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ACACIA AUTOMOTIVE INC
Form 8-K
August 24, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

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

Date of Report (Date of earliest event reported) July 10, 2007

Acacia Automotive, Inc.

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

| | | |
|---|-----------------------------|---|
| Texas | 1-14088 | 75-2095676 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 3512 E. Silver Springs Boulevard - #243 | 34470 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

(Registrant's telephone number, including area code: (352) 502-4333

(Former name, former address and former fiscal year, 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))

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Item 2.01. Completion of Acquisition or Disposition of Assets.

On July 10, 2007, the registrant completed the acquisition of all of the assets of Augusta Auto Auction, Inc. which conducted its business under the name Augusta Auto Auction and previously Hilltop Auto Auction. The registrant issued 500,000 shares of its Common Stock and a warrant to purchase 50,000 shares of Common Stock for the assets. The warrant has a term of five years and an exercise price of \$1.00. In addition, the registrant issued to two individuals a warrant to purchase 75,000 shares of Common Stock upon the same terms in consideration of entering into a non-compete agreement.

The registrant's business is set forth in Item 1. Business. of the registrant's annual report on Form 10-KSB for the year ended December 31, 2006.

History of Augusta Auto Auction

Augusta Auto Auction, Inc. (the "Auction") is an automotive auction located in North Augusta, South Carolina, part of the Augusta, Georgia, metropolitan area, and is located three miles from the center of that city. The auction was originally formed and operated for many years in its present location as Hilltop Auto Auction. In 2002 the group from which the registrant purchased the auction formed Augusta Auto Auction, Inc. after acquiring it from the owners of Hilltop Auto Auction.

Acacia Automotive formed a new South Carolina corporate subsidiary in July of 2007 which acquired the assets of Augusta Auto Auction. The new corporation is named Acacia Augusta Vehicle Auction, Inc. d/b/a Augusta Auto Auction, Inc.

Business of the Auction

The Auction sells whole car and salvage vehicles for automotive dealers and commercial concerns. It also has the contract to sell vehicles and equipment for the U.S. Marshals Service in the South Carolina area, primarily offering confiscated vehicles and other units for them. Dealers and other qualified buyers attend the weekly auctions and bid on offered units. The highest bidder owns the vehicle, subject to any limiting reserve prices established by the owner/seller of the unit(s). In most cases, the buyers and sellers of the units pick up and deliver them to the Auction property, but the Auction does provide some transport services, generally for a fee.

The Auction generates revenues from fees for its services, including buyer fees, seller fees, transportation fees, title fees, draft and floor plan fees, reconditioning fees, and more. Augusta Auto Auction relies upon the efforts of its management for sales and marketing, but anticipates adding additional personnel in the future to increase the scope of those operations.

The Auction markets its activities through its employees.

Competition

There are at least eleven auto auctions in operation in Georgia, and there are another six or more in South Carolina. Comparatively Florida has at least 26 automotive auctions.

The two largest whole-car national automobile auction companies, Mannheim Auto Auctions and ADESA, have a total of three auctions in Georgia, all near Atlanta, Georgia. While ADESA does not have an auction in South Carolina, Mannheim has one auction in Darlington, South Carolina. A smaller auction company, Auction Broadcasting Corporation, also has an auction near Atlanta, Georgia but none in South Carolina.

In addition to those auction companies' operations, there are several other

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independent auto auctions, some specializing in sales of damaged or "salvage" units and perhaps one or more mobile auctions that will host on-site auctions at dealerships.

1

Employees

The Auction employs eight full time and 17 part time people. The registrant plan to increase the number of employees, both part time and full time, as it expands its operations.

Governmental Regulation

The Company, as with most companies operating vehicle auctions, is subject to various permits and licenses. These include vehicle dealer licenses, auctioneer licenses, business permits and licenses, sales tax permits, and others. The registrant has obtained all permits necessary to function under the current South Carolina regulations.

Management's Discussion and Analysis or Plan of Operation.

Information regarding registrant's Discussion and Analysis or Plan of Operation is set forth in Item 6. Discussion and Analysis or Plan of Operation. of the registrant's Annual Report on Form 10-KSB for the year ended December 31, 2006.

The acquisition of Augusta Auto Auction, Inc. is the first acquisition by the registrant in its plan to acquire several automobile auctions. The registrant closed a private placement of securities on June 25, 2007 in which the registrant raised \$1,025,000 cash. The registrant does not believe that this amount is sufficient for its operations and additional acquisitions for the next twelve months and plans to raise additional capital over that period.

Augusta Auto Auction.

Net loss of the Augusta auction decreased to approximately \$14,000 in calendar year 2006 compared to a net loss of approximately \$130,151 in the prior year. With operating expenses being essentially unchanged between the two years (\$691,985 in 2006 compared to \$696,366 in 2005) the decrease in the loss is attributable to increased net fees earned. Net fees earned increased approximately \$110,000 or 20% from 2005 to 2006, the increase coming from larger volume of sales through the auction and resultant buy/sell fees attached thereto.

The Auction's net income increased almost \$50,000 in the six month period ended June 30, 2007 to \$61,513 from \$12,465 in the same period in 2006. Revenues in the 2007 period were up approximately 20% to \$454,385 compared to \$377,508 in the earlier period with most of the 2007 revenue growth coming in the first quarter of this year, being \$236,375 compared to \$180,366 in the first quarter of 2006. While cost of fees earned increased to \$56,022 in the 2007 six month period from \$32,384 in the same period of 2006, an increase of approximately 73%, other operating expenses were, nonetheless, flat.

Description of Property

The registrant has entered into a twelve month lease on the location where the Augusta Auto Auction has operated for several years. The lease term can be extended and currently has a monthly lease rate of \$2,700. The facility consists of approximately five acres and houses two administrative buildings and a two-lane auction arena. The compound is fenced, and the registrant has recently

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installed an electrified security fence system as well as security systems in its building and arena. In addition to the main auction facility, the registrant also leases property which is used for additional customer parking and allows for parking of approximately 200 customer vehicles on sale days. This property is located directly across the street from the main facility and is leased on a month-to-month basis for \$100 per week.

Information regarding registrant's other property is set forth in Item 2. Description of Property on Form 10-KSB for the year ended December 31, 2006.

Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth as of July 10, 2007, the ownership of Common Stock by (i) each person known by the Company to be the beneficial owner of more than five percent of the Company's Common Stock, (ii) each director of the

2

Company, and (iii) all directors and officers as a group. Except as otherwise indicated, each stockholder identified in the table possesses sole voting and investment power with respect to its or his shares.

| Name and Address of Beneficial Owner | Shares Owned | |
|--|------------------|---------|
| | No. of Shares | Percent |
| ----- | ----- | ----- |
| Steven L. Sample (1) | 7,000,000 | 58.3% |
| Danny Gibbs (2) | 62,500 | 0.5% |
| Tony Moorby | 500,000 | 4.2% |
| Patricia Ann Arnold (2) | - | - |
| James C. Hunter (2) | - | - |
| V. Weldon Hewitt (2) | - | - |
| David Bynum (2) | - | - |
| Gwendolyn G. Sample (2) (3) | 1,707,000 | 14.2% |
| All directors and officers as a group (seven persons) | 7,562,500 | 63.0% |

(1) Excludes warrants to purchase 1,425,000 shares of common stock of which 425,000 are presently exercisable for \$1.00 per share.

(2) Excludes options to acquire 10,000 shares of Common Stock each for Ms. Arnold and Messrs Gibbs, Hunter and Hewitt and 5,000 shares for Ms. Sample, all of which may be acquired for \$0.01 per share and options to acquire 10,000 shares of Common Stock which Mr. Bynum has the right to purchase for \$0.875 per share.

(3) Gwendolyn Sample is the spouse of Steven L. Sample who disclaims any beneficial interest in the shares owned by Ms. Sample.

Unless otherwise indicated, the address for each of the above named individuals is 3512 East Silver Springs Blvd. - #243, Ocala, FL 34470.

Directors and Executive Officers, Promoters and Control Persons.

Information regarding registrant's Directors and Executive Officers, Promoters and Control Persons is set forth in Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act. of the registrant's annual report on Form 10-KSB for the year ended

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December 31, 2006.

On May 16, 2007, the registrant named David Bynum to its board of directors. Since 2006 Mr. Bynum has been a manager of Bynum Properties which is involved in residential and commercial leasing and custom home construction. From October 2000 through April 2006, Mr. Bynum was employed by ADESA Corporation, a publicly held national automobile auction company. Initially Mr. Bynum was a Regional Vice President of Operations and in January 2004 was named National Director Heavy Truck and Equipment Sales. For the twelve years prior to 2000, Mr. Bynum served as General Manager of Southern States Vehicle Auction in Atlanta, Georgia under the ownership of ADT Automotive (previously Anglo-American Auto Auctions) before it was sold to Manheim Auction.

Executive Compensation

Information regarding Executive Compensation of the registrant is set forth in Item 10. Executive Compensation. of the registrant's annual report on Form 10-KSB for the year ended December 31, 2006.

3

With the closing of the registrant's private placement, described in its Current Report on Form 8-K filed July 5, 2007, the Company paid accrued salaries to its executives.

Certain Relationships and Related Transactions and Director Independence.

Information regarding Certain Relationships and Related Transactions of the registrant legal proceedings is set forth in Item 12. Certain Relationships and Related Transactions. of the registrant's annual report on Form 10-KSB for the year ended December 31, 2006.

Danny R. Gibbs, James C. Hunter, V. Weldon Hewitt, and David Bynum are independent directors as defined in Section 121A of the Company Guide of the American Stock Exchange.

Description of Securities

Information describing registrant's securities is set forth under the caption "Description of Capital Stock" in the registrant's January 2007 definitive proxy statement.

Holders of the registrant's Series A Preferred Stock have agreed to convert all such shares to Common Stock and there will thereafter be no more shares of Series A Preferred Stock or any other Preferred Stock issued and outstanding.

Following completion of the acquisition of the Augusta Auto Auction, there were 12,012,524 shares of Common Stock issued and outstanding. With respect to the number of warrants and options outstanding, see Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters; Summary of Equity Compensation Plans below.

There are presently 45,000 shares reserved for issuance pursuant to the registrant's stock option plan and 1,856,000 shares reserved for issuance pursuant to warrants granted by the registrant. See Security Ownership of Certain Beneficial Owners and Management and Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matter. herein.

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

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Information regarding registrant's Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters is set forth in Item 5. Market for Common Equity and Related Stockholder Matters. of the registrant's annual report on Form 10-KSB for the year ended December 31, 2006.

We are presently traded in the pink sheets under the symbol ACCA. The following table sets forth information as reported by the National Association of Securities Dealers Composite Feed or Other Qualified Interdealer Quotation Medium for the high and low bid and ask prices for each of the quarters ending March 31, 2007, and June 30, 2007, and does reflect the one for eight reverse stock split effected February 19, 2007.

| Quarters ending in 2007 | Closing Bid | | High |
|-------------------------|-------------|---------|--------|
| | High | Low | |
| Jan 3 thru Feb 19* | \$0.05 | \$0.015 | \$0.07 |
| Feb 20 thru Mar 30 | 1.50 | 0.30 | 2.00 |
| June 30 | 1.80 | 0.55 | 2.00 |

*Effective February 19, 2007, the registrant effected a one for eight reverse stock split.

The following table summarizes the number of shares issued under a variety of plans to investors, executive officers and directors.

4

SUMMARY OF EQUITY COMPENSATION PLANS

| Plan Description | Number of Securities to be Issued Upon Exercise of Outstanding Options and Warrants | Weighted Average Exercise Price of Outstanding Options and Warrants |
|--|---|---|
| Warrants not approved by stockholders | 1,856,000 | \$2.08 |
| Grants Under Compensation Plans Not Approved by shareholders | 55,000 | \$0.16 |
| Totals | 1,951,000 | \$1.98 |

Legal Proceedings

Information regarding registrant's legal proceedings is set forth in Item 4. Legal Proceeding. of the registrant's annual report on Form 10-KSB for the year ended December 31, 2006.

Changes in and Disagreements with Accountants.

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None.

Recent Sales of Unregistered Securities.

The securities issued in connection with the acquisition of the assets of Augusta Auto Auction, Inc. are described in the first paragraph of this Item 2.01. The issuance of these shares was exempt from registration under the Securities Act pursuant to Section 4(2) thereunder as transactions not involving a public offering.

Indemnification of Directors and Officers.

Information regarding indemnification of the registrant's officers and directors is set forth in under Item 5.01. Changes in Control of Registrants and in Part II thereof under Item 5. Indemnification of Directors and Officers. of the registrant's current report on Form 8-K filed December 8, 2006.

5

Augusta Auto Auction, Inc.
FINANCIAL STATEMENTS
December 31, 2006 AND 2005

TABLE OF CONTENTS

| | PAGE |
|---|------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS: | |
| Balance Sheets | 2 |
| Statements of Operations and Retained Deficit | 3 |
| Statements of Cash Flows | 4 |
| NOTES TO FINANCIAL STATEMENTS | 5-6 |

SEROTTA

MADDOCKS

EVANS & CO., CPA'S

A Professional Corporation

[GRAPHIC OMITTED][GRAPHIC OMITTED]

701 Greene Street, Suite 200 / Augusta, GA 30901-2322 Telephone (706) 722-5337
Telefax (706) 724-FAXX (3299)

To the Board of Directors
Augusta Auto Auction, Inc.
Augusta, Georgia

We have audited the accompanying balance sheets of Augusta Auto Auction, Inc. as of December 31, 2006 and 2005, and the related statements of operations and retained deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Augusta Auto Auction, Inc. as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in conformity with accounting principals generally accepted in the Unites States of America.

[GRAPHIC OMITTED][GRAPHIC OMITTED]
SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
June 29, 2007

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AUGUSTA AUTO AUCTION, INC.
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

| | 2006 |
|---|------------|
| | ----- |
| ASSETS | |
| CURRENT ASSETS | |
| Accounts receivable, net of allowance for doubtful accounts of \$12,790 for 2006 and \$10,710 for 2005 | \$ 38,933 |
| Other receivables | 5,363 |
| | ----- |
| Total Current Assets | 44,296 |
| EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net | 204,784 |
| OTHER ASSETS | |
| Organizational costs, net of amortization of \$4,822 for 2006 and \$3,770 for 2005 | 438 |
| | ----- |
| | \$ 249,518 |
| | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT LIABILITIES | |
| Overdraft | \$ 18,373 |
| Accounts payable and accrued expenses | 32,240 |
| Line of credit | 24,000 |
| Note payable | - |
| | ----- |
| Total Current Liabilities | 74,613 |
| | ----- |
| STOCKHOLDERS' EQUITY | |
| Common stock, \$1 par value, 500 shares authorized, 500 shares issued and outstanding | 500 |
| Additional paid-in capital | 803,152 |
| Retained deficit | (628,747) |
| | ----- |
| Total Stockholders' Equity | 174,905 |
| | ----- |
| | \$ 249,518 |
| | ===== |

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SEE NOTES TO THE FINANCIAL STATEMENTS

-2-

AUGUSTA AUTO AUCTION, INC.
 STATEMENTS OF OPERATIONS AND RETAINED DEFICIT
 YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 |
|-------------------------------------|--------------|
| | ----- |
| FEES EARNED | |
| Buyers fees | \$ 252,409 |
| Sellers fees | 387,032 |
| Storage fees | 78,819 |
| Other fees | 38,850 |
| | ----- |
| Total Revenue | 757,110 |
| COST OF FEES EARNED | 79,013 |
| | ----- |
| NET FEES EARNED | 678,097 |
| | ----- |
| OTHER OPERATING EXPENSES | |
| Payroll and related | 350,185 |
| Security | 61,466 |
| Insurance | 36,521 |
| Rent | 34,900 |
| Depreciation and amortization | 33,434 |
| Travel and entertainment | 28,090 |
| Employee benefits | 25,754 |
| Utilities | 25,197 |
| Maintenance | 23,019 |
| Professional fees | 16,517 |
| Advertising and promotional | 16,075 |
| Bad debt | 7,035 |
| Tax and licenses | 8,113 |
| Office supplies | 5,561 |
| Dues and subscriptions | 4,892 |
| Other expenses | 15,226 |
| | ----- |
| Total Other Operating Expenses | 691,985 |
| Net Income (Loss) | (13,888) |
| Retained Deficit, beginning of year | (614,859) |
| | ----- |
| Retained Deficit, end of year | \$ (628,747) |

=====

SEE NOTES TO THE FINANCIAL STATEMENTS

-3-

AUGUSTA AUTO AUCTION, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2006 AND 2005

| | 2006 |
|---|-------------|
| | ----- |
| Cash flows from operating activities | |
| Net loss | \$ (13,888) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 33,434 |
| (Increase) decrease in trade receivables | (8,123) |
| Increase (decrease) in overdraft | (64,369) |
| Increase (decrease) in accounts payable | 31,485 |
| | ----- |
| Net cash used by operating activities | (21,461) |
| | ----- |
| Cash flows from investing activities | |
| Payments for the purchase of equipment and leasehold improvements | (1,636) |
| | ----- |
| Net cash used by investing activities | (1,636) |
| | ----- |
| Cash flows from financing activities | |
| Net Increase (decrease) in line of credit | 24,000 |
| Payments on notes payable | (2,983) |
| Proceeds from additional paid-in capital | - |
| | ----- |
| Net cash provided by financing activities | 21,017 |
| | ----- |
| Net increase (decrease) in cash and cash equivalents | - |
| Cash and cash equivalents, beginning of year | - |
| | ----- |
| Cash and cash equivalents, end of year | \$ - |
| | ===== |

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SEE NOTES TO THE FINANCIAL STATEMENTS

-4-

AUGUSTA AUTO AUCTION, INC. NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - The Company operates an auto auction in the Augusta, Georgia area from a leased facility located in North Augusta, South Carolina.

CASH AND CASH EQUIVALENTS - For the purpose of the statement of cash flows, the Company considers all short-term investment instruments purchased with a maturity of three months or less to be cash equivalents.

DEPRECIATION - Depreciation of property and equipment is based upon the estimated useful lives of the assets and is computed principally by the double declining method. Estimated useful lives are 15 years for leasehold improvements, 5-7 years for office equipment, 7-15 years for shop equipment, and 5-10 years for company vehicles.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. It is the Company's policy to capitalize all items with an estimated useful life extending beyond one year.

INCOME TAXES - The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions the stockholder is liable for individual federal and state income taxes on the Company's taxable income. Therefore no provision or liability for federal income taxes has been included in the financial statements.

ACCOUNTS RECEIVABLE - Accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

USE OF ESTIMATES - Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

REVENUE RECOGNITION - Revenues are derived from collection of fees for a variety of services provided to customers including buyer fees, seller fees, storage fees, transport fees and others. The Company does not inventory or hold title to the vehicles that are bought or sold through the auction process.

ADVERTISING - The Company expenses advertising costs as they are incurred. Advertising expense was \$16,075 and \$12,847 for the periods ending December 31, 2006 and 2005, respectively.

-5-

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NOTE 2 - RELATED PARTY TRANSCASTIONS

Some of the owners of the Company are also owners of Bobby Jones Ford, Inc. Fees charged to Bobby Jones Ford, Inc. were \$36,430 and \$ 29,370 for the years ended December 31, 2006 and 2005, respectively.

NOTE 3 - EQUIPMENT AND LEASEHOLD IMPROVEMENTS

At December 31, 2006 and 2005 equipment and leasehold improvements consist of the following:

| | 2006 | 2005 |
|--|------------|------------|
| Leasehold improvements | \$ 286,918 | \$ 286,918 |
| Office equipment | 83,075 | 83,075 |
| Company vehicles | 34,775 | 34,775 |
| Shop equipment | 9,260 | 7,973 |
| | 414,028 | 412,741 |
| Total equipment and leasehold improvements | | |
| Less accumulated depreciation | 209,244 | 176,857 |
| | \$ 204,784 | \$ 235,884 |
| Net equipment and leasehold improvements | | |

Depreciation expense was \$32,381 for 2006 and \$36,818 for 2005.

NOTE 4 - DEBT FINANCING

Debt at December 31, 2006 consisted of a line of credit with a local bank. The line of credit is for \$100,000 and bears interest at a rate of prime plus .75%. The outstanding balance on the line was \$24,000 at December 31, 2006. The line of credit agreement was renegotiated in December 2006 and was extended until December 31, 2007.

NOTE 5 - OPERATING LEASE AGREEMENTS

The Company rents its facilities from a third party. The lease is dated June 1, 2003, and terminates May 31, 2008. Rent expense for 2006 and 2005 was \$32,400 and \$32,400, respectively.

Future minimum lease payments are as follows:

| | | |
|------|-----------|--|
| 2007 | \$ 32,400 | |
| 2008 | 13,500 | |
| | 45,900 | |
| | \$ 45,900 | |

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Acacia Automotive, Inc.
(Formerly Gibbs Construction, Inc.)
Pro-Forma Financial Information
June 30, 2007 and December 31, 2006

Effective July 10, 2007, Acacia Automotive, Inc. acquired substantially all of the operating assets and liabilities of Augusta Auto Auction, Inc. for a total of 500,000 shares of its common stock and 50,000 stock warrants.

Augusta Auto Auction, Inc. operates an auto auction in the Augusta, Georgia area from a leased facility located in North Augusta, South Carolina.

The June 30, 2007 pro-forma balance sheet assumes the merger took place on June 30, 2007. The June 30, 2007 statement of operations assumes the merger took place on January 1, 2007 and the December 31, 2006 statement of operations assumes the merger took place on January 1, 2006.

The accompanying pro-forma balance sheet of Acacia Automotive, Inc. as of June 30, 2007, and the related pro-forma statements of operations for the six months ended June 30, 2007 and the year ended December 31, 2006 were not audited.

ACACIA AUTOMOTIVE, INC.
(FORMERLY GIBBS CONSTRUCTION, INC.)
CONSOLIDATED PRO-FORMA BALANCE SHEET
JUNE 30, 2007
UNAUDITED

| | Augusta Auto Auction, Inc. ----- | Acacia Automotive, Inc. ----- | Combined Totals ----- | | Comb Adjus ----- |
|---------------------------|--|--|-----------------------------|---|------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash | \$ 120,579 | \$ 875,521 | \$ 996,100 | a | (|
| Accounts receivable, net | 3,028 | - | 3,028 | a |) |
| | ----- | ----- | ----- | | ----- |
| Total Current Assets | 123,607 | 875,521 | 999,128 | | |
| PROPERTY AND | | | | | |
| EQUIPMENT, net | 191,823 | 24,983 | 216,806 | b | (|
| OTHER ASSETS | | | | | |
| Organizational costs, net | 219 | - | 219 | a | |
| Customer list | - | - | - | b | |
| Goodwill | - | - | - | c | |

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| | | | | |
|------------------------------|------------|-------------|--------------|---|
| | ----- | ----- | ----- | |
| | \$ 315,649 | \$ 900,504 | \$ 1,216,153 | |
| | ===== | ===== | ===== | |
| LIABILITIES AND | | | | |
| STOCKHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued | | | | |
| expenses | \$ 77,821 | \$ 95,828 | \$ 173,649 | a |
| Accrued liabilities | 1,409 | 414,894 | 416,303 | a |
| | ----- | ----- | ----- | |
| Total Current Liabilities | 79,230 | 510,722 | 589,952 | |
| | ----- | ----- | ----- | |
| STOCKHOLDERS' EQUITY | | | | |
| Common stock | 500 | 11,423 | 11,923 | a |
| | | | | d |
| Additional paid-in capital | 803,152 | 8,176,692 | 8,979,844 | a |
| | | | | d |
| Retained deficit | (567,233) | (7,798,333) | (8,365,566) | e |
| | ----- | ----- | ----- | |
| Total Stockholders' Equity | 236,419 | 389,782 | 626,201 | |
| | ----- | ----- | ----- | |
| | \$ 315,649 | \$ 900,504 | \$ 1,216,153 | |
| | ===== | ===== | ===== | |

- a Special distribution of assets and liabilities retained by Augusta Auto Auction, Inc.
- b Adjustment of purchased assets to fair market value
- c Excess of purchase price over fair market value of assets and liabilities assumed
- d Issuance of stock and stock warrants to sellers
- e Elimination of Augusta Auto Auction, Inc.'s prior retained deficit

ACACIA AUTOMOTIVE, INC.
(FORMERLY GIBBS CONSTRUCTION, INC.)
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2007
UNAUDITED

| | | | | |
|--------------|---------------|-------------|------------|-------|
| | Augusta Auto | Acacia | Combined | Comb |
| | Auction, Inc. | Automotive, | Totals | Adjus |
| | ----- | ----- | ----- | ----- |
| REVENUES | | | | |
| Buyers fees | \$ 169,150 | \$ - | \$ 169,150 | |
| Sellers fees | 239,354 | - | 239,354 | |

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| | | | |
|---|-----------|----------------|----------------|
| Other revenues | 46,503 | 2,944 | 49,447 |
| | ----- | ----- | ----- |
| Total Revenues | 455,007 | 2,944 | 457,951 |
| COST OF FEES EARNED | 56,022 | - | 56,022 |
| | ----- | ----- | ----- |
| Net Revenues Earned | 398,985 | 2,944 | 401,929 |
| | ----- | ----- | ----- |
| OPERATING EXPENSES | | | |
| Employee compensation | 125,767 | 1,221,765 | 1,347,532 |
| General and administrative | 198,523 | 87,061 | 285,584 |
| Depreciation and amortization | 13,181 | 3,644 | 16,825 |
| Beneficial conversion of Preferred Stock | - | 500,000 | 500,000 |
| | ----- | ----- | ----- |
| Total Operating Expenses | 337,471 | 1,812,470 | 2,149,941 |
| | ----- | ----- | ----- |
| Net income (loss) before taxes | 61,514 | (1,809,526) | (1,748,012) |
| Income tax expense | - | - | - |
| | ----- | ----- | ----- |
| Net income (loss) | \$ 61,514 | \$ (1,809,526) | \$ (1,748,012) |
| | ===== | ===== | ===== |

PRO-FORMA EARNINGS PER SHARE

Pro-forma net loss

Pro-forma weighted average
shares outstanding

Pro-forma basic and diluted earnings per share

ACACIA AUTOMOTIVE, INC.
(FORMERLY GIBBS CONSTRUCTION, INC.)
CONSOLIDATED PRO-FORMA STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2006
UNAUDITED

| | | | |
|-------------------------------|-------------------------------|--------------------|---------------|
| Augusta Auto Auction, Inc. | Acacia Automotive, Inc. | Combined Totals | Comb Adjus |
| ----- | ----- | ----- | ----- |

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REVENUES

| | | | |
|-------------------------------|-------------|--------------|--------------|
| Buyers fees | \$ 252,409 | \$ - | \$ 252,409 |
| Sellers fees | 387,032 | - | 387,032 |
| Other revenues | 117,669 | - | 117,669 |
| | ----- | ----- | ----- |
| Total Revenues | 757,110 | - | 757,110 |
| COST OF FEES EARNED | 79,013 | - | 79,013 |
| | ----- | ----- | ----- |
| Net Revenues Earned | 678,097 | - | 678,097 |
| | ----- | ----- | ----- |
| OPERATING EXPENSES | | | |
| Employee compensation | 242,357 | 215,570 | 457,927 |
| General and administrative | 416,194 | 695,134 | 1,111,328 |
| Depreciation and amortization | 33,434 | 2,869 | 36,303 |
| Non-employee services | - | 31,400 | 31,400 |
| | ----- | ----- | ----- |
| Total Operating Expenses | 691,985 | 944,973 | 1,636,958 |
| | ----- | ----- | ----- |
| Net loss before taxes | (13,888) | (944,973) | (958,861) |
| Income tax expense | - | - | - |
| | ----- | ----- | ----- |
| Net loss | \$ (13,888) | \$ (944,973) | \$ (958,861) |
| | ===== | ===== | ===== |

PRO-FORMA EARNINGS PER SHARE

Pro-forma net loss

Pro-forma weighted average shares outstanding

Pro-forma basic and diluted earnings per share

NOTE 1 - BUSINESS COMBINATION

On July 10, 2007, Acacia Automotive, Inc. ("Buyer") purchased certain assets and liabilities of Augusta Auto Auction, Inc. ("Seller") in exchange for 500,000 shares of common stock and 50,000 stock warrants of the Buyer in order to expand operations in the automotive industry. Augusta Auto Auction, Inc. operates an auto auction in the Augusta, Georgia area from a leased facility located in North Augusta, South Carolina. The purchase was accounted for under the purchase method of accounting.

The following table summarizes the amounts assigned to the assets acquired and

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the liabilities assumed at the date of acquisition:

| | | |
|---------------------------|----|---------|
| Property and equipment | \$ | 34,806 |
| Customer list | | 375,000 |
| Goodwill | | 427,929 |
| | | ----- |
| Total assets acquired | | 837,735 |
| | | ----- |
| Current liabilities | | (6,173) |
| | | ----- |
| Total liabilities assumed | | (6,173) |
| | | ----- |
| Net assets acquired | \$ | 831,562 |
| | | ===== |

NOTE 2 - SIGNIFICANT ASSUMPTIONS

VALUATION OF ASSETS AND LIABILITIES ASSUMED - The values of assets and liabilities assumed as part of the above purchase were valued at estimated fair market value on the date of acquisition, July 10, 2007. These values were provided by management based on their experience and knowledge of the automotive industry.

VALUATION OF STOCK - As part of the above business combination, the Seller received shares of the Buyer's common stock. The value of the Buyer's common stock was calculated using an average stock price based on the stock price ten days of volume before, and nine days of volume after the actual date of purchase, July 10, 2007.

VALUATION OF STOCK WARRANTS - As part of the above business combination, stock warrants of the Buyer were issued to the Seller. The value of these warrants was calculated using the modified Black-Scholes-Merton model. The volatility used in this calculation was based on an average volatility of the Buyer's common stock price and that of several competitors. Assumptions used in the calculation included the following:

| | | |
|--------------------------|--|--------|
| Estimated volatility | | 46.59% |
| Expected life (years) | | 2.5 |
| Expected dividend yield | | 0.00% |
| Risk-free rate of return | | 5.00% |

Augusta Auto Auction, Inc.

Balance Sheets

March 31, 2007 and 2006

| | | Mar 31, 07 | | Mar 31, 06 |
|----------------|----|------------|----|------------|
| | | ----- | | ----- |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash | \$ | 761 | \$ | |

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| | | |
|---|------------|-------|
| Accounts receivable, net | 27,668 | |
| Other Current Assets | 3,190 | |
| | ----- | ----- |
| Total Current Assets | 31,619 | |
| Equipment and leasehold improvements, net | 198,303 | |
| Other Assets | | |
| Organizational costs, net of amortization of \$4,931 for 2007 and \$4,033 for 2006 | 329 | |
| | ----- | ----- |
| TOTAL ASSETS | \$ 230,250 | \$ |
| | ===== | ===== |
| LIABILITIES & EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable and accrued expenses | 27,038 | |
| | ----- | ----- |
| Total Current Liabilities | 27,038 | |
| Long Term Liabilities | - | |
| | ----- | ----- |
| Total Liabilities | 27,038 | |
| Equity | | |
| Capital Stock | 500 | |
| Additional Paid In Capital | 803,152 | |
| Retained Deficit | (628,747) | |
| Net Income | 28,307 | |
| | ----- | ----- |
| Total Equity | 203,213 | |
| | ----- | ----- |
| TOTAL LIABILITIES & EQUITY | \$ 230,250 | \$ |
| | ===== | ===== |

Q - 1

Augusta Auto Auction, Inc.

Statements of Operations

Quarter Ended March 31, 2007 and 2006

| | Jan - Mar 07 | Jan - Mar 06 |
|-------------------------|--------------|--------------|
| Ordinary Income/Expense | | |
| Income | | |
| Buyer's Fees | \$ 89,325 | \$ 61,706 |
| Seller's Fees | 125,483 | 91,829 |
| Storage Fees | 16,650 | 18,993 |

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| | | |
|------------------------------|----------|----------|
| Other Fees | 4,917 | 7,838 |
| | ----- | ----- |
| Total Income | 236,375 | 180,366 |
| Cost of Fees Earned | 26,736 | 12,277 |
| | ----- | ----- |
| Net Fees Earned | 209,638 | 168,089 |
| Expense | | |
| Salaries & Wages | 41,556 | 38,078 |
| Advertising | 500 | 213 |
| Amortization Expense | 110 | 263 |
| Automobile Expense | 1,742 | 2,481 |
| Bank Service Charges | 835 | 891 |
| Computer Maintenance | 2,593 | 2,821 |
| Contributions | 500 | - |
| Contract Labor | 21,330 | 22,432 |
| Depreciation Expense | 6,481 | 8,037 |
| Dues & Subscriptions | 1,121 | 1,012 |
| Employee Benefits | - | 287 |
| Employee Health Insurance | 6,710 | 6,194 |
| Equipment Maint. & Rental | 1,267 | 1,206 |
| Insurance Expense | 10,423 | 7,909 |
| Interest Expense | 340 | 95 |
| Legal & Accounting | 3,085 | 4,655 |
| Meals & Entertainment | 2,127 | 2,594 |
| Miscellaneous | 568 | 3,251 |
| Office Supplies | 1,880 | 383 |
| Payroll Service | 979 | 948 |
| Payroll Taxes | 5,501 | 5,210 |
| Pest Control | 112 | 56 |
| Postage | 1,021 | 382 |
| Promotional Expense | 2,796 | 2,048 |
| Rent Expense | 9,400 | 9,400 |
| Repairs & Maint. - Buildings | 1,232 | 1,256 |
| Security | 19,619 | 10,673 |
| Supplies | 3,719 | 292 |
| Taxes & Licenses | 1,064 | 919 |
| Telephone Expense | 3,034 | 2,701 |
| Travel Expense | 2,724 | 1,842 |
| Vehicle Maintenance Exp. | 2,282 | 350 |
| Uniforms | 345 | 383 |
| Utilities | 3,333 | 3,759 |
| | ----- | ----- |
| Total Expense | 160,331 | 143,034 |
| | ----- | ----- |
| Net Ordinary Income | 49,307 | 25,056 |
| | | |
| Other Income/Expense | | |
| Other Expense | | |
| Officer's Salary | 21,000 | 21,000 |
| | ----- | ----- |
| Total Other Expense | 21,000 | 21,000 |
| | ----- | ----- |
| Net Other Income | (21,000) | (21,000) |

Q - 2

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| | | |
|------------|-----------|----------|
| | ----- | ----- |
| Net Income | \$ 28,307 | \$ 4,056 |
| | ===== | ===== |

Q-3

Augusta Auto Auction, Inc.
Balance Sheets
June 30, 2007 and 2006

| | Jun 30, 07 | Jun 30, 06 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 120,579 | \$ (11,596) |
| Accounts Receivable | 2,938 | 40,567 |
| Other Current Assets | 90 | 90 |
| | ----- | ----- |
| Total Current Assets | 123,607 | 29,061 |
| Equipment and leasehold improvements, net | 191,823 | 219,456 |
| Organizational costs, net of amortization of \$5,041 for 2007 and \$4,296 for 2006 | 219 | 964 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 315,649 | \$ 249,482 |
| | ===== | ===== |
| LIABILITIES & EQUITY | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable and accrued expenses | 77,821 | 46,230 |
| Other Current Liabilities | 1,409 | 82 |
| | ----- | ----- |
| Total Current Liabilities | 79,230 | 46,312 |
| Long Term Liabilities | - | 1,912 |
| | ----- | ----- |
| Total Liabilities | 79,230 | 48,224 |
| Equity | | |
| Capital Stock | 500 | 500 |
| Additional Paid In Capital | 803,152 | 803,152 |
| Retained Deficit | (628,747) | (614,860) |
| Net Income | 61,514 | 12,465 |
| | ----- | ----- |
| Total Equity | 236,419 | 201,258 |
| | ----- | ----- |
| TOTAL LIABILITIES & EQUITY | \$ 315,649 | \$ 249,482 |
| | ===== | ===== |

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Q-4

Augusta Auto Auction, Inc.

Statement of Operations

Quarter Ended June 30, 2007 and 2006

| | Apr - Jun 07 | Apr - Jun 06 |
|------------------------------|--------------|--------------|
| Ordinary Income/Expense | | |
| Income | | |
| Buyer's Fees | \$ 79,825 | \$ 62,870 |
| Seller's Fees | 113,870 | 97,585 |
| Storage Fees | 15,522 | 20,895 |
| Other Fees | 8,793 | 15,792 |
| | ----- | ----- |
| Total Income | 218,010 | 197,142 |
| Cost of Fees Earned | 29,286 | 20,107 |
| | ----- | ----- |
| Net Fees Earned | 188,724 | 177,035 |
| Expense | | |
| Salaries & Wages | 42,211 | 38,501 |
| Advertising | - | 384 |
| Amortization Expense | 110 | 263 |
| Automobile Expense | 2,418 | 1,272 |
| Bank Service Charges | 149 | 415 |
| Computer Maintenance | 3,365 | 1,945 |
| Contributions | - | 50 |
| Contract Labor | 22,713 | 19,157 |
| Depreciation Expense | 6,481 | 8,037 |
| Dues & Subscriptions | 496 | 635 |
| Employee Health Insurance | 6,710 | 6,195 |
| Equipment Maint. & Rental | 1,282 | 1,494 |
| Insurance Expense | 2,066 | 10,722 |
| Legal & Accounting | 1,635 | 1,485 |
| Meals & Entertainment | 2,409 | 3,311 |
| Miscellaneous | 1,327 | 3,247 |
| Office Supplies | 146 | 2,998 |
| Payroll Service | 935 | 864 |
| Payroll Taxes | 4,941 | 4,175 |
| Pest Control | 84 | 84 |
| Postage | 766 | 463 |
| Promotional Expense | 4,586 | 6,261 |
| Rent Expense | 9,400 | 9,400 |
| Repairs & Maint. - Buildings | 841 | 1,542 |
| Security | 8,473 | 16,360 |
| Supplies | 901 | 27 |
| Taxes & Licenses | 60 | 631 |

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| | | |
|--------------------------|-----------|----------|
| Telephone Expense | 2,851 | 2,329 |
| Travel Expense | 2,801 | 1,557 |
| Vehicle Maintenance Exp. | 1,531 | 63 |
| Uniforms | 356 | 346 |
| Utilities | 3,094 | 3,414 |
| | ----- | ----- |
| Total Expense | 135,139 | 147,626 |
| | ----- | ----- |
| Net Ordinary Income | 53,586 | 29,409 |
| Other Income/Expense | | |
| Other Income | | |
| Other Income | 620 | - |
| | ----- | ----- |
| Total Other Income | 620 | - |
| | ----- | ----- |
| | Q-5 | |
| Other Expense | | |
| Officer's Salary | 21,000 | 21,000 |
| | ----- | ----- |
| Total Other Expense | 21,000 | 21,000 |
| | ----- | ----- |
| Net Other Income | (20,380) | (21,000) |
| | ----- | ----- |
| Net Income | \$ 33,205 | \$ 8,409 |
| | ===== | ===== |

Q-6

Augusta Auto Auction, Inc.
Statement of Operations
Six Months Ended June 30, 2007 and 2006

| | Jan - Jun 07 | Jan - Jun 06 |
|-------------------------|--------------|--------------|
| Ordinary Income/Expense | | |
| Income | | |
| Buyer's Fees | \$ 169,150 | \$ 124,576 |
| Seller's Fees | 239,353 | 189,414 |
| Storage Fees | 32,172 | 39,888 |
| Other Fees | 13,710 | 23,630 |
| | ----- | ----- |
| Total Income | 454,385 | 377,508 |
| Cost of Fees Earned | 56,021 | 32,384 |
| Expense | | |
| Salaries & Wages | 83,767 | 76,580 |

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| | | |
|------------------------------|-----------|-----------|
| Advertising | 500 | 598 |
| Amortization Expense | 219 | 526 |
| Automobile Expense | 4,160 | 3,753 |
| Bank Service Charges | 984 | 1,307 |
| Computer Maintenance | 5,958 | 4,766 |
| Contributions | 500 | 50 |
| Contract Labor | 44,042 | 41,589 |
| Depreciation Expense | 12,962 | 16,074 |
| Dues & Subscriptions | 1,617 | 1,647 |
| Employee Benefits | - | 287 |
| Employee Health Insurance | 13,421 | 12,389 |
| Equipment Maint. & Rental | 2,549 | 2,701 |
| Insurance Expense | 12,490 | 18,632 |
| Interest Expense | 340 | 95 |
| Legal & Accounting | 4,720 | 6,140 |
| Meals & Entertainment | 4,537 | 5,905 |
| Miscellaneous | 1,895 | 6,498 |
| Office Supplies | 2,026 | 3,381 |
| Payroll Service | 1,915 | 1,812 |
| Payroll Taxes | 10,442 | 9,385 |
| Pest Control | 196 | 140 |
| Postage | 1,786 | 846 |
| Promotional Expense | 7,382 | 8,309 |
| Rent Expense | 18,800 | 18,800 |
| Repairs & Maint. - Buildings | 2,073 | 2,798 |
| Security | 28,092 | 27,033 |
| Supplies | 4,621 | 319 |
| Taxes & Licenses | 1,124 | 1,550 |
| Telephone Expense | 5,886 | 5,031 |
| Travel Expense | 5,525 | 3,400 |
| Vehicle Maintenance Exp. | 3,814 | 413 |
| Uniforms | 701 | 730 |
| Utilities | 6,427 | 7,173 |
| | ----- | ----- |
| Total Expense | 295,470 | 290,660 |
| | ----- | ----- |
| Net Ordinary Income | 102,894 | 54,464 |
| Other Income/Expense | | |
| Other Income | | |
| | Q-7 | |
| | | |
| Other Income | 620 | - |
| | ----- | ----- |
| Total Other Income | 620 | - |
| Other Expense | | |
| Officer's Salary | 42,000 | 42,000 |
| | ----- | ----- |
| Total Other Expense | 42,000 | 42,000 |
| | ----- | ----- |
| Net Other Income | (41,380) | (42,000) |
| | ----- | ----- |
| Net Income | \$ 61,514 | \$ 12,465 |
| | ===== | ===== |

Q-8

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf, thereby duly authorized.

Date: August 23, 2007

Acacia Automotive, Inc.

/s/ Steven L. Sample

Steven L. Sample, Chief Executive Officer

Q-9