

AMERICAN COMMERCE SOLUTIONS Inc

Form 10-Q

February 20, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended November 30, 2008

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

For the transition period from            to

Commission file number: 33-98682

**American Commerce Solutions, Inc.**

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

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization) **05-0460102**  
**1400 Chamber Dr., Bartow, Florida 33830** (IRS Employer  
Identification No.)  
(Address of principal executive offices)  
**(863) 533-0326**  
(Issuer's telephone number)  
N/A  
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  YES  NO.

There were 266,769,522 shares of the Registrant's \$.002 par value common stock outstanding as of November 30, 2008.

Transitional Small Business Disclosure Format (Check one): Yes  No

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**American Commerce Solutions, Inc.**

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American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Balance Sheets

	November 30, 2008 <i>(unaudited)</i>	February 29, 2008
<b>Assets</b>		
Current assets:		
Cash	\$ 1,294	\$ 6,461
Accounts receivable, net of allowance of \$200 and \$1,328, respectively	41,492	36,260
Accounts receivable, factored	66,135	57,104
Inventory	223,901	210,096
Other receivables	42,393	47,123
Other current assets	19,937	39,699
<b>Total current assets</b>	<b>395,152</b>	<b>396,743</b>
Property and equipment, net of accumulated depreciation of \$2,891,457 and \$2,630,808, respectively	4,440,924	4,702,248
Other assets:		
Intangible assets, net of accumulated amortization of \$190,000 and \$166,778		23,222
Other assets	24,000	
	\$ 4,860,076	\$ 5,122,213
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Current portion of notes payable	\$ 1,333,468	\$ 1,349,377
Current portion of notes payable, related parties	785,999	591,336
Bank overdraft	23,253	6,571
Accounts payable, including amounts due to related parties of \$257,989 and \$216,158, respectively	683,336	507,290
Accrued expenses	178,770	178,377
Accrued interest	263,935	208,456
Deferred revenue	94,023	116,655
<b>Total current liabilities</b>	<b>3,362,784</b>	<b>2,958,062</b>
Due to stockholders	1,249,410	1,075,110
Notes payable, net of current portion	37,392	44,867
	4,649,586	4,078,039

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Stockholders' equity:		
Preferred stock, total authorized 5,000,000 shares:	3	3
Series A; cumulative and convertible; \$.001 par value; 600 shares authorized; 102 shares issued and outstanding; liquidating preference \$376,125		
Series B; cumulative and convertible; \$.001 par value; 3,950 shares authorized; 3,944 shares issued and outstanding; liquidating preference \$3,944,617		
Common stock; \$.002 par value; 350,000,000 shares authorized; 267,291,522 and 251,272,293 shares issued; 266,769,522 and 250,750,293 shares outstanding, respectively	534,584	502,545
Additional paid-in capital	19,144,980	19,068,088
Stock subscription receivable	(10,000)	(10,000)
Treasury stock, at cost	(265,526)	(265,526)
Prepaid loan costs	(27,233)	
Accumulated deficit	(19,166,318)	(18,250,936)
<b>Total stockholders' equity</b>	<b>210,490</b>	<b>1,044,174</b>
	<b>\$ 4,860,076</b>	<b>\$ 5,122,213</b>

*The accompanying notes are an integral part of the consolidated financial statements.*

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## American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Statements of Operations

*(unaudited)*

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2007	2008	2007
Net sales	\$ 732,418	\$ 771,342	\$ 1,921,620	\$ 2,196,226
Cost of goods sold	440,378	429,655	1,128,200	1,276,851
Gross profit	292,040	341,687	793,420	919,375
Selling, general and administrative expenses	502,345	504,510	1,550,460	1,546,329
Loss from operations	(210,305)	(162,823)	(757,040)	(626,954)
Other income (expense):				
Other	(381)	178	9,771	671
Interest expense	(54,299)	(44,932)	(168,113)	(136,959)
Total other (expense)	(54,680)	(44,754)	(158,342)	(136,288)
Net loss	\$ (264,985)	\$ (207,577)	\$ (915,382)	\$ (763,242)
Net loss per common share	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
Weighted average number of common shares outstanding	266,759,522	250,750,293	266,594,767	249,174,024

*The accompanying notes are an integral part of the consolidated financial statements*

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American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Nine Months Ended November 30, 2008 (unaudited)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount
Balance, February 29, 2008	251,272,293	\$ 502,545	3,944	\$ 3
Common shares issued for guaranty (unaudited)	5,339,743	10,680		
Common shares issued for pledge of assets (unaudited)	10,679,486	21,359		
Amortization of loan costs (unaudited)				
Net loss (unaudited)				
Balance, November 30, 2008 (unaudited)	267,291,522	\$ 534,584	3,944	\$ 3

Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Loan Costs	Total
\$ 19,068,088	\$ (10,000)	\$ (18,250,936)	\$ (265,526)	\$	\$ 1,044,174
25,630				(36,310)	
51,262				(72,621)	
				81,698	81,698
		(915,382)			(915,382)
\$ 19,144,980	\$ (10,000)	\$ (19,166,318)	\$ (265,526)	\$ (27,233)	\$ 210,490

*The accompanying notes are an integral part of the consolidated financial statements*

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## American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

*(unaudited)*

	<b>Nine Months Ended November 30,</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating activities:</b>		
Net loss	\$ (915,382)	\$ (763,242)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	299,414	312,267
Amortization of stock issued for services	81,698	84,481
Gain on sale of equipment	(10,168)	
Increase (decrease) in allowance for doubtful accounts	(1,128)	(1,296)
(Increase) decrease in:		
Accounts receivables	(4,104)	52,075
Inventory	(13,805)	32,240
Other assets	7,606	(2,914)
Increase (decrease) in:		
Accounts payable and accrued expenses	250,149	(74,397)
Deferred income	(22,632)	31,570
<b>Net cash used by operating activities</b>	<b>(328,352)</b>	<b>(329,216)</b>
<b>Investing activities:</b>		
Decrease (increase) in other receivables	16,886	13,319
Acquisition of property and equipment	(28,700)	(131,734)
<b>Net cash used by investing activities</b>	<b>(11,814)</b>	<b>(118,415)</b>
<b>Financing activities:</b>		
Increase (decrease) in checks drawn in excess of bank balance	16,682	(6,620)
(Increase) decrease in due from factor	(9,031)	7,797
Proceeds from notes payable and long-term debt	328,899	483,240
Principal payments on notes payable and long-term debt	(175,851)	(259,443)
Increase in due to related party		35,917
Increase in due to stockholders	174,300	174,300
<b>Net cash provided by financing activities</b>	<b>334,999</b>	<b>435,191</b>
<b>Net decrease in cash</b>	<b>(5,167)</b>	<b>(12,440)</b>
<b>Cash, beginning of period</b>	<b>6,461</b>	<b>16,634</b>
<b>Cash, end of period</b>	<b>\$ 1,294</b>	<b>\$ 4,194</b>
<b>Supplemental disclosures of cash flow information and noncash investing and financing activities:</b>		
Cash paid during the period for interest	\$ 113,172	\$ 111,638





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During the nine months ended November 30, 2008 and 2007, the Company issued 16,019,229 and 9,816,309 shares of common stock to a related party and related company, respectively, valued at \$108,931 and \$112,642, respectively, in exchange for guarantees of a note payable. As of November 30, 2008 and 2007, \$81,698 and \$84,481, respectively, of these guaranty fees have been amortized.

During the nine months ended November 30, 2008, the Company exchanged equipment with a net book value of \$13,832 for a \$24,000 investment in common stock of another company.

During the nine months ended November 30, 2007, the Company transferred \$20,000 from notes payable and \$3,000 of accrued interest, related party to other payables, related party. Subsequent to the transfer, the Company issued the related party 1,916,667 shares of common stock for the acceptance of the assignment of debt.

During the nine months ended November 30, 2008 and 2007, the Company increased notes payable by \$18,232 and \$18,232, respectively for an accrual of interest.

*The accompanying notes are an integral part of the consolidated financial statements.*

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American Commerce Solutions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As of November 30, 2008 and for the

Three and Nine Months Ended November 30, 2008 and 2007

(unaudited)

**1. Background Information**

American Commerce Solutions, Inc. was incorporated in Rhode Island in 1991 under the name Jaque Dubois, Inc., and was re-incorporated in Delaware in 1994. In July 1995, Jaque Dubois, Inc. changed its name to JD American Workwear, Inc. In December 2000, the stockholders voted at the annual stockholders meeting to change the name of JD American Workwear, Inc. to American Commerce Solutions, Inc. (the Company).

The Company is primarily a holding company with two wholly owned subsidiaries; International Machine and Welding, Inc. is engaged in the machining and fabrication of parts used in industry, and parts sales and service for heavy construction equipment; Chariot Manufacturing Company, Inc., which was acquired on October 11, 2003 from a related party, manufactures motorcycle trailers with fiberglass bodies.

**2. Stock Based Compensation**

At November 30, 2008, the Company has two stock-based employee compensation plans, all of which have been approved by the shareholders.

The Company previously applied the intrinsic value method provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations for stock-based compensation. Accordingly, the Company recognized compensation expense on our restricted stock awards, but no compensation expense was recognized for fixed option plans as all option grants under the plan had an exercise price equal or greater to the fair market value of the underlying common stock on the date of grant. As permitted, the Company had previously elected to adopt the disclosure-only provisions of Statement of Financial Accounting Standard No. 123, *Accounting for Stock-Based Compensation*.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS 123R), which replaces SFAS No. 123; *Accounting for Stock-Based Compensation*, (SFAS 123) and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*, (APB 25). SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under SFAS 123R, the Company is required to measure the cost of employee services received in exchange for stock options and similar awards based on the grant-date fair value of the award and recognize this cost in the income statement over the period during which an employee is required to provide service in exchange for the award. The pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition. The Company adopted SFAS 123R on March 1, 2006 using the modified prospective method, which did not require the recognition of any non-cash charges, as there were no unvested stock options on that date.

The fair value concepts were not changed significantly in FAS 123R; however, in adopting FAS 123R, companies must choose among alternative valuation models and amortization assumptions. After assessing alternative valuation models and amortization assumptions, the Company will continue using the Black-Scholes valuation model and has elected to use the ratable method to amortize compensation expense over the vesting period of the grant.

The value of each grant under FAS 123R is estimated at the grant date using the Black-Scholes option model. There were no options granted during the three and nine months ended November 30, 2008 and 2007.

**3. Going Concern**

The Company has incurred substantial operating losses since inception and has used approximately \$328,400 of cash in operations for the nine months ended November 30, 2008. The Company recorded



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losses from continuing operations of approximately \$265,000 and \$915,400 for the three and nine months ended November 30, 2008, respectively. Current liabilities exceed current assets by approximately \$2,967,600 at November 30, 2008. Additionally, the Company is in default on several notes payable. The ability of the Company to continue as a going concern is dependent upon its ability to reverse negative operating trends, raise additional capital, and obtain debt financing.

Management has revised its business strategy to include expansion into other lines of business through the acquisition of other products to manufacture. Management will continue to seek new sources of financing at more favorable terms. However, there can be no assurance that the Company will be able to raise capital, obtain debt financing, or improve operating results sufficiently to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

**4. Basis of Presentation**

In the opinion of management, all adjustments consisting only of normal recurring adjustments necessary for a fair statement of (a) the results of operations for the three and nine month periods ended November 30, 2008 and 2007, (b) the financial position at November 30, 2008, and (c) cash flows for the nine month periods ended November 30, 2008 and 2007, have been made.

The unaudited consolidated financial statements and notes are presented as permitted by Form 10-Q. Accordingly, certain information and note disclosures normally included in condensed financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and notes should be read in conjunction with the audited consolidated financial statements and notes of the Company for the fiscal year ended February 29, 2008. The results of operations for the three and nine month periods ended November 30, 2008 are not necessarily indicative of those to be expected for the entire year.

**5. Accounts Receivable, Factored**

During the three and nine months ended November 30, 2008, the Company factored receivables of approximately \$481,700 and \$1,347,800, respectively. In connection with the factoring agreement, the Company incurred fees of approximately \$16,500 and \$48,300 during the three and nine months ended November 30, 2008, respectively. As of November 30, 2008 and February 29, 2008, certain customers had remitted \$17,346 and \$6,237, respectively, to the Company on factored receivables; the Company recorded this amount as due to the factor and it is included in accrued expenses on the accompanying consolidated balance sheets. Any and all of the Company's indebtedness and obligations to the Factoring Company is guaranteed by two directors and collateralized by the Company's inventory and fixed assets.

**6. Segment Information**

The Company has two reportable segments during 2008 and 2007; manufacturing and fiberglass. Although both of these segments are in the manufacturing industry, they provide different types of products and services and each segment is subject to different marketing, production and technology strategies. Therefore, for the three and nine months ended November 30, 2008 and 2007 the Company has included segment reporting.

For the three months ended November 30, 2008, information regarding operations by segment is as follows:

	<b>Manufacturing</b>	<b>Fiberglass</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 646,973	\$ 85,445		\$ 732,418
Interest expense, net	\$ 36,248	\$ 7,830	\$ 10,221	\$ 54,299
Depreciation and amortization	\$ 63,466	\$ 33,033	\$ 57	\$ 96,556
Net loss	\$ 31,218	\$ 61,119	\$ 172,648	\$ 264,985
Property and equipment, net of accumulated depreciation	\$ 3,789,431	\$ 651,493	\$	\$ 4,440,924
Segment assets	\$ 4,119,081	\$ 708,994	\$ 32,001	\$ 4,860,076

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For the nine months ended November 30, 2008, information regarding operations by segment is as follows:

	<b>Manufacturing</b>	<b>Fiberglass</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 1,697,479	\$ 224,141		\$ 1,921,620
Interest expense	\$ 110,243	\$ 21,568	\$ 36,302	\$ 168,113
Depreciation and amortization	\$ 189,359	\$ 109,653	\$ 402	\$ 299,414
Net loss	\$ 79,058	\$ 252,179	\$ 584,145	\$ 915,382

For the three months ended November 30, 2007, information regarding operations by segment is as follows:

	<b>Manufacturing</b>	<b>Fiberglass</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 716,219	\$ 55,123		\$ 771,342
Interest expense, net	\$ 31,943	\$ 4,939	\$ 8,050	\$ 44,932
Depreciation and amortization	\$ 66,870	\$ 37,216	\$ 173	\$ 104,259
Net income (loss)	\$ 53,260	\$ (81,213)	\$ (179,624)	\$ (207,577)
Property and equipment, net of accumulated depreciation	\$ 4,011,410	\$ 750,203	\$ 575	\$ 4,762,188
Segment assets	\$ 4,256,590	\$ 841,189	\$ 41,280	\$ 5,139,059

For the nine months ended November 30, 2007, information regarding operations by segment is as follows:

	<b>Manufacturing</b>	<b>Fiberglass</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 2,052,243	\$ 143,983		\$ 2,196,226
Interest expense	\$ 97,969	\$ 17,246	\$ 21,744	\$ 136,959
Depreciation and amortization	\$ 200,099	\$ 111,650	\$ 518	\$ 312,267
Net income (loss)	\$ 36,671	\$ (214,033)	\$ (585,880)	\$ (763,242)

Segment 1, manufacturing, consists of International Machine and Welding, Inc. and derives its revenues from machining operations, sale of parts and service. Segment 2, fiberglass, consists of Chariot Manufacturing Company, Inc. and derives its revenues from the manufacture, sale and service of fiberglass trailers, boats and cars.

**7. Inventories**

Inventories consist of the following:

	<b>November 30, 2008</b>	<b>February 29, 2008</b>
Work-in-process	\$ 28,831	\$ 15,941
Raw materials	195,070	194,155
<b>Total inventories</b>	<b>\$ 223,901</b>	<b>\$ 210,096</b>

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**8. Related Party Transactions**

During the three and nine months ended November 30, 2008 and 2007, two executives who are stockholders of the Company deferred \$58,100, \$174,300, \$58,100 and \$174,300, respectively, of compensation earned during the periods. The balance due to stockholders at November 30, 2008 and February 29, 2008, totaled \$1,249,410 and \$1,075,110, respectively. The amounts are unsecured, non-interest bearing, and have no specific repayment terms.

During the nine months ended November 30, 2008 and 2007 the Company issued 16,019,229 and 9,816,309 shares of common stock, respectively, to a related party and a related company valued at \$108,931 and \$112,642, respectively, in exchange for a guarantee of a note payable.

The above amounts are not necessarily indicative of the amounts that would have been incurred had comparable transactions been entered into with independent parties.

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### **PART I FINANCIAL INFORMATION**

#### **ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS**

This FILING contains forward-looking statements. The words anticipated, believe, expect, plan, intend, seek, estimate, project, w and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect the Company's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, general economic and business conditions, changes in foreign, political, social, and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to achieve further market penetration and additional customers, and various other matters, many of which are beyond the Company's control. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those ANTICIPATED, believed, estimated, or otherwise indicated. Consequently, all of the forward-looking statements made in this FILING are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

The Company cautions readers that in addition to important factors described elsewhere, the following important facts, among others, sometimes have affected, and in the future could affect, the Company's actual results, and could cause the Company's actual results during 2009 and beyond, to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

This Management's Discussion and Analysis or Plan of Operation presents a review of the consolidated operating results and financial condition of the Company for the nine month periods ended November 30, 2008 and 2007. This discussion and analysis is intended to assist in understanding the financial condition and results of operation of the Company and its subsidiaries. This section should be read in conjunction with the consolidated financial statements and the related notes.

#### **RESULTS OF OPERATIONS**

The Company owns two subsidiaries that operated in the manufacturing segment and the fiberglass segment during the three and nine months ended November 30, 2008 and 2007. To facilitate the readers understanding of the Company's financial performance, this discussion and analysis is presented on a segment basis.

#### **MANUFACTURING SUBSIDIARY**

The manufacturing subsidiary, International Machine and Welding, Inc., generates its revenues from three divisions. Division 1 provides specialized machining and repair services to heavy industry and original equipment manufacturers. Division 2 provides repair and rebuild services on heavy equipment used in construction and mining. Division 3 provides parts sales for heavy equipment directly to the customer. The primary market of this segment is the majority of central and south Florida with parts sales expanding its market internationally. The current operations can be significantly expanded using the 38,000 square foot structure owned by International Machine and Welding, Inc.

#### **FIBERGLASS SUBSIDIARY**

Chariot Manufacturing Company manufactures a variety of fiberglass parts, as well as, motorcycle trailers with fiberglass bodies. These trailers are sold both on the retail and dealer levels. The company also provides non warranty repairs, modification of existing Chariot Trailers.



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**COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2008 AND 2007.**

General

The Company's consolidated net sales decreased to \$732,418 for the three months ended November 30, 2008, a decrease of \$38,924 or 5%, from \$771,342 for the three months ended November 30, 2007. The overall decrease in net sales is due to the downturn in the economy.

Gross profit for the consolidated operations decreased to \$292,040 for the three months ended November 30, 2008 from \$341,687 for the three months ended November 30, 2007. Gross profit as a percentage of sales was 40% and 44% for the three month periods ended November 30, 2008 and 2007, respectively. The decrease in gross profit was due to the mix of work sold having a higher ratio of lower profit business.

Consolidated interest expense, net for the three months ended November 30, 2008 was \$54,299 as compared to \$44,932 for same period in 2007 for an increase of \$9,367 or 21%. This increase in interest expense is due to additional debt.

Selling, general and administrative expenses decreased to \$502,345 for the three months ended November 30, 2008 as compared to \$504,510 for the three months ended November 30, 2007, a decrease of \$2,165 or .4%.

The Company incurred a net consolidated loss of \$264,985 for the three months ended November 30, 2008 compared to a loss of \$207,577 for the three months ended November 30, 2007. The increase in the consolidated net loss is primarily due to the overall decrease in revenues. As a result of the continued losses, the Independent Auditors have questioned the Company's continuation as a going concern.

Manufacturing Subsidiary

The manufacturing operation, International Machine and Welding, Inc. provided net sales of \$646,973 for the three months ended November 30, 2008 compared to \$716,219 for the three months ended November 30, 2007. The machining operations provided \$175,556 or 27% of net sales with parts and service providing \$471,417 or 73% of net sales for the three months ended November 30, 2008 as compared to machining operations contributing \$217,060 or 30% of net sales with parts and service providing \$499,159 or 70% of net sales for the three months ended November 30, 2007. The overall decrease in net sales is due to downturn in the economy which has caused customers to reduce or delay orders in 2008.

Gross profit from the International Machine and Welding, Inc. was \$263,580 for the three months ended November 30, 2008 compared to \$336,086 for the same period in 2007 providing gross profit margins of 41% and 47%, respectively. The increase in the gross profit margin is due to an increased markup monitored by management.

Selling, general and administrative expenses for International Machine and Welding, Inc. were \$262,533 for the three months ended November 30, 2008 compared to \$250,882 for the three months ended November 30, 2007. The decrease in selling, general and administrative expenses is due to the termination of the employee leasing company.

Interest expense, net was \$36,248 for the three months ended November 30, 2008 compared to \$31,943 for the same period ended 2007. The increase in interest expense, net is due to an increase in notes payable for the three months ended November 30, 2008.

The Company does not have discrete financial information on each of the three manufacturing divisions, nor does the Company make decisions on the divisions separately; therefore they are not reported as segments.

Fiberglass Subsidiary

The fiberglass manufacturing operation, Chariot Manufacturing Company, Inc. provided net sales of \$85,445 for the three months ended November 30, 2008 as compared to \$55,123 for the same period in 2007. The increase in net sales is due to production of trailers started in 2008; Chariot sold 7 trailers this quarter and is now manufacturing septic tanks for a new customer.

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Gross profit from Chariot was \$24,469 for the three months ended November 30, 2008 providing a gross profit margin of 29% as compared to \$5,601 providing a gross profit margin of 10% for the same period in 2007. The increase in gross profit and the related gross profit margin was due to the increase in sales.

Selling, general and administrative expenses were \$77,377 for the three months ended November 30, 2008 as compared to \$82,052 for the same period in 2007. The decrease in selling, general and administrative expenses was mainly due to a decrease in employees.

**COMPARISON OF THE RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED NOVEMBER 30, 2008 AND 2007.**

**General**

The Company's consolidated net sales decreased to \$1,921,620 for the nine months ended November 30, 2008, a decrease of \$274,606 or 13%, from \$2,196,226 for the nine months ended November 30, 2007. This decrease was mainly due to the current state of the economy and therefore, the customer base is cutting back on their orders.

Gross profit for the consolidated operations decreased to \$793,420 for the nine months ended November 30, 2008 from \$919,375 for the nine months ended November 30, 2007. Gross profit as a percentage of sales was 41% and 42% for the nine month periods ended November 30, 2008 and 2007, respectively. The decrease in gross profit margin was due to a decrease in sales of the higher gross profit margin products related to International Machine and Welding, Inc.

Consolidated interest expense, net for the nine months ended November 30, 2008 was \$168,113 as compared to \$136,959 for same period in 2007 for an increase of \$31,153 or 23%. The increase in interest expense, net is due to the Company's additional debt taken on during first nine months of fiscal year ended February 28, 2009.

Selling, general and administrative expenses decreased to \$1,550,460 for the nine months ended November 30, 2008 as compared to \$1,546,329 for the nine months ended November 30, 2007, an increase of \$4,131 or .2%.

The Company incurred a net consolidated loss of \$915,382 for the nine months ended November 30, 2008 compared to a loss of \$763,242 for the nine months ended November 30, 2007. The increase in the consolidated net loss is primarily due to the decrease in revenue of the manufacturing segment during the nine months ended November 30, 2008. As a result of the continued losses, the Independent Auditors have questioned the Company's continuation as a going concern.

**Manufacturing Subsidiary**

The manufacturing operation, International Machine and Welding, Inc. provided net sales of \$1,697,479 for the nine months ended November 30, 2008 compared to \$2,052,243 for the nine months ended November 30, 2007. The machining operations provided \$563,404 or 33% of net sales with parts and service providing \$1,132,513 or 67% of net sales for the nine months ended November 30, 2008 as compared to machining operations contributing \$681,837 or 33% of net sales with parts and service providing \$1,370,405 or 67% of net sales for the nine months ended November 30, 2007. The overall decrease in net sales is due to the current state of the economy and therefore, the customer base is cutting back on their orders.

Gross profit from the International Machine and Welding, Inc. was \$766,105 for the nine months ended November 30, 2008 compared to \$891,104 for the same period in 2007 providing gross profit margins of 47% and 42%, respectively. The overall increase in gross profit and gross profit margin is due to a change in the product mix to increase sales with a greater contribution to the profit margin than in the prior quarter.

Selling, general and administrative expenses for International Machine and Welding, Inc. were \$745,084 for the nine months ended November 30, 2008 compared to \$756,612 for the nine months ended November 30, 2007. The decrease in selling, general and administrative expenses is due to the Company not renewing the Officer's Life Insurance policy in 2008, the termination of the employee leasing company in 2008 and the decrease in collection fees, which is the result of the decrease in revenue.

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Interest expense, net was \$110,243 for the nine months ended November 30, 2008 compared to \$97,969 for the same period ended 2007. The increase in interest expense, net is due to an overall increase in the outstanding debt for the nine months ended November 30, 2008.

The Company does not have discrete financial information on each of the three manufacturing divisions, nor does the Company make decisions on the divisions separately; therefore they are not reported as segments.

### **Fiberglass Subsidiary**

The fiberglass manufacturing operation, Chariot Manufacturing Company, Inc. provided net sales of \$224,141 for the nine months ended November 30, 2008 as compared to \$143,983 for the same period in 2007. The increase in net sales is due to the start up of the production of trailers in 2008 and the addition of a new customer.

Gross profit from Chariot was \$27,315 for the nine months ended November 30, 2008 providing a gross profit margin of 12% as compared to \$28,271 providing a gross profit margin of 20% for the same period in 2007. The decrease in gross profit and the related gross profit margin was due higher cost of goods sold in 2008 for the production of the new septic tanks.

Selling, general and administrative expenses were \$257,530 for the nine months ended November 30, 2008 as compared to \$225,579 for the same period in 2007. The increase in selling, general and administrative expenses was mainly due to the rising cost of fuel, an increase in rent expense and an increase in marketing expenses.

### **LIQUIDITY AND CAPITAL RESOURCES**

During the nine months ended November 30, 2008 and 2007, the Company used net cash from operating activities of \$328,352 and \$329,216, respectively.

During the nine months ended November 30, 2008 and 2007, the Company used cash for investing activities of \$11,814 and \$118,415, respectively. The decrease in net cash used by investing activities is primarily due to the decrease in the acquisition of property and equipment in 2008 as compared to 2007.

During the nine months ended November 30, 2008 and 2007, the Company provided cash from financing activities of \$334,999 and \$435,191, respectively. The decrease in net cash provided from financing activities is due to the decrease in the proceeds from the issuance of notes payable and long term debt during the nine months ended November 30, 2008.

Cash flows from loans provided for working capital needs and principal payments on long-term debt through November 30, 2008. As of November 30, 2008, the working capital deficit was \$2,967,632. To the extent that the cash flows from operations are insufficient to finance the Company's anticipated growth, or its other liquidity and capital requirements during the next twelve months, the Company will seek additional financing from alternative sources including bank loans or other bank financing arrangements, other debt financing, the sale of equity securities (including those issuable pursuant to the exercise of outstanding warrants and options), or other financing arrangements. However, there can be no assurance that any such financing will be available and, if available, that it will be available on terms favorable or acceptable to the Company.

Management has revised its business strategy to include the manufacture of additional products. Although management has reduced debt, new financing to finance operations and to facilitate additional production is still being sought. However, there can be no assurance that the Company will be able to raise capital, obtain debt financing, or improve operating results sufficiently to continue as a going concern.

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### **Seasonality**

The diversity of operations in the Manufacturing Segment protects it from seasonal trends except in the sales of agricultural processing equipment whereby the majority of the revenue is generated while the processors await the next harvest.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company has prepared the accompanying unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States for interim financial information. All intercompany transactions have been eliminated in consolidation. The preparation of consolidated unaudited financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated unaudited financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates, including but not limited to, recoverability of long-lived assets, recoverability of prepaid expenses and allowance for doubtful accounts, on a regular basis and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed and adjustments are made as information is available. Management believes that these estimates are reasonable; however, actual results could differ from these estimates.

We believe that the following critical policies affect our more significant judgments and estimates used in preparation of our consolidated unaudited financial statements.

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimate on an analysis of the Company's prior collection experience, customer credit worthiness, and current economic trends. If the financial condition of our customers were to deteriorate, additional allowances may be required.

We value our inventories at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out method; market is determined based on net realizable value. We write down inventory balances for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

We value our property and equipment at cost. Amortization and depreciation are calculated using the straight-line and accelerated methods of accounting over the estimated useful lives of the assets. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Fair value estimates used in preparation of the consolidated unaudited financial statements are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, and accrued expenses. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand. The fair value of the Company's notes payable is estimated based upon the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the consolidated unaudited financial statements carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets 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 as income in the period that included the enactment date.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4T. CONTROLS AND PROCEDURES**

The Company's Chief Executive Officer and Chief Financial Officer has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the nine month period ending November 30, 2008 covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer has concluded that, as of the end of such period, the Company's disclosure controls and procedures were not effective as required under Rules 13a-15(e) and 15d-15(e) under the Exchange Act. This conclusion by the Company's Chief Executive Officer and Chief Financial Officer does not relate to reporting periods after November 30, 2008.

**Changes in Internal Control Over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the quarter ended November 30, 2008, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

None.

**ITEM 1A. RISK FACTORS**

Not applicable.

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

During the three months ended November 30, 2008, there was no modification of any instruments defining the rights of holders of the Company's common stock and no limitation or qualification of the rights evidenced by the Company's common stock as a result of the issuance of any other class of securities or the modification thereof.

On March 3, 2008, 5,339,743 shares of common stock valued at \$36,310, were issued to a related party in exchange for guaranteeing a company note payable.

On March 3, 2008, 10,679,486 shares of common stock valued at \$72,621, were issued to a related company in exchange for guaranteeing a company note payable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company has defaulted on a total of \$891,992 of notes payable. The amount of principal payments in arrears was \$640,747, with an additional amount of \$251,245 of interest due at November 30, 2008. These defaults are the result of a failure to pay in accordance with the terms agreed.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

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During the three month period ended November 30, 2008, the Company did not submit any matters to a vote of its security holders.

### **ITEM 5. OTHER MATTERS**

None

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits

31.1 Certification of the Chief Financial Officer

31.2 Certification of the Chief Executive Officer

32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K None

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(c) S-8 Filings included by reference

(d) Employee Stock Option Plan and Non Employee Directors and Consultants Retainer Plan for 2004 included by reference

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN COMMERCE SOLUTIONS, INC.

Date: February 20, 2009

By: /s/ Daniel L. Hefner  
Daniel L. Hefner,

President

Date: February 20, 2009

By: /s/ Frank D. Puissegur  
Frank D. Puissegur,

CFO and Chief Accounting Officer