

Edgar Filing: ACACIA AUTOMOTIVE INC - Form 10QSB

ACACIA AUTOMOTIVE INC
Form 10QSB
August 02, 2007

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 2007

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number: 1-14088

Acacia Automotive, Inc.

(Exact name of small business issuer as specified in its charter)

Texas

75-2095676

(State or other jurisdiction
of incorporation or organization)

(IRS Employer Identification No.)

3512 East Silver Springs Blvd. - #243, Ocala, FL

34470

(Address of principal executive offices)

(Zip Code)

(352) 502-4333

(Registrant's telephone number)

1515 East Silver Springs Blvd. - Suite 118.4, Ocala, FL 34470

(Former name, former address and former fiscal year, if changed since last
report)

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

Indicate by check mark whether the registrant is a large accelerated
filer, an accelerated filer, or a non-accelerated filer (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in
Rule 12b-2 of the Exchange Act).

Yes No

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APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of June 30, 2007: 11,422,523.

PART I - FINANCIAL INFORMATION

ACACIA AUTOMOTIVE, INC.

(FORMERLY GIBBS CONSTRUCTION, INC.)

BALANCE SHEETS

| | June 30, 2007 |
|---------------------------------------|----------------------|
| | ----- (Unaudited) |
| ASSETS | |
| Current Assets | |
| Cash | \$ 875,521 |
| Prepaid Expense | - |
| | ----- |
| Total Current Assets | 875,521 |
| | ----- |
| Equipment and Vehicle | 31,496 |
| Less Accumulated Depreciation | (6,513) |
| | ----- |
| Equipment and Vehicle, net | 24,983 |
| | ----- |
| Total Assets | \$ 900,504 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| Current Liabilities | |
| Accounts Payable | \$ 95,828 |
| Accrued Liabilities | 414,894 |
| Due to Stockholder | - |
| | ----- |
| Total Liabilities | 510,722 |

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| | | |
|--|----|-------------|
| Stockholders' Deficit | | |
| Series A Preferred Stock, \$0.001 par value; 525,000 shares authorized, issued and outstanding | | - |
| Preferred Stock, \$0.001 par value 1,475,000 shares authorized; none issued and outstanding | | - |
| Common Stock, \$0.001 par value, 150,000,000 shares authorized; 11,422,523 and 9,935,023 shares issued and outstanding, respectively | | 11,423 |
| Paid-In-Capital | | 8,176,692 |
| Retained Deficit | | (7,798,333) |
| | | ----- |
| Total Stockholders' Deficit | | (389,782) |
| | | ----- |
| Total Liabilities and Stockholders' Deficit | \$ | 900,504 |
| | | ===== |

The accompanying notes are an integral part of these financial statements.

F-1

ACACIA AUTOMOTIVE, INC.
(FORMERLY GIBBS CONSTRUCTION, INC.)

STATEMENTS OF OPERATIONS

(UNAUDITED)

| | Three Months Ended June 30, | | |
|---|--------------------------------|-------|----------|
| | 2007 | 2006 | 2007 |
| | ----- | ----- | ----- |
| OPERATING EXPENSES | | | |
| Employee Compensation | \$ 106,250 | - | \$ 1,221 |
| General And Administrative Expenses | 35,337 | - | 87 |
| Depreciation | 1,822 | - | 3 |
| Beneficial Conversion of Preferred Stock | 500,000 | - | 500 |
| | ----- | ----- | ----- |
| Operating Loss | (643,409) | - | (1,812) |

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| | | | |
|---|------------|-------|------------|
| Interest Income | 2,944 | - | 2 |
| | ----- | ----- | ----- |
| Net Loss Before Income Taxes | (640,465) | - | (1,809) |
| Income Tax Expense | - | - | |
| | ----- | ----- | ----- |
| NET LOSS | (640,465) | \$ - | \$ (1,809) |
| | ===== | ===== | ===== |
| BASIC AND FULLY DILUTED LOSS PER SHARE | | | |
| Loss Per Share | \$ (0.06) | \$ - | \$ (0) |
| | ===== | ===== | ===== |
| Weighted Average Number Of Common Share Outstanding | | | |
| | 10,681,898 | | 10,361 |
| | ===== | | ===== |

The accompanying notes are an integral part of these financial statements.

F-2

ACACIA AUTOMOTIVE, INC.
(FORMERLY GIBBS CONSTRUCTION, INC.)

STATEMENT OF CASH FLOWS

(UNAUDITED)

Six Months Ended
June 30,

2007

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Cash Flow From Operating Activities

| | |
|---|----------------|
| Net Loss | \$ (1,809,526) |
| Adjustment to reconcile net loss to net cash used in operating activities | |
| Depreciation | 3,644 |
| Common stock issued for services | 1,000,000 |
| Stock options issued for services | 48,725 |
| Beneficial Conversion | 500,000 |
| Changes in Operating Assets and Liabilities | |
| Accounts Payable | 41,465 |
| Accrued Liabilities | 175,499 |
| Due to Stockholder | (10,765) |
| Prepaid Expense | 469 |
| | ----- |
| Net Cash Flow Provided by Operating Activities | (50,489) |
| | ----- |
| Cash Flow Provided by Investing Activities | |
| Purchase of Equipment | (422) |
| | ----- |
| Net Cash Flow Provided by Investing Activities | (422) |
| | ----- |
| Cash Flow Provided by Financing Activities | |
| Sale of Common Stock | 925,000 |
| | ----- |
| | 925,000 |
| Change in Cash | 874,089 |
| - | - |
| Cash at Beginning of Period | 1,432 |
| | ----- |
| Cash at End of Period | \$ 875,521 |
| | ===== |
| Supplemental Cash Flow Disclosures | |
| Cash paid during year for: | |
| Interest | \$ - |
| | ===== |
| Income Taxes | \$ - |
| | ===== |
| Non-Cash Investing and Financing Activities | |
| Officer Salaries | \$ 1,115,515 |
| Director Fees | 20,960 |
| Common Stock | (500) |
| Paid-In-Capital | (1,048,225) |
| Accrued Liabilities | (87,750) |
| | ----- |
| | \$ - |
| | ===== |

The accompanying notes are an integral part of

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these financial statements.

F-3

ACACIA AUTOMOTIVE, INC.

(FORMERLY GIBBS CONSTRUCTION, INC.)

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 AND 2006

NOTE 1: THE COMPANY

Gibbs Construction, Inc. ("Gibbs" or the "Company") was a full service, national commercial construction company located in Garland, Texas. During 1999, Gibbs experienced significant losses associated with certain construction projects, which were bonded by Gibbs' primary bonding surety. In the fourth quarter of 1999, Gibbs' bonding surety notified Gibbs that it would no longer provide completion and payment bonds for Gibbs' construction projects. Given these events, Gibbs began a series of negotiations with its bonding surety in December of 1999, which resulted in a written agreement in January of 2000, whereby the bonding surety would provide funds to finish certain projects and required Gibbs to terminate construction on other projects. These events led to Gibbs inability to satisfy its debts in the ordinary course of business and on April 20, 2000, Gibbs filed a Petition pursuant to Chapter 11 of the United States Bankruptcy Code.

On July 28, 2000, Gibbs received permission from its Court of Jurisdiction to solicit approval of its Plan of Reorganization. Gibbs continued to operate on a limited basis pending approval of its Plan of Reorganization. On November 10, 2000, Gibbs completed its Plan of Reorganization pursuant to an order of the court as follows:

- a) Gibbs transferred all of its assets and liabilities to the Gibbs Construction, Inc. Creditor Trust ("Trust").
- b) Gibbs issued 501,000 shares of its authorized but previously unissued common stock to the Trust in settlement of unsecured creditor claims.
- c) Gibbs approved issuance of 1,000,000 shares of a newly created preferred stock, with an aggregate liquidation preference value of \$200,000 and a six percent (6%) non-cumulative dividend, to the bonding surety.
- d) Gibbs issued 4,000,000 shares of its authorized but previously unissued common stock to Thacker Asset Management, LLC (TAM), a Texas limited liability company, in exchange for certain operating assets and the obligation to complete certain construction projects of TAM.

Gibbs did not obtain a court ordered final decree from the bankruptcy court due to the difficulties encountered with the implementation of the re-organization plan. All operating activities ceased in 2002. On June 26, 2006, the bankruptcy trustee requested and received an Order for Final Decree. The 501,000 shares of common stock issued to the Trust were abandoned and returned to the Company on October 5, 2006. These shares have been cancelled.

On July 25, 2006, the Board of Directors of the Company met and approved the following actions:

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- o Changed the Company's name to Acacia Automotive, Inc.
- o Authorized 2,000,000 shares of \$0.001 par value preferred stock and authorized the Board of Directors to:
 - a.) set the number of shares constituting each series of preferred stock
 - b.) establish voting rights, powers, preferences and conversion rights
- o Increased the authorized number of common shares to 150,000,000 and decreased the par value to \$0.001.

F-4

NOTE 1: THE COMPANY (Continued)

- o Authorized a one-for-eight reverse stock split of the Company's common stock.
- o Designated 525,000 shares of preferred stock as Series A Preferred Stock, with the following rights:
 - a.) Dividends can be paid when declared by the Board of Directors but must be also simultaneously declared on the common stock.
 - b.) Series A Preferred Stock may not be redeemed.
 - c.) Each share of Series A Preferred Stock is convertible into one share of common stock at the option of the holders.
 - d.) The holders of Series A Preferred Shares are certified to 50 votes on all matters to be voted on by the shareholders of the Company for each share of Series A Preferred Stock held.
- o Authorized the issuance of common stock and Series A Preferred Stock for services rendered and payments of organization expenses on behalf of the Company:
 - a.) 8,567,500 shares of common stock.
 - b.) 525,000 shares of Series A Preferred Stock.
 - c.) Aggregated issuance fair value was \$150,262.

Certain of the actions approved by the Board of Directors on July 25, 2006, require the approval of the shareholders of the Company, which was gained in a Special Meeting of Shareholders on February 1, 2007, and are reflected in the accompanying financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has elected to prepare its financial statements in accordance with generally accepted accounting principles (United States) with December 31, as its year end. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for annual financial information and with the instructions to Form 10-Q and Article 10 of Regulation SX. Accordingly, they do not include all of the information and

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footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal and recurring nature.

F-5

NOTE 3: RELATED PARTY TRANSACTIONS

The Company's Chief Executive Officer ("CEO") and majority stockholder have provided all monies to pay substantially all operating expenses since business activities resumed in July 2006. The following summarizes the activity and balance due the stockholder:

| Description | Amount |
|-----------------------------------|------------|
| Payments made by stockholder | |
| Opening Expenses | \$ 165,218 |
| Equipment | 7,248 |
| Prepaid | 469 |
| | ----- |
| | 172,935 |
| Less: | |
| Purchase of Common Stock | (138,862) |
| Stock Purchase Warrant Exercise | (2,500) |
| Payment | (31,573) |
| | ----- |
| Due to Stockholder, June 30, 2007 | \$ -0- |
| | ===== |

The Company granted 10,000 shares of common stock options to each of three outside directors on February 1, 2007, and to one outside director on May 16, 2007, upon their appointment in accordance to the Stock Incentive Plan for 2007. Additionally, upon each annual stockholders meeting 15,000 shares of common stock options will be granted to each eligible director. The Company also granted 10,000 shares of Common stock options to its newly-appointed Secretary and 5,000 options to its Assistant Secretary. In addition, the Company granted 500,000 shares of its Common stock to its President/COO in accordance with the Stock Incentive Plan.

NOTE 4: EQUITY TRANSACTIONS - QUARTER ENDED JUNE 30, 2007

The Company sold 462,500 shares of common stock at \$2.00 per share.

In exchange for conversion of all issued and outstanding Preferred shares of the Company, the Company issued 500,000 warrants, of which 95% were issued to Steven L. Sample, its CEO, and 5% were issued to Harry K. Myers, Jr., an affiliate of the Company prior to the acquisition of the majority of the Company's Stock by Steven L. Sample. This warrant is exercisable immediately with an exercise price of \$1.00. The difference between the exercise price and the \$2.00 current selling price of the common stock was recognized as a beneficial conversion expense of \$500,000 at June 30, 2007.

These same individuals were also issued the following warrants in the same

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proportion:

| Vesting Year | Price | Number |
|--------------|--------|-----------|
| 2008 | \$2.00 | 333,000 |
| 2009 | \$3.00 | 333,000 |
| 2010 | \$4.00 | 334,000 |
| | | ----- |
| | | 1,000,000 |

The vesting of these warrants is subject to the Company attaining certain performance levels.

F-6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of the Form 10-Q contain forward-looking information. The forward-looking information involves risks and uncertainties that are based on current expectations, estimates, and projections about the Company's business, management's beliefs and assumptions made by management. Words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", and variations of such words and similar expressions are intended to identify such forward-looking information. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking information due to numerous factors, including, but not limited to, availability of financing for operations, successful performance of internal operations, impact of competition and other risks detailed below as well as those discussed elsewhere in this Form 10-QSB and from time to time in the Company's Securities and Exchange Commission filings and reports. In addition, general economic and market conditions and growth rates could affect such statements.

General

For each of the fiscal years ended December 31, 2003, 2004, and 2005, and for the quarter ended June 30, 2006, the Company had no operations, income, expenses, assets or liabilities or other activity. With the funding by Mr. Sample of the costs of completing the Company's bankruptcy proceeding, which was completed in June 2006, Mr. Sample commenced a plan to revive the Company by acquiring automobile auctions. This plan required the funding by Mr. Sample of certain Company debts which, although discharged in the bankruptcy proceeding, required payment to commence operating as a public entity. Further, the revival of the Company as a public entity required substantial expenditures for legal and accounting fees, among other costs, in the final three quarters of 2006 and the first two quarters of 2007.

The implementation of Mr. Sample's plan required the reorganizing of the Company's capital structure, a plan completed in February 2007. Simultaneously, the plan required the raising of additional capital and the Company closed a private offering of common stock in June and July 2007, raising \$1,025,000. In addition, the Company purchased its first automobile auction in July 2007 for stock.

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The Company plans to seek additional sales of Common Stock through private placements commencing in the third quarter of 2007.

Restructuring.

The Company's plan of restructuring, which was effected in February 2007, amended the corporate charter to effect a one for eight reverse stock split, to increase the number of authorized shares of Common Stock to 150,000,000 and agreed to create and establish a series of preferred stock. Following the adoption of the amendments, the company issued to Mr. Sample and Harry K. Myers, an affiliate of the Company prior to Mr. Sample acquiring control of the Company, 8,567,500 shares of Common Stock and 525,000 shares of preferred stock. See Note 1 to the Notes to Financial Statements herein.

On February 1, 2007, the Company's shareholders approved these actions, including changing the Company's name to Acacia Automotive, Inc. and the amendment to the Company's charter was effective February 20, 2007.

In the second quarter of 2007, the 525,000 shares of preferred stock was converted to Common Stock.

Loss for six months ended June 30, 2007

The Company incurred a loss of \$1,169,061 for the quarter ended March 31, 2007 and \$640,645 for the quarter ended June 30, 2007. Of the \$640,645 second quarter loss, \$500,000 related to an expense incurred in connection with the conversion of Preferred Stock. (See Note 4 to the notes to financial statements herein.) Of the amount incurred in the first quarter, \$51,724 was for legal and accounting fees compared to \$35,337 incurred in the second quarter. The Corporation also incurred \$1,115,515 of expense for employee compensation during the first quarter of which \$1,000,000 was incurred as expense for the grant of restricted stock granted to Tony Moorby, President of the Corporation. Employee compensation was \$106,250 in the second quarter of 2007.

Item 3. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and

F-7

forms, and that such information is accumulated and communicated to the Company's management, including its President who acts as our Chief Financial Officer to allow timely decisions regarding required disclosure. During the 90-day period prior to the date of this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to significant deficiencies or material weaknesses in such controls, subsequent to the date of our most recent evaluation of internal controls.

PART - II

Item 1. Legal Proceedings.

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On June 26, 2006, after being on the docket for six years, the United States Bankruptcy Court for the Northern District of Texas, Dallas Division closed the registrant's case following an application for Final Decree. Item 6. Exhibits and Reports on Form 8-K

None

F-8

SIGNATURES

Pursuant to the requirements of the Securities exchange Act of 1934, registrant has duly caused this report to be signed on its behalf by the undersigned.

Acacia Automotive, Inc.

Dated: August 1, 2007

/s/ Steven L. Sample

Steven L. Sample, Chief Executive Officer and
Principal Financial Officer