

Acacia Diversified Holdings, Inc.
Form 8-K/A
March 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): January 15, 2016

Acacia Diversified Holdings, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Texas
(State or Other Jurisdiction of
Incorporation)

1-14088
(Commission File Number)

75-2095676
(I.R.S. Employer Identification No.)

13575 58th Street North #138 Clearwater, FL 33760
(Address of Principal Executive Offices)

(877) 513-6294
(Registrant's Telephone Number, Including Area Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This Second Amended Current Report on Form 8-K is being filed to amend information provided in the First Amended Current Report on Form 8-K filed on March 30, 2016. Through a scrivener's error, the date on the Independent Auditors Report to the Consolidated MariJ Agricultural, Inc. financial statements in Item 9 was erroneously reflected as March 30, 2016 rather than the correct date of March 16, 2016.

No other changes are included in this Amendment.

Item 1.01 Entry into a Material Definitive Agreement.

On January 15, 2016 (the date of "Closing"), Acacia Diversified Holdings, Inc. (the "Company" or "Acacia") entered into a definitive Asset Purchase Agreement to acquire substantially all of the assets of the MariJ Group of companies, including: (i) MariJ Agricultural, Inc., a Florida corporation ("MariJ Ag"); (ii) Canna-Cures Research & Development Center, LLC, a Florida limited liability company ("Canna-Cures LLC"); (iii) TropiFlora LLC, a Florida limited liability company ("TropiFlora"); and, (iv) JR Cannabis Industries LLC, a Florida limited liability company ("JR") (individually, collectively and jointly the "MariJ Group") with an effective date of January 4, 2016 (collectively, the "Assets").

The Assets acquired include office equipment and supplies, vehicles, inventories of raw and finished products, extraction and laboratory equipment, intellectual property, including trade secrets, and cash. As consideration for the Assets, the Company issued to the former shareholders of the MariJ Group 2,474,850 new shares of its Common stock and assumed certain liabilities. A true and accurate copy of the definitive Asset Purchase Agreement is included as Exhibit 10.1 to this Report.

In addition, the Chief Executive Officer of the Company, Steven L. Sample, agreed to dispose of 2,500,000 of his personal shares of Acacia in a window of 38 to 39 months following the Closing of the Transaction. Richard K. Pertile, Chief Executive Officer of the Selling Companies, holds a right of first refusal to acquire those shares. In the transaction, Mr. Sample also provided Mr. Pertile with a stock power, stock pledge, and a proxy to vote those shares. True and accurate copies of the Right of First Refusal to Purchase Common Stock, Stock Power, Stock Pledge, and Proxy are included as Exhibits 10.3, 10.4, 10.5 and 10.6, respectively, to this Report.

The Asset Purchase Agreement also included an employment agreement for Steven L. Sample to provide services to the Company through December 31, 2019 and anti-dilution agreement for his stock interests. A true and accurate copy of that Modified Employment Agreement and the Anti-Dilution Agreement are included as Exhibit 10.7 and 10.8 to this Report, respectively.

Mr. Pertile, as Chief Executive Officer of Seller, also executed a non-competition agreement with the Company limiting his involvement in competitive ventures with the Company's for five years following the Closing. A true and accurate copy of the Non-Competition Agreement is included as Exhibit 10.9 to this Report.

Prior to Closing, the MariJ Group had operated its business at its leased premises in Clearwater, Florida. The MariJ Group's operations centered on producing hemp oil products from medicinal hemp plants in the Denver, Colorado area. and also engaged in laboratory testing and certification services relating to hemp oil and related products. It had planned to introduce its HIPAA compliant software including "seed to sale" RFID tracking technologies and point of sale software with expanded capabilities to the retail sector in the second quarter of 2016, and the newly formed MariJ Pharma subsidiary intends to complete that mission. The Group performed certain research and development activities relating to medicinal hemp oils, packaging and labeling services for hemp-related products

Item 2.01 Completion of Acquisition or Disposal of Assets.

On January 15, 2016, the Company entered into an agreement to acquire substantially all the Assets of the MariJ Group of Companies, consisting of (i) MariJ Agricultural, Inc., a Florida corporation (“MariJ Ag”); (ii) Canna-Cures Research & Development Center, LLC, a Florida limited liability company (“Canna-Cures, LLC.”); (iii) TropiFlora LLC, a Florida limited liability company (“TropiFlora”); and, (iv) JR Cannabis Industries LLC, a Florida limited liability company (“JR”) (individually, collectively and jointly the “MariJ Group”) with an effective date of January 4, 2016. A true and accurate copy of such agreement is included as Exhibit 10.1 of this Report.

MariJ has developed proprietary processes and procedures that allow it to extract high percentage CBD/very low or 0 percentage THC oils from the hemp plants, which intellectual property was acquired by the Company under the Asset Purchase Agreement.

The Company expects to utilize the various MariJ Group acquired Assets, including certain names and brand properties for the Company’s new Florida subsidiaries, MariJ Pharmaceuticals, Inc. and canna-Cures research & Development Center, Inc., also Florida entities. The Company will also utilize the acquired Assets in any other new and/or expanded operations.

In the transaction, Acacia had the option to, and has chosen to, retain the majority of the MariJ Group employees.

Background and History of the MariJ Group Prior to Acquisition by Acacia Diversified Holdings, Inc.

Contemplated Business of Acacia's New Subsidiaries Utilizing the Acquired Assets

Product and Service Offerings

On January 15, 2016 the Company acquired the assets and related businesses of the MariJ Group of companies consisting of four (4) entities. The four acquired entities are more fully described below. The Company, utilizing two newly-formed subsidiaries, intends to utilize the acquired assets and related trade secrets of those four acquired entities in its bid to fill existing and new sales contracts and orders with current and future clients as it seeks to implement its new production procedures and efficiencies. A description of the plans for each of those new subsidiaries in utilizing the acquired assets follows.

Acquired Entity #1 - MariJ Agricultural, Inc.

The first entity acquired in the transactions of January 15, 2016 was MariJ Agricultural, Inc. ("MariJ Ag"), a Florida corporation. MariJ Ag developed certain proprietary and innovative trade-secreted technology it utilizes in conjunction with high-quality, live resin extractions of CBD oils in the cannabis industry. To date, the Company has specialized in extracting oils from USDA certified organic hemp plants. Its processes and systems were designed to accommodate portability and mobility. MariJ Ag acquired the business of TropiFlora, LLC in order to apply for a new low-THC growers license in Florida in 2015. MariJ Ag utilized fractionating methods in removing the THC from the hemp oil, formulated compounds for potential use of physicians using its HIPAA compliant software and proprietary "Plant to Patient" Geotracking Technology System, and performed other operations. MariJ Ag intended to create a bridge between the hemp growers and hemp product retailers through its private labeling and packaging systems. That entity was also in the process of completing construction of its mobile testing and processing laboratory in conjunction with cannabis plants and cannabis oil products.

The operating results of MariJ Ag were included in the audited consolidated operating results of MariJ Ag in 2015.

The First Newly Created Subsidiary – MariJ Pharmaceuticals, Inc.

MariJ Pharmaceuticals, Inc. ("MariJ Pharma") will receive certain of the assets of the MariJ Group and will place its impetus in the extraction and processing of very high quality, high-CBD/low-THC content medicinal grade cannabis oils from medicinal hemp plants. MariJ Ag, and now MariJ Pharma, has specialized on organic strains of the plant, setting itself apart from the general producers of non-organic products. In addition, MariJ Pharma has the technical expertise and capability to process and formulate the oils and to employ them in its compounding operations. MariJ Pharma will seek to become engaged as an owner or co-owner of a grow facility in Florida and/or other location(s) diverse from Florida such as to produce its own plants for processing. MariJ Pharma has also been preparing for the 2016 rollout of its newly-developed, proprietary GeoTraking Technology software that is fully compliant with the Health Insurance Portability and Accountability standard ("HIPAA") utilizing its "plant to patient" solution. The MariJ Group engaged an outside source to develop its proprietary GeoTraking software. This GeoTraking Technology is designed to provide a full-channel patient care tracking system that is fully compliant under today's strict HIPAA regulations that require privacy and security of the patient's information. Beginning with RFID labeling and tracking of every single seed employed in the grow program and continuing through the sale of prescription products via a sophisticated retail PoS delivery system, the GeoTraking Technology will be among the most advanced systems available. While MariJ Ag had only began revenue-producing operations in Q4 of 2015, those processes and technologies will provide MariJ Pharma with an opportunity to generate significant revenues going forward in providing valuable safe, efficient, and cost-effective services to processors and ultimate customers. MariJ Pharma is anticipated to expand its similar operations and revenues substantially in 2016 as an Acacia subsidiary following

planned capital expansion based on success in raising the funding necessary to fuel those plans.

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

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

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

Acquired Entity #2 - Canna-Cures Research & Development Center, LLC.

The second entity acquired in the transactions of January 15, 2016 was Canna-Cures Research & Development Center, LLC, a Florida limited liability company (“Canna-Cures LLC”). Canna-Cures LLC had not yet engaged in operations as of the time of its acquisition by Acacia, and thus was not included in the audited consolidated operating results of MariJ Ag in 2015.

The Second Newly Created Subsidiary – Canna-Cures Research & Development Center, Inc.

The Company’s second newly-formed subsidiary, Canna-Cures Research & Development Center, Inc. (“Canna-Cures Inc.”) will receive certain of the assets of the MariJ Group and seek to engage in research and development activities, as well as retail and wholesale distribution of medicinal cannabis products and nutraceuticals, depending upon our ability to comply in each instance with FDA rules and other regulations. As a part of its R&D efforts, the new subsidiary will seek to align itself with institutions of higher learning in working to develop new products and to identify and develop additional uses for the Company’s medicinal cannabis products.

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

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

Acquired Entity #3 - JR Cannabis Industries, LLC

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

Generally accepted accounting principles require the “primary beneficiary” of a variable interest entity (“VIE”) to include the VIE’s assets, liabilities and operating results in its consolidated financial statements. In general, a VIE is a corporation, partnership, limited liability corporation, trust or any other legal structure used to conduct activities or hold assets that either (i) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support; (ii) has a group of equity owners that are unable to direct the activities of the entity that most significantly impact its economic performance; or (iii) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by the entity.

Using these criteria, the Company has identified that JR is a VIE and that MariJ Ag was the primary beneficiary because JR had an insufficient amount of equity to carry out its operations without financial support from MariJ Ag. In addition, MariJ Ag had the power to direct the activities of JR that most significantly impact JR's economic performance and MariJ Ag also had the obligation to absorb losses of JR due to the management fee agreement between the two entities. As a result, generally accepted accounting principles required that the accounts of JR be consolidated into those of MariJ Ag, which they were.

The operating results of JR were included in the audited consolidated operating results of MariJ Ag in 2015.

Acquired Entity #4 - TropiFlora, LLC

The fourth and final entity acquired in the transactions of January 15, 2016 was TropiFlora, LLC, a Florida limited liability company (“TropiFlora”). Prior to TropiFlora’s acquisition by MariJ, and ultimately by Acacia, it was a grower with decades of experience in the nursery industry with the capacity to grow large quantities of plants. MariJ and subsequently Acacia acquired the business of TropiFlora to position itself to be issued a Growers License under the new 2015 Florida cannabis laws. If successful in obtaining a Florida Growers License, TropiFlora, as an Acacia subsidiary, would cultivate and distribute legal medicinal cannabis products in the state, opening the door to the sale of the non-euphoric strains of cannabis to treat patients with seizure disorders and cancer. However, the State of Florida announced the names of the five applicants that were to be awarded the Growers Licenses, but TropiFlora was not among the winners. Substantial legal objections have arisen as to the Florida license award process, prompting the filing of a number of complaints and spawning litigation with the State. The Company believes that, among other things, TropiFlora was unfairly judged for the licensing opportunity. The legal complaints instituted by TropiFlora while a part of the MariJ Group of companies and before its acquisition by Acacia left many questions that can only be answered as the cases progress through the administrative and judicial systems. The Company is currently reviewing the status of its grower license opportunities in Florida. In addition to a grower opportunity in Florida, the Company intends to seek one or more other potential new licensing opportunities in other states.

TropiFlora as an entity of the MariJ Group had no operations in 2015, and thus was not included in the audited consolidated operating results of MariJ Ag in 2015.

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

The Company will require additional capital to finalize these plans and accommodate the rollout of its services and planned growth, and intends to begin its capital raising activities within the next 60 to 90 days. There can be no assurance the Company will be successful in its plans to generate that capital.

Risk Factors

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

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

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

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

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

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

We also plan to grow through acquisitions

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

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

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

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

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

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

Need for additional financing

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

Dependence on key personnel

Our future performance depends in significant part upon the continued service of our Chief Executive Officer, Richard K. Pertile. The loss of Mr. Pertile's services could have a material adverse effect on our business, prospects, financial condition and results of operations. The Company does not presently maintain key man life insurance on Mr. Pertile,

but may obtain such insurance at the discretion of its board of directors for such term as it may deem suitable or desirable. Our future success may depend on our ability to attract and retain highly qualified technical, sales and managerial personnel. The competition for such personnel can be intense, and there can be no assurance that we can attract, assimilate or retain highly qualified technical, sales and managerial personnel for favorable compensations in the future.

Technological change

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

Competition

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

Control

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

As of January 15, 2016, in subsequent actions related to the acquisition of assets of the MariJ Group of companies by the Company, our Chief Executive Officer and Chairman of the Board of Directors, Richard K. Pertile, was issued 1,014,000 new Common shares of the Company in exchange for his interests in the acquired entities. In addition, he was granted, from the CEO and Chairman of the Board of the Company until that date, Steven L. Sample, the right of first refusal to purchase 2,500,000 shares of Mr. Sample's Common stock of the Company in a window between April

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

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

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

Management of growth

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

Risks associated with expansion

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

Check, credit card, and other fraud

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

Liability claims

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

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

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

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

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

To sustain profitability, we must:

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

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

Governmental Regulation

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

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

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

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

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

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

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

Any new legislation or regulation, or the application of laws or regulations from jurisdictions whose laws do not currently apply to the Company's business could have a material adverse effect on the Company's business, results of operations and financial condition. Current federal regulations adverse to the medicinal hemp and marijuana industries are generally contradictory to legislated approval of that industry in a number of states. The disparity in those divergent governmental views has and will continue to lead to conflicts and confusions in the perceived legalities on many operations related to the industry unless they ultimately come to congruence.

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

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

The Company, as with most other companies, is 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 cannabis industry, or even legalize the operation of and transporting of products resulting from business operations in that sector. However, it is also possible that the government may decide to harden its stance against cannabis related products. In the event the federal government takes a harder stance against cannabis-related products, the Company could suffer impairment of its operations and could sustain substantial losses. The Company cannot foresee what direction the federal government may take in these matters, if any, but sees a continuing evidence that various states are legalizing cannabis products, both high-CBD/low-THC compounds as well as compounds containing high levels of THC. The Company believes that it has complied with appropriate state requirements for operations and believes it has obtained all permits necessary to function under the current state regulations.

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

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

Additionally, if we do not effectively manage our growth, the quality of our services could suffer, which could adversely affect our business, brand and reputation, results of operations and financial condition. If operational, technology and infrastructure improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues. To effectively manage our growth, we will need to continue to improve our operational, financial and management controls and our reporting systems and procedures. This will require that we refine our information technology systems to maintain effective online services and enhance information and communication systems to ensure that our employees

effectively communicate with each other and our growing base of customers. These system enhancements and improvements will require significant incremental and ongoing capital expenditures and allocation of valuable management and employee resources. If we fail to implement these improvements and maintenance programs effectively, our ability to manage our expected growth and comply with the rules and regulations that are applicable to publicly reporting companies will be impaired and we may incur additional expenses.

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

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

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

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

- our inability to estimate demand for the new offerings;
- our inability to perfect the new products;
- our ability to locate and identify new buyers for those products;