stock, (ii) each director of the Company, and (iii) all directors and officers as a group. Except as otherwise indicated, each stockholder identified in the table possesses sole dispositive voting and investment power with respect to its or his shares.

**Shares Owned at December 31, 2018**

| **Name and Address of Beneficial Owner** | **Number of Shares** | **Percent** | |
|---|---|---|---|
| Richard K. Pertile (1) | 6,677,125 | 31 | % |
| Neil B. Gholson (3) | 970,000 | 4 | % |
| Gary J. Roberts, Jr. (4) | 407,720 | 2 | % |
| Danny R. Gibbs (5) | 243,518 | 1 | % |
| Dr. Richard Paula (6) | 20,000 | 0 | % |
| All directors and officers as a group (five persons) | 8,318,363 | 38 | % |
| Steven L. Sample (2) | 1,333,065 | 6 | % |
| All of the above as a group (six persons) | 9,651,428 | 44 | % |

(1) Mr. Pertile became the CEO and President of the Company and the Chairman of the Board of Directors on January 15, 2016. He acquired 1,014,000 shares of the Company's Common stock in the Asset Purchase Agreement on that same date by and between the Company and the MariJ Group of Companies. Mr. Pertile also acquired another 1,220,000 shares of the Company's Common stock in the remainder of 2016. Mr. Pertile was issued 210,000 shares of the restricted Common stock of the Company in 2017 for services and interest on his loans to the Company. Mr. Pertile had also obtained from Mr. Sample, in conjunction with the acquisition, the right to acquire an additional 2,500,000 shares of Mr. Sample's Common stock of the Company, and in 2017 Mr. Pertile exercised his option to do so. In addition, Mr. Pertile had an option to acquiring an additional 1,000,000 shares of Mr. Sample's shares in the Company under a separate agreement but did not exercise such option. In 2018, Mr. Pertile was issued 2,233,125 shares of the Company's restricted common stock to settle accrued salary, bonus and other expenses. Mr. Pertile also transferred 500,000 shares of his own shares to direct Neil Gholson in 2018. This resulted in Mr. Pertile's ownership of 6,677,125 shares of Company's common stock with a corresponding number of votes, or 31% of the total issued and outstanding shares of the Company.

(2) Mr. Sample served as the Company's CEO, President, and Chairman of the Board from 2006 until January 15, 2016, when the Company acquired the MariJ Group of companies and installed that group's chief executive as Acacia's. Mr. Sample's holdings as reflected in the table above excludes 950,000 warrants held by Mr. Sample issued in exchange for converting all his shares of the Company's preferred stock to common stock in 2010, and not for compensation, at an average exercise price of $3.00 per share. Those warrants expired at December 31, 2016. Further, 2,500,000 of Mr. Sample's shares in the above table were extended to Mr. Pertile through an offer to purchase in conjunction with the MariJ Asset Purchase Agreement. Mr. Pertile exercised his right to acquire those shares on January 17, 2017. Mr. Pertile also had an option to acquire an additional 1,000,000 of Mr. Sample's Acacia shares

under a separate agreement. Mr. Pertile did not exercise this option. On January 17, 2017, Mr. Sample resigned as an employee and director of the Company. Mr. Sample disclaims any beneficial ownership of any securities owned by others and disclaims any beneficial ownership by others of any securities he owns.

(3) Mr. Gholson became a director of the Company on January 15, 2016 and acquired 60,000 shares of the Company’s Common stock in the Asset Purchase Agreement of that same date and purchased an additional 110,000 shares in 2016. In 2017, Mr. Gholson also was issued 50,000 shares of the Company’s common stock for services performed related to the Company’s Equity Purchase Agreement with Peak One Investments, LLC and Peak One Opportunity Fund, LP and issuance of convertible notes to Peak One Opportunity Fund, LP. In addition, Mr. Gholson was issued 20,000 shares of the Company’s common stock as compensation for serving as a director of the Company. In 2018, Mr. Gholson was issued 30,000 shares of the Company's restricted common stock for serving as a director of the Company. Mr. Gholson also acquired 200,000 shares of the Company's common stock. Mr. Gholson also acquired 500,000 shares from the Company's CEO directly. This resulted in Mr. Gholson’s ownership of 970,000 shares of Company’s common stock with a corresponding number of votes, or 4% of the total issued and outstanding shares of the Company.

(4) Mr. Roberts became a director of the Company on January 15, 2016 and acquired 102,200 shares of the Company's Common stock in the Asset Purchase Agreement of that same date and purchased an additional 150,000 shares in 2016. In 2017, Mr. Roberts acquired another 10,000 shares. In addition, Mr. Roberts was issued 20,000 shares as compensation for serving as a director of the Company, and 95,520 shares for his efforts in acquiring and preparing the properties owned by the Company's subsidiary Eufloria Medical of Tennessee, Inc. In 2018, Mr. Roberts was issued 30,000 shares of the Company's restricted common stock for serving as a director of the Company. This resulted in Mr. Roberts's ownership of 407,720 shares of Company's common stock with a corresponding number of votes, or 2% of the total issued and outstanding shares of the Company.

(5) Mr. Gibbs is a founder of the Company, first becoming a director in October 1984 before departing in September 2011. Mr. Gibbs rejoined the board in 2013 and has continued to serve until the present. Mr. Gibbs purchased 40,000 restricted shares of the Company in 2016 and owned 157,500 shares of the Company's common stock at December 31, 2016. In 2017, Mr. Gibbs was issued 20,000 shares of the Company's common stock as compensation for serving as a director of the Company. In 2018, Mr. Roberts was issued 30,000 shares of the Company's restricted common stock for serving as a director of the Company and 36,018 shares of the Company's common stock as compensation for his efforts in renovating a property owned by the Company's subsidiary Eufloria Medical of Tennessee, Inc. This resulted in Mr. Gibbs ownership of 243,518 shares of Company's common stock with a corresponding number of votes, or 1% of the total issued and outstanding shares of the Company.

(6) Dr. Paula became a director of the Company on July 13, 2018. In 2018, Dr. Paula was issued 20,000 shares of the Company's restricted common stock for serving as a director of the Company. This resulted in Dr. Paula's ownership of 20,000 shares of Company's common stock with a corresponding number of votes, or less than 0.1% of the total issued and outstanding shares of the Company.

Unless otherwise indicated, the address for each of the above-named individuals is 13575 58th Street North, Suite 138, Clearwater, Florida, 33760.

***Change of Control***

In January 2017, and as a result of the acquisition of significant shares of the Company's Common stock by its CEO, Mr. Pertile and a significant reduction in ownership of the Company's Common stock by its previous CEO Mr. Sample, Mr. Pertile became the Company's largest shareholder with effective control.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

In 2006 the board of directors named Gwendolyn Sample as the Company's assistant secretary and on February 1, 2007, granted her an option to acquire 5,000 shares of Common stock for $0.01 per share, which options Mrs. Sample exercised on June 16, 2016. On November 6, 2009, the Company granted her options to purchase 20,000 shares for $0.10 per share, and on December 23, 2010, she was awarded options to acquire 10,000 additional shares at $0.60 per share. Ms. Sample is the spouse of Steven L. Sample, prior CEO of the Company. In addition, the board of directors awarded L. Palmer Sample, an IT and MIS professional, 20,000 shares of restricted common stock for work performed in maintaining the company's computer network system and financial server system, as well as creating, hosting, and maintaining the Company's e-mail system and Internet web site. In 2014 he was awarded 10,000 shares of restricted common stock for similar services. On November 2, 2007, he was awarded 10,000 options to purchase common stock for $0.80 per share, on November 6, 2009, was granted options to purchase 5,000 shares of common stock for $0.10 per share, and on December 23, 2010 was awarded 10,000 options to purchase Common stock at $0.60 per share, all for services to the Company. In 2013 he installed a new computer server for financial and accounting uses for the Company in Ocala, Florida, and continued to perform services maintaining all those systems. Palmer is the son of Steven L. Sample and Gwendolyn G. Sample. Mr. Sample's spouse and his son disclaim any beneficial ownership by Mr. Sample of any securities they own, and they disclaim any beneficial ownership of any securities he owns.

Mr. Sample became CEO, President, and Chairman of the Board of Directors of the Company in 2006 and resigned that position in favor of Richard K. Pertile on January 15, 2016 in conjunction with the Company's acquisition of the assets and businesses of the MariJ Group of companies on that date. Mr. Sample disclaims any beneficial ownership of any securities owned by others and disclaims any beneficial ownership by others of any securities he owns.

Mr. Pertile became CEO, President, and Chairman of the Board of Directors of the Company on January 15, 2016 and continues to serve in those positions.

Table of Contents

***Director Independence***

We believe that, in accordance with the Company Guide of the American Stock Exchange, that Messrs. Gibbs, Gholson, Roberts and Dr. Paula are independent directors, those three individuals being a majority of our current Board of Directors. As employee-officers and directors of the Company, Mr. Pertile and Ms. Edwards are not considered to be independent.

***Conflicts of Interest.***

The Company and its management may be subject to various conflicts of interest policies. The Company's management is not independent, yet the Company relies solely on management for guiding its day-to-day operations and managing its assets. As such, certain employees may have conflicts of interest in allocating time, services and functions to the Company in deference to their other activities.

The Company has no other full-time corporate officers except for Mr. Pertile, its President and CEO, and Mrs. Edwards, its Vice President and COO, who devote the majority of their business time and efforts to the management and direction of the Company and its subsidiaries. The President and CEO of the Company serves as a director of the Company as well as serving as an officer and director of the Company's subsidiary corporations. Service in those capacities with the subsidiaries is not considered to constitute a conflict of interest on the part of employees, managers, or directors. The Company's CEO and COO continued to serve in those capacities as of December 31, 2018. Mr. Sample resigned as CEO, President and Chairman of the Board of the Company on January 15, 2016 in favor of selection of new officers following the Company's acquisitions of the MariJ Group of companies on that same date. Mr. Sample remained as a non-officer employee and director of the Company until January 17, 2017, at which time he resigned, effective December 31, 2016.

**Item 14. Principle Accountant Fees and Services**

Aggregate fees for professional services rendered by KWCO for the years ended December 31, 2018 and 2017 were as follows:

| | **2018** | **2017** |
|---|---|---|
| Audit fees | $46,650 | $74,790 |
| Tax preparation fees | 9,000 | 11,500 |

| | | |
|---|---|---|
| Total fees | $55,650 | $86,290 |

***Audit Fees***. Audit fees consist of professional services rendered in connection with the audits of the Company's annual consolidated financial statements, reviews of the Company's internal accounting and reporting controls under Section 404 of the Sarbanes-Oxley Act, and reviews of interim consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q.

***Tax Preparation Fees***. Tax preparation fees include preparation of federal and state tax returns. In 2018 and 2017, the Company incurred $9,000 and $11,500 for preparation of its 2017 and 2016 tax returns, respectively.

The audit committee reviews all audit and non-audit related fees at least annually. The audit committee pre-approve all audit and non-audit related services in fiscal years 2018 and 2017.

The Company's independent registered public accounting firm may not be engaged to provide non-audit services that are prohibited by law or regulation to be provided by it, nor may the Company's principal accountant be engaged to provide any other non-audit service unless it is determined that the engagement of the principal accountant provides a business benefit resulting from its inherent knowledge of the Company while not impairing its independence. The Audit Committee must pre-approve the engagement of the Company's principal accountant to provide both audit and permissible non-audit services. No non-audit services were provided by the independent registered public accounting firm during the past two fiscal years.

Table of Contents

**Item 15. Exhibits, Financial Statement Schedule and Reports on Form 8-K**

(a) Financial Statements

The following financial statements are included herewith:



(b) Exhibits required by Item 601, Regulation S-K;

| Exhibit Number and Description | | Location Reference |
|---|---|---|
| (3.0) | Articles of Incorporation | |
| | (3.1) Articles Of Amendment And Restated Articles Of Incorporation of Acacia Diversified Holdings, Inc. dated June 9, 2015 | See Exhibit Key |
| | (3.2) Restated Bylaws Of Acacia Diversified Holdings, Inc. dated June 29, 2015 | See Exhibit Key |
| (9.0) | Voting Proxy Agreement between Rick Pertile and Steven L. Sample | See Exhibit Key |
| (10.1) | Consolidated Loan Agreement | See Exhibit Key |
| (10.2) | Consolidated Promissory Note | See Exhibit Key |
| (10.3) | Security Agreement – Acacia Diversified Holdings, Inc. | See Exhibit Key |
| (10.4) | Security Agreement -- Marij Agriculture, Inc. | See Exhibit Key |
| (10.5) | Security Agreement -- Marij Agriculture, Inc. | See Exhibit Key |
| (10.6) | Security Agreement – CannaCures Research & Development Center, Inc. | See Exhibit Key |
| (10.7) | Definitive Asset Purchase Agreement between Acacia Diversified Holdings, Inc. and the Medahub Companies | See Exhibit Key |
| (14.0) | Code of Ethics | See Exhibit Key |
| (21.0) | List of Subsidiaries | See Exhibit Key |
| (31.1) | Certificate of Chief Executive Officer And Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| (32.1) | Certification of Chief Executive Officer And Chief Financial Officer Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 101.INS | XBRL Instance Document | |

| | |
|---|---|
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

**Exhibit Key**

3.1 Incorporated by reference herein from the Company’s Form 8-K filed on July 16, 2015.
3.2 Incorporated by reference herein from the Company’s Form 8-K filed on July 16, 2015.
9.0 Incorporated by reference herein from the Company’s Form 10-K filed on April 2, 2018.
10.1 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.2 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.3 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.4 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.5 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.6 Incorporated by reference herein from the Company’s Form 8-K filed on November 3, 2017.
10.7 Incorporated by reference herein from the Company's Form 10-Q filed on November 5, 2018
14.0 Incorporated by reference herein from the Company’s Form 10-Q filed on November 13, 2017.
21.0 Incorporated by reference herein from the Company’s Form 10-Q filed on August 7, 2017.

Table of Contents

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

| | |
|---|---|
| | **Acacia Diversified Holdings, Inc.** |
| Date: April 1, 2019 | By: /s/ Richard K. Pertile<br>Richard K. Pertile<br>Principle Executive Officer<br><br>Principle Financial Officer<br><br>Principle Accounting Officer |

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| **Signature** | **Title** | **Date** |
|---|---|---|
| /s/ Richard K. Pertile<br>Richard K. Pertile | Director | April 1, 2019 |