GRANITE CONSTRUCTION INC
Form 11-K
June 28, 2011

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

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2010

Commission File Number 0-18350

GRANITE CONSTRUCTION PROFIT
SHARING AND 401(K) PLAN

GRANITE CONSTRUCTION INCORPORATED

585 West Beach Street
Watsonville, California 95076
Telephone: (831) 724-1011

This report contains 18 pages.

Item 4. FINANCIAL STATEMENTS AND SCHEDULE PREPARED IN ACCORDANCE WITH THE FINANCIAL REPORTING REQUIREMENTS OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("ERISA")

The following documents are filed as part of this report:

1. Financial Statements

The following financial statements are filed as part of this report:

2. Financial Statements Schedule

The following financial statement schedule of the Granite Construction Profit Sharing and 401(k) Plan ("Plan") for the year ended December 31, 2010 is filed as part of this report and shall be read in conjunction with the financial statements of the Plan.

EXHIBITS

The following exhibit is attached hereto and filed herewith:

Exhibit Number	
23	Consent of Independent Registered Public Accounting Firm

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

GRANITE CONSTRUCTION
PROFIT SHARING AND 401(K) PLAN

Date: June 23, 2011

By: /s/ Alan Movson
Alan Movson
Committee Secretary

Date: June 23, 2011

By: /s/ Todd Hill
Todd Hill
Committee Chairman

INDEX TO EXHIBITS

Exhibit Number	Document
23	Consent of Independent Registered Public Accounting Firm

Granite Construction
Profit Sharing and 401(k) Plan
Financial Statements
as of December 31, 2010 and 2009 and
for the year ended December 31, 2010

Granite Construction
Profit Sharing and 401(k) Plan
Index of Financial Statements, Schedule and Exhibit

Supplemental schedules other than the above are omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and
Plan Administrator of the
Granite Construction
Profit Sharing and 401(k) Plan

We have audited the financial statements of the Granite Construction Profit Sharing and 401(k) Plan ("the Plan") as of December 31, 2010 and 2009, and for the year ended December 31, 2010, as listed in the accompanying index of financial statements and schedule. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. 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 the Plan's 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 net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule, as listed in the accompanying index of financial statements and schedule, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Mohler, Nixon & Williams
MOHLER, NIXON & WILLIAMS
Accountancy Corporation

Campbell, California
June 23, 2011

Granite Construction
Profit Sharing and 401(k) Plan
Statements of Net Assets Available for Benefits

	December 31, 2010	2009
Assets		
Investments, at fair value	$217,618,144	$204,680,606
Non-interest bearing cash	—	48,767
Contributions receivable from employer	282,234	284,027
Contributions receivable from employees	369,658	374,311
Other receivable	—	23,944
Net assets available for benefits	$218,270,036	$205,411,655

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

Granite Construction
Profit Sharing and 401(k) Plan
Statement of Changes in Net Assets Available for Benefits

	Year ended December 31, 2010
Additions to net assets available for benefits attributed to:	
Investment income:	
Net appreciation in fair value of investments	$16,528,838
Interest and dividends	4,494,092
Total investment income	21,022,930
Contributions:	
Employee	12,622,912
Employer	9,000,619
Total contributions	21,623,531
Diversification from employee stock ownership plan	1,165,261
Total additions	43,811,722
Deductions from net assets available for benefits attributed to:	
Distributions to participants or beneficiaries	(30,624,087)
Fees and expenses	(329,254)
Total deductions	(30,953,341)
Change in net assets available for benefits during the year	12,858,381
Net assets available for benefits, beginning of year	205,411,655
Net assets available for benefits, end of year	$218,270,036

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

Granite Construction
Profit Sharing and 401(k) Plan
Notes to Financial Statements

1. Description of Plan

The following description of the Granite Construction Profit Sharing and 401(k) Plan (the "Plan") provides only general information. For a more complete description of the Plan's provisions, refer to the Plan document.

The Plan is a defined contribution Plan covering all eligible non-union employees of Granite Construction Incorporated and its participating subsidiaries (the "Company"). An employee generally becomes eligible to participate in the Plan as of his or her date of hire, for the purpose of the eligibility to elect to make 401(k) contributions. For all other purposes under the Plan, an Employee generally becomes a participant in the Plan as of the first day of the month coinciding with or next following the date on which he or she is credited with at least 1,000 Hours of Service (or as soon as administratively practicable thereafter). The Company does not guarantee the benefits provided by the Plan. The Plan is subject to the provisions of the ERISA, as amended.

The Company has appointed an Administrative Committee ("Committee") as the Plan administrator ("Administrator"). Other than with respect to the Granite Construction Incorporated Common Stock Fund ("Granite Common Stock"), the Committee has exclusive authority and responsibility for all matters in connection with the operation and administration of the Plan. An independent fiduciary selected by the Company has authority and responsibility related to investments in the Granite Common Stock. All necessary and proper expenses incurred in the administration of the Plan were paid either by the Company or from Plan assets pursuant to the Plan document.

Contributions

The Company may make profit sharing and 401(k) matching contributions in an amount determined by the Board of Directors. Profit sharing contributions from the Company may be contributed to the Plan in an amount (or under such formula) as may be determined by the Company's Board of Directors. Profit sharing contributions are payable solely out of the Company's current or accumulated earnings and profits. The profit sharing contribution shall not exceed the maximum amount deductible under the provisions of the Internal Revenue Code ("IRC"). The Company must pay the total profit sharing contribution to the Plan trustee before the date the Company is required to file its federal income tax return (including extensions). No profit sharing contributions were made to the Plan during 2010.

The Company's 401(k) matching contribution is based on a formula, as described in the Plan document. The Company's matching contribution is paid into the Plan at the same time as the employee contributions are paid into the Plan. Company matching contributions earned during 2010 were $9,000,619 of which $282,234 was paid in 2011.

During 2010 all eligible Plan participants could make combined employee contributions to the Plan of up to 50% of gross pay, not to exceed $16,500. Plan participants who reached age 50 during the Plan year had the option to make an additional ("Catch Up") pre-tax salary contribution of up to $5,500 in 2010.

The Plan also offers an option for deferring the cash equivalent of the dividends from the Granite Construction Employee Stock Ownership Plan ("ESOP"). The Dividend Equivalent Deferral or 401(k) Switchback option allows participants in the ESOP to elect an additional pre-tax salary deferral to the 401(k) Plan equal to the amount of the ESOP dividend passed through to them.

Employee Stock Ownership Plan Diversification Account

The Plan permits certain participants under the ESOP to have a portion of their ESOP stock account liquidated and the proceeds transferred to the Plan. No portion of the participant's ESOP diversification account may be invested in

Granite Common Stock.

Participant Accounts

Contributions received by the Plan are deposited with the Plan trustee and custodian, Mercer Trust Company ("Mercer"). Each eligible participant's account is credited with an allocation of (a) the Company's 401(k) match and discretionary profit sharing contributions, if any, (b) Plan earnings or losses, (c) profit sharing forfeitures of terminated participant's non-vested accounts and (d) participant's contributions. The discretionary profit sharing contributions are based on eligible earnings, as defined in the Plan document. Profit sharing forfeitures are allocated to eligible participant accounts in equal amounts, as defined in the Plan document.

Granite Construction
Profit Sharing and 401(k) Plan
Notes to Financial Statements

Vesting

The full amount of the participant's profit sharing account becomes vested on his or her normal retirement date, as defined in the Plan document, or when his or her employment with the Company terminates by reason of death or total disability, or when his or her years of vesting service is completed as defined in the Plan document. For participants that work one or more hours on or after January 1, 2007, the full amount of the profit sharing account becomes vested after three years of service. For participants who do not perform work after December 31, 2006, the profit sharing account requires five years of service for full vested status. The full value of the participant's elective contribution and matching account are fully vested at the time of deferral.

Forfeitures

Profit sharing forfeitures may be used to pay Plan expenses. Forfeitures for each Plan year not used to pay Plan expenses are allocated to participants in equal shares for each Plan year in which they are employed by the Company as of the Plan year end. At December 31, 2010 and 2009, forfeited non-vested accounts totaling $257,729 and $578,680, respectively, were allocated to eligible participants' accounts in the subsequent Plan year.

Distributions

On termination of service for any reason, including death or disability, participants with less than $1,000 in their accounts and who have not elected a rollover will receive one lump sum payout of the total value of their vested account balance as prescribed in the Plan document. If the participant has more than $1,000 in their account upon termination, funds will not be distributed unless the participant elects to withdraw the funds as prescribed in the Plan document.

Hardship Withdrawals

The Plan provides for withdrawals in the event of financial hardship, as defined in the Plan document.

Plan Investments

Participants may direct Company and participant contributions into any of the designated investment options approved by the Committee. Included in the designated investment options are various mutual funds, a common/collective trust and Granite Common Stock.

Effective February 1, 2010, new contributions to the Plan are limited to no more than 50% being invested in Granite Common Stock, and Plan participants will be prevented from transferring existing assets into Granite Common Stock if more than 50% of their total account balance will be invested in Granite Common Stock as a result of the transfer.

Granite Construction
Profit Sharing and 401(k) Plan
Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and related disclosure of contingent assets and liabilities. The estimates, judgments and assumptions are continually evaluated based on available information and experiences; however, actual results could differ from those estimates.

Investments

Investments are stated at fair value. Accounting Standards Codification ("ASC") Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.

- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Plan presents, in the statement of changes in net assets available for benefits, the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and unrealized appreciation (depreciation) on those investments.

Non-interest bearing cash

Non-interest bearing cash is made up of unsettled transactions relating to the Granite Common Stock.

Distributions

Distributions to participants are recorded when paid.

Risks and uncertainties

The Plan provides for various investment options in any combination of mutual funds, Granite Common Stock and other investment securities, which the Administrator may, from time to time, make available. Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

Granite Construction
Profit Sharing and 401(k) Plan
Notes to Financial Statements

3. Fair Value Measurements

The Plan measures and discloses certain financial assets and liabilities at fair value. As of December 31, 2010 and 2009, the Plan's valuation methodology used to measure the fair values of money market funds, common stock and mutual funds was derived from quoted market prices as substantially all of these instruments have active markets.

The following table summarizes each class of the Plan's investments at fair value as of December 31, 2010:
Investments at fair value as of December 31, 2010

	Level 1	Level 2	Level 3	Total	
Common/Collective Trust ("CCT"):					
Bond fund	$—	$19,859,689	$ —	$19,859,689	
Total CCT	—	19,859,689	—	19,859,689	
Mutual Funds:					
Asset allocation/lifecycle funds	51,417,290	—	—	51,417,290	
Blend fund	19,345,164	—	—	19,345,164	
Bond funds	25,165,133	—	—	25,165,133	
Growth funds	38,729,244	—	—	38,729,244	
Domestic value funds	24,702,736	—	—	24,702,736	
International value fund	19,830,562	(108,308)	(7,947)		(133,146)

Other (income) expense					
Interest income	(2,416)	-	(2,416)	-	(2,416)
Interest expense	2,625	-	2,625	-	2,625
	209	-	209	-	209
Loss before income taxes	(88,929)	(6,347)	(108,517)	(7,947)	(133,355)
Provision for income taxes	-	-	-	-	-
Net Loss	$(88,929)	$(6,347)	$(108,517)	$(7,947)	$(133,355)
Per Share Data:					
Basis & Diluted loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.00)	
Weighted average shares Outstanding basic and diluted	85,000,018	79,157,268	85,000,018	77,044,169	

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Cahaba Pharmaceuticals, Inc.
(A Development Stage Enterprise)
Statement of Shareholder's Equity (Deficit)
For the Period from September 23, 2009 (Inception) to April 30, 2011
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Deficit Accumulated During Development Stage	Total
Inception – September 23, 2009	-	$-	$-	$ -	$-
Common shares issued to Founder for cash at $0.001 per share (par value $0.0001) on September 23, 2009	75,000,018	7,500	1,500	-	9,000
Loss for the period from inception on September 23, 2009 to October 31, 2009	-	-	-	(3,579)	(3,579)
Balance – October 31, 2009	75,000,018	7,500	1,500	(3,579)	5,421
Private placement of 1,200,000 common shares ($0.0001 par value) on March 25, 2010 @ $0.01 per share	10,000,000	1,000	11,000		12,000
Net Loss				(21,259)	(21,259)
Balance – October 31, 2010	85,000,018	8,500	12,500	(24,838)	(3,838)
Net Loss				(108,517)	(108,517)
Balance – April 30, 2011	85,000,018	$8,500	$12,500	$ (133,355)	$(112,355)

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Cahaba Pharmaceuticals, Inc.
(A Development Stage Enterprise)
Statements of Cash Flows
For the Six Month Periods Ended April 30, 2011 and 2010, and
For the Period from September 23, 2009 (Inception) to April 30, 2010
(Unaudited)

	For the Six Months Ended April 30, 2011	For the Six Months Ended April 30, 2010	For the Period from Inception September 23, 2009 to April 30, 2011
OPERATING ACTIVITIES			
Loss for the period	$(108,517)	$(7,947)	$ (133,355)
Changes in Operating Assets and Liabilities:			
Increase in interest receivable	(2,416)	-	(2,416)
Increase in accounts payables and accrued expenses	102,345	400	105,845
Net cash (used in) operating activities	(8,588)	(7,547)	(29,926)
INVESTING ACTIVITIES			
Purchase of investments	(300,000)	-	(300,000)
Net cash used in investing activities	(300,000)	-	(300,000)
FINANCING ACTIVITIES			
Proceeds from private placement of common stock	-	12,000	21,000
Issuance of 10% convertible notes	315,000	-	315,000
Loans from shareholders	-	-	600
Net cash provided by financing activities	315,000	12,000	336,600
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,412	4,453	6,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	262	5,421	-
CASH AND CASH EQUIVALENTS AT END OF PERIODS	$6,674	$9,874	$ 6,674
Supplemental Cash Flow Disclosures:			
Cash paid for:			
Interest expense	$-	$-	$ -
Income taxes	$-	$-	$ -

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Cahaba Pharmaceuticals, Inc.
(A Development Stage Enterprise)
Notes to Condensed Financial Statements

NOTE 1. GENERAL ORGANIZATION AND DESCRIPTION OF BUSINESS

Cahaba Pharmaceuticals, Inc. ("Cahaba" or the "Company") is a development stage company, incorporated under the name MIB Digital, Inc., in the State of Florida on September 23, 2009, to develop and operate an advertising and subscription supported content management platform capable of delivering video, audio and related advanced multimedia programming to broadband, Internet Protocol television (IPTV) and a wide variety of wireless mobile devices ranging from low cost mobile telephones to wireless-enabled Portable Digital Assistants (PDAs).

On August 24, 2010, pursuant to an agreement and plan of merger with our special purpose wholly-owned subsidiary Cahaba Pharmaceuticals, Inc., a Nevada corporation, we merged with and into Cahaba Pharmaceuticals, Inc., with Cahaba Pharmaceuticals, Inc., as the surviving corporation. The purpose of the merger was to re-domicile the Company from Florida to Nevada, to change its name and to effect a recapitalization. Cahaba Pharmaceuticals, Inc., was incorporated on August 20, 2010, for the sole purpose of effecting the merger, with an authorized capital stock of 300,000,000 shares of common stock, par value $0.0001 per share, and 10,000,000 shares of "blank check" preferred stock, par value $0.0001 per share.

In the merger, each share of the common stock, par value $0.0001 per share, of the Company was automatically converted into eight and one-third (8) shares of Cahaba Pharmaceuticals, Inc., common stock, par value $0.0001 per share.

All share and per share data in this report gives retroactive effect to the eight and one-third for one (8-1/3:1) forward split of our stock.

Our executive offices are located at 517 NW 8 Terrace, Cape Coral, Florida 33993.

NOTE 2. BASIS OF PRESENTATION, LIQUIDITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

From our inception on September 23, 2009 through April 30, 2011, the Company has had no significant operating history and has generated no revenues. We operate and report as a development stage enterprise as defined under FAS ASC 915, Development Stage Entities.

Liquidity

As of April 30, 2011 we had $6,674 in cash, a working capital deficit of $112,355 and a deficit accumulated during development stage of $133,355.

These factors, among others, raise substantial doubt about our ability to continue as a going concern. Due to our financial condition, the report of our independent registered public accounting firm on our October 31, 2010 audited financial statements includes an explanatory paragraph indicating that these conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of these uncertainties.

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We have commenced implementing, and will continue to implement, various measures to address our financial condition, including:

- continuing to seek debt and equity financing or funding through strategic partnerships,
- curtailing operations, where feasible, to conserve cash, and
- investigating and pursuing transactions, including mergers, and other business combinations and relationships deemed by the board of directors to present attractive opportunities to enhance stockholder value.

For the six months ended April 30, 2011 and fiscal year ended October 31, 2010, cash on hand and cash received through the sale of our common stock has been used to fund our limited operations.

Cash and Cash Equivalents

Cash and cash equivalents are reported in the balance sheet at cost, which approximates fair value. For the purpose of the financial statements cash equivalents include all highly liquid investments with maturity of three months or less.

Earnings (Loss) per Share

The Company has adopted FAS ASC 260, Earnings Per Share. Basic earnings (loss) per share are calculated by dividing the Company’s net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share are calculated by dividing the Company’s net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity. There are no diluted shares outstanding for any periods reported.

Dividends

The Company has not adopted any policy regarding payment of dividends. No dividends have been paid during the periods shown, and none are contemplated in the near future.

Income Taxes

The Company adopted FASB ASC 740, Income Taxes, at its inception. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets, including tax loss and credit carryforwards, and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income tax expense represents the change during the period in the deferred tax assets and deferred tax liabilities. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. No deferred tax assets or liabilities were recognized as of April 30, 2011 or October 31, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Cost Recognition

The Company has no current source of revenue; however, the Company has adopted FAS ASC 605, Revenue Recognition and intends to recognize revenue under these guidelines.

Property

The Company does not own any real estate or other properties. The Company's office is located 517 NW 8 Terrace, Cape Coral, Florida 33993. The business office is located at the home of Kenneth Spiegeland, the CEO of the Company, at no charge to the Company.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued accounting pronouncements. The adoption of the accounting pronouncements, including those not yet effective, is not anticipated to have a material effect on the financial position or results of operations of the Company.

NOTE 3. MERGER AND REORGANIZATION

On August 24, 2010, pursuant to our agreement and plan of merger with our special purpose wholly-owned subsidiary Cahaba Pharmaceuticals, Inc., a Nevada corporation, we merged with and into Cahaba Pharmaceuticals with Cahaba Pharmaceuticals as the surviving corporation. The purpose of the merger was to re-domicile the Company from Florida to Nevada, to change its name and to effect a recapitalization. Cahaba Pharmaceuticals was incorporated on August 20, 2010 for the sole purpose of effecting the merger, with an authorized capital stock of 300,000,000 shares of common stock, par value $0.0001 per share, and 10,000,000 shares of "blank check" preferred stock, par value $0.0001 per share.

The merger was approved on August 23, 2010, by written consent of the Company's board of directors and by the written consent of the holder of a majority of the Company's outstanding shares. No meeting of stockholders of the Company was required under Florida law.

In the merger, each share of the common stock, par value $0.0001 per share, of the Company was automatically converted into eight and one-third (8) shares of Cahaba Pharmaceuticals' common stock, par value $0.0001 per share (subject to statutory appraisal rights of stockholders whose consent to the merger was not obtained). (Share and per share numbers of the Company's common stock in this report have not been retroactively adjusted to reflect this recapitalization.) Immediately after the merger all of the outstanding common stock of the Company were cancelled and represent only the right to receive shares of Cahaba Pharmaceuticals or to exercise appraisal rights.

The effects of the merger were as follows:

1. The Company was renamed “Cahaba Pharmaceuticals, Inc.” That is, by operation of the merger, Cahaba Pharmaceuticals is the surviving corporation and successor in interest to the Company.

2. The Company was re-domiciled in Nevada. That is, Cahaba Pharmaceuticals, as successor to the Company as a result of the merger, is a Nevada corporation.

3. The authorized capital stock of the Company was increased to 300,000,000 shares of common stock and 10,000,000 shares of “blank check” preferred stock. That is, by operation of the merger, the authorized capital stock of Cahaba Pharmaceuticals became the combined entity’s authorized capital stock.

4. The 10,200,000 shares of the Company’s common stock outstanding prior to the merger were converted into 85,000,000 shares of common stock (subject to rounding up for fractional shares) of Cahaba Pharmaceuticals; the outstanding capital stock of Cahaba Pharmaceuticals following the merger was 85,000,018 shares of common stock and no shares of preferred stock.

5. The directors of the Company immediately preceding the merger became the directors of Cahaba Pharmaceuticals on and after the effectiveness of the merger, and the officers of the Company immediately preceding the merger became the officers of Cahaba Pharmaceuticals on and after the effectiveness of the merger.

The merger did not result in any change in the business, management, location of principal executive offices, assets, liabilities, net worth, accounting practices or control of the Company.

Cahaba Pharmaceuticals, as the successor registrant, will continue to file reports under Section 15(d) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

NOTE 4. NOTES PAYABLE AND RECEIVABLE

We (i) had been negotiating a reverse triangular merger with DataCom Systems, Incorporated (“DataCom”) (the “Merger”) and (ii) had intended to conduct a private placement offering (the “PPO”) for a minimum of 8,000,000 units (“Units”) of the Company’s securities, each Unit consisting of one share of the Company’s common stock, par value $0.0001 (the “Common Stock”), and a warrant to purchase one share of Common Stock for five (5) years, to close simultaneously with the closing of the Merger.

We have terminated the negotiation with DataCom regarding the Merger and the PPO, and are currently looking at other potential transactions of merit as means of enhancing shareholder value. This may involve sales of our equity or debt securities in merger or acquisition transactions.

In anticipation of the Merger with DataCom, on each of March 15, 2011 and April 15, 2011 we sold in a private placement (the “Bridge Offering”) $150,000 principal amount (an aggregate principal amount of $300,000) of our 10% Secured Convertible Promissory Notes (the “Bridge Notes”). The Bridge Notes will mature on April 14, 2012. Accrued interest will be payable at maturity or upon earlier conversion.

The net proceeds of the sale of the Bridge Notes were utilized by us to make a secured loan (the “Bridge Loan”) to DataCom. On each of March 15, 2011 and April 15, 2011, DataCom issued to us $150,000 principal amount (an aggregate principal amount of $300,000) of its 10% Secured Bridge Loan Promissory Notes (the “DataCom Notes”). The DataCom Notes will mature on April 14, 2012. Accrued interest will be payable at maturity. Upon the consummation of the Merger, all indebtedness of DataCom to us (including accrued interest) represented by the

DataCom Notes would have been deemed canceled and paid in full. The obligation of DataCom under the DataCom Notes remains outstanding.

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Holders of the Bridge Notes ("Holders") are entitled, at their option, at any time and from time to time from and after 70 days after the earlier of (i) April 30, 2011, if the Merger and the PPO shall not have closed by such date, and (ii) the date of termination or abandonment of negotiation of the Merger and the PPO prior to April 20, 2011, and until the Bridge Notes are fully paid, to convert all or any part of the outstanding principal amount of the Bridge Notes, plus accrued and unpaid interest thereon to the date of conversion, into shares of our Common Stock at a price of $0.10 per share (subject to adjustment in certain circumstances). All of the outstanding principal amount of, and accrued but unpaid interest on, the Bridge Notes would have been automatically converted into Units simultaneously with the closing of the Merger and the PPO at a price of $0.25 per Unit (subject to adjustment in certain circumstances); and, upon the closing of the Merger and the PPO, we would have issued to the initial purchasers of the Bridge Notes, for each $0.25 of principal amount of the Bridge Notes purchased, a warrant to purchase one share of Common Stock, exercisable for a period of five years at $0.25 per share (subject to adjustment in certain circumstances). Conversion of the Bridge Notes by any Holder is subject to a customary 4.99% "blocker."

The Bridge Notes are secured by: (i) a first priority security interest in favor of the Holders in all of our tangible and intangible assets relating to DataCom or the Merger, the PPO, the Bridge Loan and the related transactions, now owned or hereafter acquired by the Company; (ii) a first priority security interest in favor of the Holders in all of the tangible and intangible assets of DataCom now owned or hereafter acquired by DataCom; and (iii) a pledge in favor of the Holders by certain shareholders of DataCom of approximately 63% of the capital stock of DataCom.

The Company has recognized deferred legal fees in connection with this transaction totaling $83,675, which were expensed upon termination of discussions as required under ASC 340- Other Assets and Deferred Costs.

On March 31, 2011, the Company issued a promissory note in the principal amount of $15,000 to an institutional investor for cash. The promissory note bears interest at 10% per annum with principal and all accrued interest due September 1, 2012 (the "Maturity Date"). Principal and interest due and not timely paid shall bear interest at a rate of 12% per annum. The Company has the right to prepay all or a portion of the amount due prior to the Maturity Date without premium or penalty. No placement fees were paid in connection with this transaction.

NOTE 5. STOCKHOLDERS' EQUITY

We are authorized to issue up to 300,000,000 shares of common stock, $0.001 par value per share. At April 30, 2011 and April 30, 2010, the Company had 85,000,018 shares and 75,000,018 shares outstanding, respectively. Holders are entitled to one vote for each share of common stock (or its equivalent).

We are also authorized to issue up to 10,000,000 shares of preferred stock. At April 30, 2011 and October 31, 2010, no preferred stock had been designated, issued or was outstanding.

Since inception, September 23, 2009, the Company's board of directors has not adopted any stock option, stock award or deferred compensation plans.

On September 23, 2009, the Company issued 75,000,018 of its $0.0001 par value common stock for $9,000 cash to the founders of the Company. The issuance of the shares was made to the sole officer and director of the Company and an individual who is a sophisticated and accredited investor, therefore, the issuance was exempt from registration of the Securities Act of 1933 by reason of Section 4 (2) of that Act.

On March 25, 2010, the Company issued 10,000,000 shares of common stock to 24 investors in accordance with Form S-1 (SEC File No. 333-163172) for cash and consideration of $12,000.

All share and per share information in this report gives retroactive effect to a 8-1/3 to 1 (8-1/3:1) forward stock split effective August 24, 2010.

NOTE 6. RELATED PARTY TRANSACTIONS

Our executive office, located at 517 NW 8 Terrace, Cape Coral, Florida 33993, is provided to the Company rent free by our Chief Executive Officer, Kenneth Spiegeland.

Our sole officer and director of the Company at October 31, 2010, Scott Hughes, owns 75,000,000 common shares representing approximately a 88% ownership interest. Accordingly, he is in a position to elect all new directors and dissolve, merge or sell our assets or otherwise direct our affairs. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control and may impede a merger consolidation, takeover or other business combination involving the Company.

On November 15, 2010, Scott Hughes resigned as a director, Chief Executive Officer, President, Secretary and Treasurer of the Company. On November 15, 2010, Marc Lichtenstein was appointed by the Board of Directors to assume the positions formerly held by Mr. Hughes.

On February 1, 2011, Marc Lichtenstein resigned as director, Chief Executive Officer, President, Secretary and Treasurer of the Company. On February 1, 2011, the Board of Directors (a) increased the number of directors constituting the Board of Directors to two; (b) appointed Kenneth Spiegeland as a director and as Chief Executive Officer, Chief Financial Officer, President, Secretary and Treasurer of the Company; and (c) appointed Richard Ringel as a director of the Company, effective immediately. Each new director is to serve until the next annual meeting of shareholders or until his successor is duly elected and qualified or his earlier death, resignation or removal.

During the fourth fiscal quarter, three shareholders made advances to the Company totaling $600 for payment of professional fees. The advances bear no interest, are not collateralized and are due on demand.

NOTE 7. SUBSEQUENT EVENTS

We have evaluated events and transactions subsequent to April 30, 2011 through the date the financial statements were issued, for potential recognition or disclosure in the accompanying financial statements. Other than the disclosures above, we did not identify any events or transactions through July 7, 2011 that should be recognized or disclosed in the accompanying financial statements.

ITEM 2.MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Overview

Cahaba Pharmaceuticals, Inc. is a development stage company and was incorporated under the name MIB Digital, Inc., in Florida on September 23, 2009, to develop and operate an advertising and subscription supported content management platform. As of the date of this report, the Company has no operations and in accordance with SFAS #7 is considered to be in the development stage.

Recent Developments

We (i) had been negotiating a reverse triangular merger with DataCom Systems, Incorporated (“DataCom”) (the “Merger”) and (ii) had intended to conduct a private placement offering (the “PPO”) for a minimum of 8,000,000 units (“Units”) of the Company’s securities, each Unit consisting of one share of the Company’s common stock, par value $0.0001 (the “Common Stock”), and a warrant to purchase one share of Common Stock for five (5) years, to close simultaneously with the closing of the Merger.

We have terminated the negotiation with DataCom regarding the Merger and the PPO, and are currently looking at other potential transactions of merit as means of enhancing shareholder value. This may involve sales of our equity or debt securities in merger or acquisition transactions.

In anticipation of the Merger with DataCom, on each of March 15, 2011 and April 15, 2011 we sold in a private placement (the “Bridge Offering”) $150,000 principal amount (an aggregate principal amount of $300,000) of our 10% Secured Convertible Promissory Notes (the “Bridge Notes”). The Bridge Notes will mature on April 14, 2012. Accrued interest will be payable at maturity or upon earlier conversion.

The net proceeds of the sale of the Bridge Notes were utilized by us to make a secured loan (the “Bridge Loan”) to DataCom. On each of March 15, 2011 and April 15, 2011, DataCom issued to us $150,000 principal amount (an aggregate principal amount of $300,000) of its 10% Secured Bridge Loan Promissory Notes (the “DataCom Notes”). The DataCom Notes will mature on April 14, 2012. Accrued interest will be payable at maturity. Upon the consummation of the Merger, all indebtedness of DataCom to us (including accrued interest) represented by the DataCom Notes would have been deemed canceled and paid in full. The obligation of DataCom under the DataCom Notes remains outstanding.

Holders of the Bridge Notes (“Holders”) are entitled, at their option, at any time and from time to time from and after 70 days after the earlier of (i) April 30, 2011, if the Merger and the PPO shall not have closed by such date, and (ii) the date of termination or abandonment of negotiation of the Merger and the PPO prior to April 20, 2011, and until the Bridge Notes are fully paid, to convert all or any part of the outstanding principal amount of the Bridge Notes, plus accrued and unpaid interest thereon to the date of conversion, into shares of our Common Stock at a price of $0.10 per share (subject to adjustment in certain circumstances). All of the outstanding principal amount of, and accrued but unpaid interest on, the Bridge Notes would have been automatically converted into Units simultaneously with the closing of the Merger and the PPO at a price of $0.25 per Unit (subject to adjustment in certain circumstances); and, upon the closing of the Merger and the PPO, we would have issued to the initial purchasers of the Bridge Notes, for each $0.25 of principal amount of the Bridge Notes purchased, a warrant to purchase one share of Common Stock, exercisable for a period of five years at $0.25 per share (subject to adjustment in certain circumstances). Conversion of the Bridge Notes by any Holder is subject to a customary 4.99% “blocker.”

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The Bridge Notes are secured by: (i) a first priority security interest in favor of the Holders in all of our tangible and intangible assets relating to DataCom or the Merger, the PPO, the Bridge Loan and the related transactions, now owned or hereafter acquired by the Company; (ii) a first priority security interest in favor of the Holders in all of the tangible and intangible assets of DataCom now owned or hereafter acquired by DataCom; and (iii) a pledge in favor of the Holders by certain shareholders of DataCom of approximately 63% of the capital stock of DataCom.

On March 31, 2011, we issued a promissory note in the principal amount of $15,000 to an institutional investor for cash to be used for working capital. The promissory note bears interest at 10% per annum with principal and all accrued interest due September 1, 2012 (the "Maturity Date"). Principal and interest due and not timely paid shall bear interest at a rate of 12% per annum. The Company has the right to prepay all or a portion of the amount due prior to the Maturity Date without premium or penalty. No placement fees were paid in connection with this transaction.

Results of Operations

The following discussion should be read in conjunction with the accompanying financial statements and the notes thereto.

The Company has no operations and has not generated any revenue during the period from September 23, 2009 (inception) through April 30, 2011.

Expenses for the three month and six month periods ended April 30, 2011 totaled $88,929 and $108,517, respectively. Expenses for the comparable periods 2010 totaled $6,347 and $7,947, respectively, and reflected general administrative expenses including professional, filing and bank fees. Costs incurred for the quarter ending April 30, 2011 included $83,675 in previously deferred legal fees related to a proposed reverse triangular merger for which negotiations were terminated during the quarter and interest expense totaling $2,625 attributable to the Company's 10% secured convertible promissory notes issued during our second fiscal quarter.

Basic and diluted loss per share was $0.000 for the three month and six month periods ended April 30, 2011 and 2010, respectively.

Liquidity and Capital Resources

The report of our auditors on our audited financial statements for the fiscal year ended October 31, 2010, contains a going concern qualification, as we have suffered losses since our inception. As reflected in the accompanying financial statements, we are in the development stage with no operations. We have minimal assets and have achieved no operative revenues since our inception. Unless and until we commence material operations and achieve material revenues, we will remain dependent on financings to continue our operations.

Cash used in operating activities for the six month periods ended April 30, 2011 and 2010 totaled $8,588 and $7,547, respectively, and reflected funds expended primarily on professional fees including audit fees.

Since our inception, we have been financed primarily by sales of our common stock. From September 23, 2009 (inception) through April 30, 2011, we raised $21,000 from sales of shares of common stock.

Our lack of operations and revenues and our net loss incurred raise substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern is dependent on our ability to raise additional capital and implement a business plan. The accompanying financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

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On March 15, 2011 and April 15, 2011, we held two closings of the Bridge Offering in the principal amount of $150,000 each. The Notes will mature on April 14, 2012. Accrued interest will be payable at maturity or upon earlier conversion. The net proceeds of the sale of the Notes were utilized by us to make the Bridge Loan to DataCom.

On March 31, 2011, we issued a promissory note in the principal amount of $15,000 to an institutional investor. The promissory note bears interest at 10% per annum with principal and all accrued interest due September 1, 2012. Principal and interest due and not timely paid shall bear interest at a rate of 12% per annum. We have the right to prepay all or a portion of the amount due prior to the Maturity Date without premium or penalty. No placement fees were paid in connection with this transaction.

There can be no assurance that we will be successful in obtaining additional funding in amounts or on terms acceptable to us, if at all. If we are unable to raise additional funding as necessary, we may have to suspend our operations temporarily or cease operations entirely.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("GAAP"). GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 2 of our financial statements. While all these significant accounting policies impact its financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our results of operations, financial position or liquidity for the periods presented in this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Our Disclosure Controls

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report (the “Evaluation Date”). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to us, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. With the participation of our chief executive and financial officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2011, based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control – Integrated Framework. Based upon such evaluation, our management concluded that we did maintain effective internal control over financial reporting as of April 30, 2011, based on the COSO framework criteria.

Officer’s Certification

Appearing as exhibits to this report is the Certification of our principal executive officer and principal financial officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (the “Section 302 Certifications”). This section of the report contains information concerning the Controls Evaluation referred to in the Section 302 Certification. This information should be read in conjunction with the Section 302 Certification for a more complete understanding of the topics presented.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the quarter ended April 30, 2011, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Not applicable to a smaller reporting company.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None, other than as reported in Item 2 herein or as otherwise previously reported.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED)

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit No.	Description
10.1*	Form of Securities Purchase Agreement related to Bridge Offering
10.2*	Form of 10% Secured Convertible Promissory Note related to Bridge Offering
10.3*	Form of Bridge Warrant related to Bridge Offering
10.4*	Form of Security Agreement of the Company related to Bridge Offering
10.5*	Form of Bridge Loan Agreement related to Bridge Offering
10.6*	Form of Pledge Agreement related to Bridge Offering
10.7*	Form of Security Agreement of DataCom related to Bridge Offering
31.1**	Rule 13(a)-14(a)/15(d)-14(a) Certification of principal executive, financial and accounting officer
32.1**	Section 1350 Certification of principal executive, financial and accounting officer

*Filed as an exhibit to our quarterly report on Form 10-Q for the quarter ended January 31, 2011, filed April 20, 2011.

** Filed herewith.

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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 by the undersigned thereunto duly authorized.

Date: July 8, 2011	CAHABA PHARMACEUTICALS, INC.		
	By:		/s/ Kenneth Spiegeland
		Name:	Kenneth Spiegeland
		Title:	Chief Executive Officer and Chief Financial Officer (Principal Executive Officer and Principal Financial and Accounting Officer) and Sole Director

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