

Acacia Diversified Holdings, Inc.
Form S-1
February 14, 2019

As filed with the U.S. Securities and Exchange Commission on February 14, 2019

SEC File No. _____

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Acacia Diversified Holdings, Inc.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation
or organization)

5010

(Primary Standard Industrial
Classification Code Number)

75-2095676

(I.R.S. Employer
Identification Number)

13575 58th Street N.-#138, Clearwater, FL 33760; Tel.: (727) 678-4420

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

Danny Gibbs, Director

6501 Barclay Lane, Garland, Texas 75044; Tel.: (727) 678-4420

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Clifford J. Hunt, Esquire

Law Office of Clifford J. Hunt, P.A.

8200 Seminole Boulevard

Seminole, FL 33772

(727) 471-0444

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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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 Securities Exchange Act of 1934.

Large accelerated filer	Accelerated filer
Non-accelerated filer	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 7(a)(2)(B) of the Securities Act.

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Title of Each Class of Securities to be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Unit (2)	Proposed Maximum Aggregate Offering Price (3)	Amount of Registration fee (4)
Class A Common Stock par value \$0.001 per share	10,000,000	\$ 0.19	\$ 1,900,000	\$ 230.28

(1) Represents shares of common stock offered for resale by current shareholder, Triton Funds, LP (“Triton” or “Selling Shareholder”), which shares are issuable by the registrant pursuant to the Common Stock Purchase Agreement, dated February 14, 2019 (the “CSPA”), between the registrant and Triton. The Company’s calculation of the maximum number of shares that may be registered for resale under the CSPA pursuant to this Registration Statement is based upon the purchase price per share which shall be 85% of the average of the two lowest closing prices of the Company’s common stock five days prior to the Closing Date calculated in accordance with the terms and conditions of the CSPA which is for a maximum of \$1,000,000.00. The Company estimates that the maximum number of shares to be issued under the CSPA is an additional 10,000,000.

(2) This offering price has been estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act with respect to the shares of common stock registered hereunder, based upon the price of \$0.19, which was the average of the high and low prices for the Company’s common stock on February 12, 2019, as reported on the OTC Market Group, Inc.’s OTCQB tier.

(3) Estimated pursuant to Rule 457(c) of the Securities Act of 1933, as amended (the “Securities Act”) solely for purposes of calculating the registration fee.

(4) Computed in accordance with Section 6(b) of the Securities Act as in effect on February 12, 2019.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE AND THE SELLING SHAREHOLDER MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

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SUBJECT TO COMPLETION, DATED February 14, 2019

PRELIMINARY PROSPECTUS

10,000,000 SHARES OF COMMON STOCK

ACACIA DIVERSIFIED HOLDINGS, INC.

This Prospectus (this “Prospectus”) relates to the offer and sale of up to 10,000,000 shares of common stock, par value \$0.001 of Acacia Diversified Holdings, Inc., a Texas corporation, by Triton Funds, L.P. (“Triton”). We are registering the resale of up to 10,000,000 shares of common stock issuable under an CSPA in the amount of \$1,000,000 (the “CSPA”) established by the Common Stock Purchase Agreement, dated February 14, 2019 (“CSPA”), between us and Triton, as more fully described in this Prospectus. The resale of such shares by Triton pursuant to this Prospectus is referred to as the “Offering.”

We are not selling any securities under this Prospectus. However, we will receive proceeds from our sale of our shares of common stock under the CSPA to Triton.

Triton is deemed an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act. Triton may sell the shares of common stock described in this Prospectus in a number of different ways and at varying prices. See “Plan of Distribution” for more information about how the Selling Shareholder may sell the shares of common stock being registered pursuant to this Prospectus.

We will pay the expenses incurred in registering the shares, including legal and accounting fees. See “Plan of Distribution.”

Our common stock is currently quoted on the OTC Market Group, Inc.’s OTCQB tier under the symbol “ACCA.” On February 11, 2019, the last reported sale price of our common stock was \$0.1719.

Investing in our Common Stock involves a high degree of risk. See “Risk Factors” beginning on page 12 of this prospectus.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 14, 2019

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information from the information contained in this prospectus. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy the securities in any circumstances under which the offer or solicitation is unlawful. Neither the delivery of this prospectus nor any distribution of securities in accordance with this prospectus shall, under any circumstances, imply that there has been no change in our affairs since the date of this prospectus.

We will receive proceeds from our sale of our shares of common stock under the CSPA to Triton.

OTHER INFORMATION

We maintain our web site at www.acaciadiversifiedholdings.com. Information on such web site is not considered a part of this prospectus. Unless specifically set forth to the contrary, when used in this prospectus the terms “Acacia Diversified Holdings, Inc.”, “we”, “us”, “our” and similar terms refer to Acacia Diversified Holdings, Inc., a Texas corporation.

SUMMARY INFORMATION, RISK FACTORS AND RATIO OF EARNINGS TO FIXED CHARGES

Shares of common stock offered By Selling Shareholder: 10,000,000 shares of the Company’s Common Stock.

Common stock to be outstanding before and after the offering: 21,653,625 shares before offering; and, 31,653,625 shares, assuming all 10,000,000 additional shares are sold to Triton under the CSPA. If we sell less shares of common stock to Triton under the CSPA, we will have less common stock outstanding after the Offering.

Use of proceeds: We will receive proceeds from our sale of our shares of common stock under the CSPA to Triton. We anticipate that the proceeds from the sale of our shares of common stock to Triton will be utilized for general corporate purposes and working capital.

Offering Period: The period commencing on the Execution Date of the CSPA and ending on the earlier of (i) the date on which the Triton shall have purchased the Purchase Notice Shares pursuant to the CSPA equal to the Commitment Amount of \$1,000,000, (ii) the Expiration Date (one hundred eighty (180) Business Days after the Registration Statement has been declared effective), (iii) September 30, 2019, or (iv) written notice of termination by the Company to Triton upon a material breach of the CSPA by Triton.

OTCQB Trading Symbol: ACCA

Risk Factors: An investment in our securities involves a high degree of risk and could result in a loss of your entire investment. Further, the issuance to, or sale by, the Selling Shareholder of a significant amount of shares being registered in this Registration Statement at any given time could cause the market price of our common stock to decline and to be highly volatile and we do not have the right to control the timing and amount of any sales by the Selling Shareholder of such shares. Prior to making an investment decision, you should carefully consider all of the information in this Prospectus and, in particular, you should evaluate the risk factors set forth under the caption "Risk Factors" beginning on page 12.

Past Transactions With Triton Funds LP

We have not previously participated in any transaction with Triton.

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Capital Requirements

Analysis of our current business operations cost indicate a reasonable requirement of US \$5,000,000 or less. Based on market response to our products and services, it is management's opinion that we may require additional funding.

PROSPECTUS SUMMARY

About Us

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 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. 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 federally approved industrial 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 Eufhoria Medical of Tennessee, Inc. ("EMT") to conduct its retail business in the state of Tennessee.

MariJ Pharmaceuticals, Inc.

MariJ Pharma has a proprietary mobile CO₂, supercritical industrial 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 industrial hemp plants. MariJ specializes in organic strains of the plant where available, setting itself apart from the general producers of non-organic products.

Currently, the Company is performing its industrial hemp extraction activities in the states of Colorado, North Carolina and Tennessee, where its activities are deemed legal under the laws of such states.

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.

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Euforia Medical of Tennessee, Inc.

EMT is preparing to commence its retail and wholesale distribution of medicinal hemp products and dietary supplements in Tennessee. It anticipates operations to begin in the second quarter of 2018. In addition to our current extraction operations in the State of Colorado, the Company was invited to be part of the hemp pilot program in Tennessee. This program provides EMT 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. EMT has been issued a processor's license and its Director and Tennessee resident, Gary Roberts, has been issued a grower's license and plans on participating in this pilot program through this new, wholly-owned subsidiary. The grower's license expired on April 25, 2018 but has been renewed in the name of EMT due to the directorship of Mr. Roberts and we expect to receive the new license after its dissemination by the Tennessee Department of Agriculture after June 1, 2018. The processor's license allows EMT to process, manufacture and distribute industrial hemp oil.

The Company also acquired land in Tennessee and has completed excavation and other cleanup activities to prepare the land for its intended use.

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 industrial hemp plants in its propriety mobile CO₂, supercritical industrial 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

The Company's business plan includes developing 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 labelling and tracking of every single seed employed in the grow program and continuing through the sale of prescription 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 industrial 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 industrial 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.

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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 industrial 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. 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 industrial hemp industry. If MariJ Pharma was not able to continue obtaining 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, 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.

During the year ended December 31, 2016, the Company's revenues were concentrated on two customers, CBD Rx and Blue Circle Development, Inc., who accounted for approximately 72% and 23%, 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 industrial 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

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

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The Company will initially extract and process a derivative of the industrial hemp plant known as CBD oil. CBD is one of dozens of compounds found in industrial hemp plants that belong to a class called cannabinoids. Of these compounds, CBD, CBG, CBN, CBC and low 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. Hemp, unlike most modern-day medicine, contains a wide range of chemical compounds. Scientists have identified to date, over 114 unique molecules in industrial 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 industrial hemp'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 industrial hemp work together to produce a synergy of effects. This is known as the "entourage effect."

CBD and THC levels tend to vary between different strains and varieties of industrial hemp. By using selective breeding techniques, certain growers have managed to create varieties with high levels of CBD and CBG, 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, and faces uncertainties related to federal laws that are in conflict with state laws in which the Company's subsidiaries now operate or may operate in the future. It is possible that the federal government will ease its regulations relating to the industrial hemp industry, or even legalize the operation of and transporting of products resulting from business operations in that sector. However, it is also possible that the government may decide to harden its stance against industrial hemp related products. In the event the federal government takes a harder stance against industrial hemp-related products, the Company could suffer impairment of its operations and could sustain substantial losses. The Company cannot foresee what direction the federal government may take in these matters, if any, but sees continuing evidence that various states are legalizing industrial hemp products, both high-CBD/low-THC compounds as well as compounds containing high levels of THC for medicinal values. 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.

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

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Inherent risks currently exist in this industry as a result of the determination by many nationally-chartered banks that they would be operating outside the federal laws by accepting deposits from industrial hemp oil producers. Many states have legalized the growing, production, sale, and consumption of various medicinal cannabis related products, but the federal government has continued to take the position that such activities are not legal. However, the federal government has taken the posture for years that it will defer to the states in those matters insofar as certain products, such as those containing a high concentration of THC, are not transported across state lines. As such, many nationally-chartered banks fear prosecution under money-laundering or other statutes, relegating some businesses to maintain large sums of cash on hand, 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 industrial hemp products but believes those risks will not be minimized until national depository institutions allow industrial 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 industrial 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 industrial 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 industrial hemp products, it is easy to see why environmental laws are coming into play in the industrial hemp industry.

One of the most common environmental law issues for the industrial hemp industry is waste management. Most states that legalize some form of industrial hemp consumption strictly dictate the disposition and storage of the industrial hemp by-products, as well as the types of pesticides, soil amendments, and fertilizers that can be safely applied to industrial hemp 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 industrial hemp growers is also becoming an important issue. The significant use of electricity in indoor industrial 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 industrial 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 February 1, 2019, the Company had a total of six full-time employees and two part-time employees.

Most Recent Audited Financial Information

During the year ended December 31, 2017, we generated revenues of \$478,231 and incurred a net loss of \$1,833,728. We have a cumulative deficit of \$4,953,946 at December 31, 2017.

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Available Information

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

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

Use of Proceeds

We intend to use the proceeds from the CSPA for general corporate purposes and working capital requirements.

We intend to raise additional capital through equity and debt financing as needed, though there cannot be any assurance that such funds will be available to us on acceptable terms, on an acceptable schedule, or at all.

Transfer Agent

The transfer agent for our common stock is Pacific Stock Transfer, Inc. at 6725 Via Austi Pkwy, Suite 300, Las Vegas, Nevada 89119. The transfer agent’s telephone number is (702) 361-3033.

Financing Transaction Related to the Offering

The CSPA

On February 14, 2019 (the “Closing Date”), the Company entered into the CSPA with Triton Funds LP, whereby, upon the terms and subject to the conditions thereof, Triton is committed to purchase shares of the Company’s common stock (the “Purchase Shares”) at an aggregate price of up to \$1,000,000 (the “Total Commitment Amount”) over the

course of the CSPA.

The actual amount of proceeds the Company receives pursuant to each Purchase Notice (each, the “Purchase Notice”) is to be determined by multiplying the Purchase Notice Share amount requested by the applicable purchase price. The purchase price for each of the Purchase Shares equals 85% of the average of two lowest closing prices of our common stock five days prior to the Closing Date.

The pertinent provisions of the CSPA regarding the issuance of the Purchase Notices are set forth below.

Upon the terms and conditions set forth (in the CSPA), Triton shall have the right, but not the obligation, to direct the Company, by its delivery to the Company of a Purchase Notice from time to time, to purchase Purchase Notice Shares provided that the amount of Purchase Notice Shares shall not exceed the Beneficial Ownership Limitation (9.99%) set forth in the CSPA.

At any time and from time to time during the Commitment Period, except as provided in the CSPA, Triton may deliver a Purchase Notice to Company, subject to satisfaction of the conditions set forth in Section 7.2 and otherwise provided in the CSPA. The Company shall deliver the Purchase Notice Shares as DWAC Shares to Triton immediately upon receipt of the Purchase Notice.

A Purchase Notice shall be deemed delivered on (i) the Business Day it is received by email by Triton if such notice is received on or prior to 8:00 p.m. New York time or (ii) the immediately succeeding Business Day if it is received by email after 8:00 p.m. New York time on a Business Day or at any time on a day which is not a Business Day.

The Closing of a Purchase Notice shall occur no later than one (1) Business Day following the Clearing Date, whereby Triton, shall deliver the Investment Amount (minus the Clearing Costs), by wire transfer of immediately available funds to an account designated by the Company.

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If, by the day after the Expiration Date, Triton has invested less than the Commitment Amount, pursuant to this Agreement, Triton shall within one (1) Business Day transfer to the Company the amount representing the difference between the Commitment Amount and the amount Triton has already paid to the Company. The Purchase Price for this amount shall be 85% of the average of the Two lowest closing prices of the Common Stock for the previous five Business Days, (ii) the Company shall immediately deliver the Purchase Notice Shares as DWAC Shares to Triton, and (iii) Triton shall immediately wire to the Company the Purchase Price multiplied by the lessor of the Beneficial Ownership Limitation or the remaining Commitment Amount.

The Registration Rights Agreement

On the Closing Date, and in connection with the CSPA, the Company also entered into a registration rights agreement (the “Registration Rights Agreement”) with Triton whereby the Company is obligated to file the Registration Statement to register the resale of the Purchase Notice Shares. Pursuant to the Registration Rights Agreement, the Company must (i) file the Registration Statement within thirty calendar days from the Closing Date, (ii) use reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act of 1933, as amended (the “Securities Act”), as promptly as possible after the filing thereof, but in any event no later than the 90th calendar day following the Closing Date, and (iii) use its reasonable efforts to keep such Registration Statement continuously effective under the Securities Act until all of the Commitment Shares and Purchase Shares have been sold thereunder or pursuant to Rule 144.

The Company agreed that it shall, within ninety (90) calendar days from the date of execution of the Registration Rights Agreement, file with the SEC an initial Registration Statement covering the maximum number of Registrable Securities (beginning with the Purchase Notice Shares) as shall be permitted to be included thereon in accordance with applicable SEC rules, regulations and interpretations so as to permit the resale of such Registrable Securities by Triton, including but not limited to under Rule 415 under the Securities Act at then prevailing market prices (and not fixed prices), as mutually determined by both the Company and Triton in consultation with their respective legal counsel, subject to the aggregate number of authorized shares of the Company’s Common Stock then available for issuance in its Certificate of Incorporation. The initial Registration Statement shall register only the Registrable Securities. The Investor and its counsel shall have a reasonable opportunity to review and comment upon such Registration Statement and any amendment or supplement to such Registration Statement and any related prospectus prior to its filing with the SEC, and the Company shall give due consideration to all reasonable comments. Triton shall furnish all information reasonably requested by the Company for inclusion therein. The Company shall use its reasonable best efforts to have the Registration Statement and any amendment declared effective by the SEC at the earliest possible date. The Company shall use reasonable best efforts to keep the Registration Statement effective, including but not limited to pursuant to Rule 415 promulgated under the Securities Act and available for the resale by the Investor of all of the Registrable Securities covered thereby at all times until the earlier of (i) the date as of which Triton may sell all of the Registrable Securities without restriction pursuant to Rule 144 promulgated under the Securities and (ii) the date on which Triton shall have sold all the Registrable Securities covered thereby and no Available Amount remains under the CSPA. The Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances in

which they were made, not misleading.

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RISK FACTORS

An investment in our Common Stock involves a significant degree of risk. You should not invest in our Common Stock unless you can afford to lose your entire investment. You should consider carefully the following risk factors and other information in this prospectus before deciding to invest in our Common Stock.

Risks Related to this Offering

We are dependent upon the proceeds from various offerings to provide funds to develop our business. There are no assurances we will raise sufficient capital to enable us to continue to develop our business.

While this offering will give us capital to implement our immediate strategies we cannot guarantee prospective investors that we will ever generate any significant revenues or report profitable operations, or that our revenues will not decline in future periods. Until we begin making enough cash flow from our operations we are dependent upon the proceeds from various offerings to provide funds for the development of our business. If we cannot raise sufficient funds, we will have significantly less funds available to us to implement our business strategy, and our ability to generate any revenues may be adversely affected. We do not have any firm commitments to provide capital and we anticipate that we will have certain difficulties raising capital given the development stage of our company, and the lack of a public market for our securities. Accordingly, we cannot assure you that additional working capital as needed will be available to us upon terms acceptable to us. If we do not raise funds as needed, our ability to continue to implement our business model is in jeopardy and we may never be able to achieve profitable operations. In that event, our ability to continue as a going concern is in jeopardy and you could lose all of your investment in our company.

Our management has full discretion regarding the use of proceeds from this offering.

We anticipate that the net proceeds from this offering will be used the purposes set forth under “Use of Proceeds” appearing elsewhere in this prospectus. We reserve the right, however, to use the net proceeds from this offering for other purposes not presently contemplated which we deem to be in our best interests in order to address changed circumstances and opportunities. As a result of the foregoing, investors in the shares of Common Stock offered hereby will be entrusting their funds to our management, upon whose judgment and discretion the investors must depend.

There may not be enough liquidity in the market to sell the shares being registered in this offering.

Our common stock is currently listed on OTCQB. Over the last thirty (30) day period from January 10, 2019, the average daily volume was 11,605 shares traded (as reported on OTC Markets), which may not be adequate to sell any significant number of shares if you wish to sell a significant number of your shares that you may buy through this offering due to that lack of liquidity in our stock in the market. There is no assurance that a more liquid market for our shares would ever develop and if so you may stand to lose your total investment you make buying our stock.

Risks Related to Our Business

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

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

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Because we have limited operating history, it is difficult to evaluate our business.

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