

AMERICAN COMMERCE SOLUTIONS Inc

Form 10QSB

October 15, 2007

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended August 31, 2007

.. 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)

Delaware
(State or other jurisdiction of

incorporation or organization)

1400 Chamber Dr., Bartow, Florida 33830

(Address of principal executive offices)

(863) 533-0326

05-0460102
(IRS Employer

Identification No.)

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(Issuer's telephone number)

N/A

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ YES ☒ NO.

There were 250,750,293 shares of the Registrant's \$.002 par value common stock outstanding as of August 31, 2007.

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 Sheet

August 31, 2007

(unaudited)

Assets

Current assets:

Cash	\$ 14,548
Accounts receivable, net of allowance of \$1,808	27,238
Accounts receivable, factored	51,506
Inventory	206,655
Other receivables, related parties	49,277
Other current assets	39,343

Total current assets 388,567

Property and equipment, net of accumulated depreciation of \$2,440,523 4,838,594

Other assets:

Intangible assets, net of accumulated amortization 42,222

\$ 5,269,383

Liabilities and Stockholders Equity

Current liabilities:

Current portion of notes payable	\$ 625,961
Current portion of notes payable, related parties	555,941
Checks drawn in excess of bank balances	11,396
Accounts payable, including amounts due to related parties of \$81,195	428,847
Accrued expenses	129,506
Due to related party	35,917
Accrued interest	174,988
Deferred revenue	122,973

Total current liabilities 2,085,529

Due to stockholders 958,910

Notes payable, net of current portion 756,510

1,715,420

Stockholders equity:

Preferred stock, total authorized 5,000,000 shares: 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; 251,272,293 shares issued; 250,750,293 shares outstanding 502,546

Additional paid-in capital 19,068,088

Stock subscription receivable (10,000)

Treasury stock, at cost (265,526)

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Accumulated deficit	(17,770,356)
Loan costs from issuance of common stock	(56,321)
Total stockholders' equity	1,468,434
	\$ 5,269,383

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		Six Months Ended	
	August 31,		August 31,	
	2007	2006	2007	2006
Net sales	\$ 657,522	\$ 544,365	\$ 1,424,884	\$ 1,193,711
Cost of goods sold	362,565	338,900	847,196	769,411
Gross profit	294,957	205,465	577,688	424,300
Selling, general and administrative expenses	506,828	536,337	1,041,819	1,064,753
(Loss) from operations	(211,871)	(330,872)	(464,131)	(640,453)
Other income (expense)	180	4,421	493	14,515
Interest expense	(49,881)	(40,622)	(92,027)	(73,647)
Total other income (expense)	(49,701)	(36,201)	(91,534)	(59,132)
Net loss	\$ (261,572)	\$ (367,073)	\$ (555,665)	\$ (699,585)
Basic and Diluted net loss per common share	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
Basic and Diluted weighted average number of common shares outstanding	250,333,626	237,011,597	248,196,539	236,475,715

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

Table of Contents**American Commerce Solutions, Inc. and Subsidiaries****Consolidated Statements of Cash Flows***(unaudited)*

	Six Months Ended August 31,	
	2007	2006
Operating activities:		
Net loss	\$ (555,665)	\$ (699,585)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	208,008	214,777
Stock issued for services	56,321	70,507
Gain on sale of equipment		(4,500)
Decrease in allowance for doubtful accounts	(816)	(458)
Decrease (increase) in:		
Accounts receivables	40,972	1,893
Inventory	7,144	(38,462)
Other assets	439	27,348
(Decrease) increase in:		
Accounts payable and accrued expenses	(46,824)	42,834
Deferred income	10,214	57,992
Net cash used by operating activities	(280,207)	(327,654)
Investing activities:		
Decrease in other receivables, related parties	11,471	18,605
Payments on notes receivable		239,016
Proceeds from sale of equipment		4,500
Acquisition of property and equipment	(113,381)	(13,301)
Net cash (used) provided by investing activities	(101,910)	248,820
Financing activities:		
Increase in checks drawn in excess of bank balance	223	
Decrease (increase) in due from factor	7,947	6,441
Proceeds from notes payable and long-term debt	416,240	61,362
Principal payments on notes payable and capital leases	(160,579)	(66,146)
Increase in due to stockholders	116,200	99,700
Net cash provided by financing activities	380,031	101,357
Net (decrease) increase in cash	(2,086)	22,523
Cash, beginning of period	16,634	18,132
Cash, end of period	\$ 14,548	\$ 40,655
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Cash paid during the period for interest	\$ 69,452	\$ 16,712

During the six months ended August 31, 2007 and 2006, the Company issued 9,816,309 and 9,650,136 shares of common stock to a related party and related company, respectively, valued at \$112,642 and \$119,758, respectively, in exchange for guarantees of a note payable. As of

August 31, 2007 and 2006, \$56,322 and \$59,882, respectively, of these guaranty fees have been amortized.

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During the six months ended August 31, 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 six months ended August 31, 2006, the Company wrote off \$68,236 of fully depreciated property and equipment.

During the six months ended August 31, 2007 and 2006, the Company increased notes payable by \$12,199 and \$12,418, respectively for an accrual of interest.

During the six months ended August 31, 2006, the Company issued 340,095 shares of common stock to a related party for accrued expenses valued at \$10,203.

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 August 31, 2007 and for the

Three Months Ended August 31, 2007 and 2006

(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, which was acquired on October 11, 2003 from a related party, manufactures motorcycle trailers with fiberglass bodies.

2. Stock Based Compensation

At August 31, 2007, 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 six months ended August 31, 2007 and 2006.

3. Going Concern

The Company has incurred substantial operating losses since inception and has used approximately \$280,200 of cash in operations for the six months ended August 31, 2007. The Company recorded losses from continuing operations of approximately \$261,600 and \$555,700 for the three and six months ended August

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31, 2007. Current liabilities exceed current assets by approximately \$1,697,000 at August 31, 2007. 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 six month periods ended August 31, 2007 and 2006, (b) the financial position at August 31, 2007, and (c) cash flows for the six month periods ended August 31, 2007 and 2006, have been made.

The unaudited consolidated financial statements and notes are presented as permitted by Form 10-QSB. 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 28, 2007. The results of operations for the three and six month periods ended August 31, 2007 are not necessarily indicative of those to be expected for the entire year.

5. Accounts Receivable, Factored

During the three and six months ended August 31, 2007, the Company factored receivables of approximately \$487,600 and \$923,900, respectively. In connection with the factoring agreement, the Company incurred fees of approximately \$15,100 and \$36,200 during the three and six months ended August 31, 2007, respectively. As of August 31, 2007, certain customers had remitted \$1,163 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 sheet. 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 2007 and 2006; 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 six months ended August 31, 2007 and 2006 the Company has included segment reporting.

For the three months ended August 31, 2007, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass	Other	Total
Revenue	\$ 639,987	\$ 17,535		\$ 657,522
Interest expense, net	\$ 34,855	\$ 5,853	\$ 9,173	\$ 49,881
Depreciation and amortization	\$ 67,077	\$ 38,510	\$ 173	\$ 105,760
Net loss	\$ (7,678)	\$ (52,601)	\$ (201,293)	\$ 261,572
Property and equipment, net of accumulated depreciation	\$ 4,075,359	\$ 762,488	\$ 747	\$ 4,838,594
Segment assets	\$ 4,353,291	\$ 872,655	\$ 43,437	\$ 5,269,383

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For the three months ended August 31, 2006, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass	Other	Total
Revenue	\$ 473,176	\$ 71,189		\$ 544,365
Interest expense	\$ 30,330	\$ 4,061	\$ 6,231	\$ 40,622
Depreciation and amortization	\$ 71,470	\$ 35,925	\$ 172	\$ 107,567
Net loss	\$ (86,215)	\$ (65,883)	\$ (214,975)	\$ (367,073)
Property and equipment, net of accumulated depreciation	\$ 4,264,012	\$ 779,917	\$ 1,437	\$ 5,045,366
Segment assets	\$ 4,530,650	\$ 944,799	\$ 106,182	\$ 5,581,631

For the six months ended August 31, 2007, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass	Other	Total
Revenue	\$ 1,336,024	\$ 88,860		\$ 1,424,884
Interest expense	\$ 66,026	\$ 12,307	\$ 13,694	\$ 92,027
Depreciation and amortization	\$ 133,229	\$ 74,434	\$ 345	\$ 208,008
Net loss	\$ (16,589)	\$ (132,819)	\$ (406,257)	\$ (555,665)

For the six months ended August 31, 2006, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass	Other	Total
Revenue	\$ 1,085,514	\$ 108,197		\$ 1,193,711
Interest expense	\$ 56,219	\$ 5,082	\$ 12,346	\$ 73,647
Depreciation and amortization	\$ 142,584	\$ 71,848	\$ 345	\$ 214,777
Net loss	\$ (102,546)	\$ (168,486)	\$ (428,553)	\$ (699,585)

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. Related Party Transactions

During the six months ended August 31, 2007 and 2006, two executives who are stockholders of the Company deferred approximately \$116,200 and \$99,700, respectively, of compensation earned during the period. The balance due to stockholders at August 31, 2007 totaled \$958,910. The amounts are unsecured, non-interest bearing, and have no specific repayment terms.

During the six months ended August 31, 2007 and 2006 the Company issued 9,816,309 and 9,650,136 shares of common stock, respectively, to a related party and a related company valued at \$112,642 and \$119,758, respectively, in exchange for a guarantee of a note payable.

During the six months ended August 31, 2007, the Company issued 1,916,667 shares of common stock to a related party for the assignment of \$23,000 in debt and accrued interest.

During the six months ended August 31, 2007 the Company owed \$35,917 to a related company for reimbursement of expenses.

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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ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS

This FILING contains forward-looking statements. The words anticipated, believe, expect, plan, intend, seek, estimate, project, 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 2007 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 three and six month periods ended August 31, 2007 and 2006. 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 six months ended August 31, 2007 and 2006. 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 as well as sales of used equipment. 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.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED AUGUST 31, 2007 AND 2006.

General

The Company's consolidated net sales increased to \$657,522 for the three months ended August 31, 2007, an increase of \$113,157 or 21%, from \$544,365 for the three months ended August 31, 2006. The overall increase in net sales is due to a normal fluctuation in our customer requirements.

Gross profit for the consolidated operations increased to \$294,957 for the three months ended August 31, 2007 from \$205,465 for the three months ended August 31, 2006. Gross profit as a percentage of sales was

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45% and 38% for the three month periods ended August 31, 2007 and 2006, respectively. The increase in gross profit was due to a higher gross profit margin related to International Machine and Welding, Inc. s product mix.

Consolidated interest expense, net for the three months ended August 31, 2007 was \$49,881 as compared to \$40,622 for same period in 2006 for an increase of \$9,259 or 23%. This increase in interest expense is due to additional debt.

Selling, general and administrative expenses decreased to \$506,828 for the three months ended August 31, 2007 as compared to \$536,337 for the three months ended August 31, 2006, a decrease of \$29,509 or 6%. The decrease in selling, general and administrative expenses is due to better control over costs.

The Company incurred a net consolidated loss of \$261,572 for the three months ended August 31, 2007 compared to a loss of \$367,073 for the three months ended August 31, 2006. The decrease in the consolidated net loss is primarily due to the overall increase 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 \$639,987 for the three months ended August 31, 2007 compared to \$473,176 for the three months ended August 31, 2006. The machining operations provided \$254,824 or 40% of net sales with parts and service providing \$385,163 or 60% of net sales for the three months ended August 31, 2007 as compared to machining operations contributing \$195,651 or 41% of net sales with parts and service providing \$277,525 or 59% of net sales for the three months ended August 31, 2006. The overall increase in net sales is due to an increase in sales through improved marketing for the three months ended August 31, 2007 as compared to the three months ended August 31, 2006.

Gross profit from the International Machine and Welding, Inc. was \$278,152 for the three months ended August 31, 2007 compared to \$191,105 for the same period in 2006 providing gross profit margins of 43% and 40%, respectively.

Selling, general and administrative expenses for International Machine and Welding, Inc. were \$250,977 for the three months ended August 31, 2007 compared to \$249,293 for the three months ended August 31, 2006.

Interest expense, net was \$34,855 for the three months ended August 31, 2007 compared to \$30,330 for the same period ended 2006. The increase in interest expense, net is due to an increase in notes payable for the three months ended August 31, 2007.

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 \$17,535 for the three months ended August 31, 2007 as compared to \$71,189 for the same period in 2006. The decrease in net sales is due to the Company reducing manufacturing while retooling for a wider product line was being completed during the three months ended August 31, 2007, and the Company was operational during the same time period ended August 31, 2006.

Gross profit from Chariot was \$16,804 for the three months ended August 31, 2007 providing a gross profit margin of 96% as compared to \$14,677 providing a gross profit margin of 21% for the same period in 2006. The increase in gross profit and the related gross profit margin was due to a concentration of time and material to the completion of tooling assets as opposed to retail finished goods. Substantially all expenditures were charged to the completion of these assets.

Selling, general and administrative expenses were \$63,732 for the three months ended August 31, 2007 as compared to \$77,787 for the same period in 2006. The decrease in selling, general and administrative expenses was due to the reduction in the cost of goods sold during the period of substantial completion of the tooling assets which are not goods to be sold.

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COMPARISON OF THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED AUGUST 31, 2007 AND 2006.

General

The Company's consolidated net sales increased to \$1,424,884 for the six months ended August 31, 2007, an increase of \$231,173 or 19%, from \$1,193,711 for the six months ended August 31, 2006. This increase was mainly due to an increase in sales of the manufacturing division.

Gross profit for the consolidated operations increased to \$577,688 for the six months ended August 31, 2007 from \$424,300 for the six months ended August 31, 2006. Gross profit as a percentage of sales was 41% and 36% for the six month periods ended August 31, 2007 and 2006, respectively. The increase in gross profit margin was due to a higher gross profit margin related to International Machine and Welding, Inc.'s product mix.

Consolidated interest expense, net for the six months ended August 31, 2007 was \$92,027 as compared to \$73,647 for same period in 2006 for an increase of \$18,380 or 25%. The increase in interest expense, net is due to the Company's additional debt taken on during first and second quarter of 2007.

Selling, general and administrative expenses decreased to \$1,041,819 for the six months ended August 31, 2007 as compared to \$1,064,753 for the six months ended August 31, 2006, a decrease of \$22,934 or 2%.

The Company incurred a net consolidated loss of \$555,665 for the six months ended August 31, 2007 compared to a loss of \$699,585 for the six months ended August 31, 2006. The decrease in the consolidated net loss is primarily due to the increase in revenue of the manufacturing segment during the six months ended August 31, 2007. 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 \$1,336,024 for the six months ended August 31, 2007 compared to \$1,085,514 for the six months ended August 31, 2006. The machining operations provided \$464,777 or 35% of net sales with parts and service providing \$871,247 or 65% of net sales for the six months ended August 31, 2006 as compared to machining operations contributing \$373,204 or 34% of net sales with parts and service providing \$712,310 or 66% of net sales for the six months ended August 31, 2006. The overall increase in net sales is due to successful sales effort in the heavy equipment service area with existing customers and new programs.

Gross profit from the International Machine and Welding, Inc. was \$555,018 for the six months ended August 31, 2007 compared to \$427,692 for the same period in 2006 providing gross profit margins of 42% and 39%, 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 \$505,730 for the six months ended August 31, 2007 compared to \$484,006 for the six months ended August 31, 2006. The increase in selling, general and administrative expenses is due to an overall increase in payroll and payroll related expenses.

Interest expense, net was \$66,026 for the six months ended August 31, 2007 compared to \$56,219 for the same period ended 2006. The increase in interest expense, net is due to an overall increase in the outstanding debt for the six months ended August 31, 2007.

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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 \$88,860 for the six months ended August 31, 2007 as compared to \$108,197 for the same period in 2006. The decrease in net sales is due to reduced production of finished goods while retooling was being accomplished during the first and second quarters.

Gross profit from Chariot was \$22,670 for the six months ended August 31, 2007 providing a gross profit margin of 26% as compared to (\$3,392) providing a gross profit margin of (3%) for the same period in 2006. The increase in gross profit and the related gross profit margin was due to the prior year classification of some labor and material expenses to cost of goods sold as opposed to capitalizing those costs as part of tooling assets. Proper classification of those items in the current quarter helped to increase the gross profit margin.

Selling, general and administrative expenses were \$143,527 for the six months ended August 31, 2007 as compared to \$163,087 for the same period in 2006. The decrease in selling, general and administrative expenses was due to the reduction in the cost of goods sold during the period of substantial completion of the tooling assets which are not goods to be sold.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended August 31, 2007 and 2006, the Company used net cash from operating activities of \$280,207 and \$327,654, respectively. The decrease in use of cash is mainly due to the decrease in accounts payable and accrued expenses.

During the six months ended August 31, 2007 and 2006, the Company provided (used) cash for investing activities of (\$101,910) and \$248,820, respectively. The decrease in net cash provided by investing activities is primarily due to the decrease in payments received on the note receivable and the acquisition of property and equipment during 2007.

During the six months ended August 31, 2007 and 2006, the Company provided cash from financing activities of \$380,031 and \$101,357, respectively. The increase in net cash provided from financing activities is due to the proceeds from issuance of notes payable and long term debt net of payments.

Cash flows from operations and loans or the sale of equity provided for working capital needs and principal payments on long-term debt through August 31, 2007. As of August 31, 2007, the working capital deficit was \$1,696,962. 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.

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.

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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.

ITEM 3. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our Management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations 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 of August 31, 2007. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission

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(SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to American Commerce Solutions, Inc., and was made known to them by others within those entities, particularly during the period when this report was being prepared.

There were no significant changes in the Company's Internal Controls or in other factors that have materially affected, or are reasonably likely to affect, Internal Controls over financial reporting during the most recent fiscal year.

CERTIFICATIONS 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 Sarbaenes-Oxley Act of 2002

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

During the three months ended August 31, 2007, 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 June 20, 2007, 1916,667 shares of common stock valued at \$23,000 were issued to a related party in exchange for accepting the assignment of a note payable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has defaulted on a total of \$796,585 of notes payable. The amount of principal payments in arrears was \$601,793, with an additional amount of \$194,792 of interest due at August 31, 2007. 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

During the three month period ended August 31, 2007, 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 Sarbaenes-Oxley Act of 2002

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(b) Reports on Form 8-K None

(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: October 15, 2007

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

President

Date: October 15, 2007

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

CFO and Chief Accounting Officer