

AMERICAN COMMERCE SOLUTIONS Inc

Form 10-Q

July 20, 2009

[Table of Contents](#)

**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 May 31, 2009

**.. 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  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 \$0.002 par value common stock outstanding as of July 13, 2009.

**Table of Contents**

**American Commerce Solutions, Inc.**

**Contents**

**Part I Financial Information**

Item 1.	<u>Financial Statements</u>	1
	<u>Consolidated Balance Sheets</u>	1
	<u>Consolidated Statements of Operations</u>	2
	<u>Consolidated Statement of Changes in Stockholders' Equity (Deficit)</u>	3
	<u>Consolidated Statements of Cash Flows</u>	4
	<u>Notes to Consolidated Financial Statements</u>	5
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	8
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	11
Item 4T.	<u>Controls and Procedures</u>	11

**Part II Other Information**

Item 1.	<u>Legal Proceedings</u>	12
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	12
Item 3.	<u>Defaults Upon Senior Securities</u>	12
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	12
Item 5.	<u>Other Matters</u>	12
Item 6.	<u>Exhibits</u>	12
	<u>Signatures</u>	13

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements**

## American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Balance Sheets

	May 31, 2009 (unaudited)	February 28, 2009
<b>Assets</b>		
Current assets:		
Cash	\$ 28,136	\$ 1,046
Accounts receivable, net of allowance of \$0 and \$224, respectively	21,340	17,352
Accounts receivable, factored	38,030	50,556
Inventory	179,229	216,602
Other receivables	23,980	25,856
Prepaid expenses and other current assets		9,814
Assets to be disposed of	681,023	
Total current assets	971,738	321,226
Property and equipment, net of accumulated depreciation of \$2,327,630 and \$2,801,056, respectively	3,658,181	4,355,252
Other assets:		
Other assets	16,364	16,364
	\$ 4,646,283	\$ 4,692,842
<b>Liabilities and Stockholders Equity (Deficit)</b>		
Current liabilities:		
Current portion of notes payable	\$ 1,314,053	\$ 1,333,255
Current portion of notes payable, related parties	554,487	797,697
Bank overdraft	11,918	
Accounts payable, including amounts due to related parties of \$119,455 and \$272,904, respectively	429,348	671,608
Accrued expenses	124,429	178,523
Accrued interest	251,769	275,800
Deferred revenue	1,730	91,825
Liabilities to be disposed of	804,587	
Total current liabilities	3,492,321	3,348,168
Due to stockholders	1,365,610	1,307,510
Notes payable, net of current portion		35,844
	4,857,931	4,691,522
Stockholders equity (deficit):		
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		

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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 267,291,522 shares issued; 266,769,522 and 266,769,522 shares outstanding, respectively	534,584	534,584
Additional paid-in capital	19,144,980	19,144,980
Stock subscription receivable	(10,000)	(10,000)
Treasury stock, at cost	(265,526)	(265,526)
Accumulated deficit	(19,615,689)	(19,402,721)
Total stockholders' equity (deficit)	(211,648)	1,320
	\$ 4,646,283	\$ 4,692,842

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

**Table of Contents**

## American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Statements of Operations

*(unaudited)*

	Three Months Ended May 31,	
	2009	2008
Net sales	\$ 635,693	\$ 509,876
Cost of goods sold	317,713	274,406
Gross profit	317,980	235,470
Selling, general and administrative expenses	412,238	462,759
Loss from operations	(94,258)	(227,289)
Other income (expense):		
Other	(410)	9,597
Interest expense	(48,144)	(51,716)
Total other expense	(48,554)	(42,119)
Loss from continuing operations before income tax	(142,812)	(269,408)
Income taxes		
Loss from continuing operations	(142,812)	(269,408)
Discontinued operations		
Loss from operation of discontinued fiberglass division (net of tax)	(70,156)	(96,559)
Net loss available to common stockholders	\$ (212,968)	\$ (365,967)
Net loss per common share from continuing operations	\$ (.00)	\$ (.00)
Net loss per common share from discontinued operations	\$ (.00)	\$ (.00)
Weighted average number of common shares outstanding	266,759,522	266,247,156

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

**Table of Contents**

American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Deficit)

Three Months Ended May 31, 2009 (unaudited)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount
Balance, February 28, 2009	267,291,522	\$ 534,584	3,944	\$ 3
Net loss (unaudited)				
Balance, May 31, 2009 (unaudited)	267,291,522	\$ 534,584	3,944	\$ 3

**Additional**

Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Total
\$19,144,980	\$ (10,000)	\$ (19,402,721) (212,968)	\$ (265,526)	\$ 1,320 (212,968)
\$19,144,980	\$ (10,000)	\$ (19,615,689)	\$ (265,526)	\$ (211,648)

*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)*

	<b>Three Months Ended May 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operating activities:</b>		
Net loss	\$ (212,968)	\$ (365,967)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	88,083	101,336
Amortization of stock issued for services		27,233
Loss (gain) on sale of equipment	410	(10,168)
Increase (decrease) in allowance for doubtful accounts	224	577
(Increase) decrease in:		
Accounts receivables	(4,212)	25,470
Inventory	3,678	(16,319)
Other assets	(27,680)	9,820
Increase (decrease) in:		
Accounts payable and accrued expenses	26,628	77,760
Deferred income	18,787	2,297
<b>Net cash used by operating activities</b>	<b>(107,050)</b>	<b>(147,961)</b>
<b>Investing activities:</b>		
Decrease (increase) in other receivables	(12,880)	7,415
Proceeds from sale of property and equipment	13,500	
Acquisition of property and equipment		(10,903)
<b>Net cash provided (used) by investing activities</b>	<b>620</b>	<b>(3,488)</b>
<b>Financing activities:</b>		
Increase (decrease) in bank overdraft	12,501	9,643
Decrease in due from factor	12,526	15,641
Proceeds from notes payable and long-term debt	76,724	127,516
Principal payments on notes payable	(26,331)	(62,803)
Increase in due to stockholders	58,100	58,100
<b>Net cash provided by financing activities</b>	<b>133,520</b>	<b>148,097</b>
<b>Net increase (decrease) in cash</b>	<b>27,090</b>	<b>(3,352)</b>
<b>Cash, beginning of period</b>	<b>1,046</b>	<b>6,461</b>
<b>Cash, end of period</b>	<b>\$ 28,136</b>	<b>\$ 3,109</b>
<b>Supplemental disclosures of cash flow information and noncash investing and financing activities:</b>		
Cash paid during the period for interest	\$ 26,825	\$ 39,757

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During the three months ended May 31, 2008, the Company issued 16,019,229 shares of common stock to a related party and related company valued at \$108,931, in exchange for guarantees of a note payable. As of May 31, 2008, \$27,233 of these guaranty fees have been amortized.

During the three months ended May 31, 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 three months ended May 31, 2009 and 2008, the Company increased notes payable by \$6,099 and \$6,610, respectively for an accrual of interest.

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

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**Table of Contents**

American Commerce Solutions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As of May 31, 2009 and for the

Three Months Ended May 31, 2009 and 2008

*(unaudited)*

**1. Background Information**

American Commerce Solutions, Inc., located and operating in West Central Florida, 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 heavy 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 and other fiberglass parts by contract with affiliate owned, Tampa Fiberglass, Inc.. Chariot is currently being classified as a discontinued operation, see note 9.

**2. Stock Based Compensation**

At May 31, 2009, the Company has two stock-based employee compensation plans, all of which have been approved by the shareholders.

The Company accounts for its share-based payment arrangements in accordance with SFAS No. 123 (revised 2004), Share-Based Payment (SFAS 123R). 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.

In accordance with SFAS 123R, companies may choose among alternative valuation models and amortization assumptions. After assessing alternative valuation models and amortization assumptions, the Company has elected to use 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 SFAS 123R is estimated at the grant date using the Black-Scholes model. There were no options granted or exercised during the three months ended May 31, 2009 and 2008.

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.

**3. Going Concern**

The Company has incurred substantial operating losses since inception and has used approximately \$107,000 of cash in operations for the three months ended May 31, 2009. The Company recorded losses from continuing operations of approximately \$143,000 for the three months ended May 31, 2009. Current liabilities exceed current assets by approximately \$2,520,583 at May 31, 2009. 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.



**Table of Contents**

Management has revised its business strategy to include expansion into other lines of business through the acquisition of other companies in exchange for the Company's stock to facilitate manufacturing contracts under negotiation. In conjunction with the anticipated new contracts, management is currently negotiating new debt and equity financing, the proceeds from which would be used to settle outstanding debts at more favorable terms, to finance operations, and to complete additional business acquisitions. 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 month periods ended May 31, 2009 and 2008, (b) the financial position at May 31, 2009, and (c) cash flows for the three month periods ended May 31, 2009 and 2008, 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 28, 2009. The results of operations for the three month period ended May 31, 2009 are not necessarily indicative of those to be expected for the entire year.

**5. Accounts Receivable, Factored**

During the three months ended May 31, 2009, the Company factored receivables of approximately \$439,800. In connection with the factoring agreement, the Company incurred fees of approximately \$18,000 during the three months ended May 31, 2009. As of May 31, 2009 and February 28, 2009, certain customers had remitted \$6,263 and \$2,799, 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. Inventories**

Inventories consist of the following:

	<b>May 31, 2009</b>	<b>February 28, 2009</b>
Work-in process	\$ 7,451	\$ 27,197
Raw materials		13,238
Finished goods	171,778	176,167
Total inventories	\$ 179,229	\$ 216,602

**7. Segment Information**

The Company has two reportable segments during 2009 and 2008; 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 months ended May 31, 2009 and 2008 the Company has included segment reporting. As of May 31st 2009, the Company has classified the fiberglass segment as a discontinued operation, see note 9.

**Table of Contents**

For the three months ended May 31, 2009, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 635,693	\$ 57,834		\$ 693,527
Interest expense, net	\$ 36,411	\$ 8,524	\$ 11,733	\$ 56,668
Depreciation	\$ 60,479	\$ 27,604		\$ 88,083
Net income (loss)	\$ 45,074	\$ (70,156)	\$ (187,886)	\$ (212,968)
Property and equipment, net of accumulated depreciation	\$ 3,658,181	\$ 595,078		\$ 4,253,259

For the three months ended May 31, 2008, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 509,876	\$ 50,232		\$ 560,108
Interest expense, net	\$ 35,423	\$ 6,187	\$ 16,113	\$ 57,723
Depreciation and amortization	\$ 63,024	\$ 38,140	\$ 172	\$ 101,336
Net loss	\$ (34,597)	\$ (96,556)	\$ (234,814)	\$ (365,967)
Property and equipment, net of accumulated depreciation	\$ 3,900,653	\$ 706,600	\$ 230	\$ 4,607,483

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 and derives its revenues from the manufacture, sale and service of fiberglass trailers, as well as other parts manufacture by contract.

**8. Related Party Transactions**

During the three months ended May 31, 2009 and 2008, two executives who are stockholders of the Company deferred approximately \$58,100 and \$58,100, respectively, of compensation earned during the period. The balance due to stockholders at May 31, 2009 and February 28, 2009, totaled \$1,365,610 and \$1,307,510, respectively. The amounts are unsecured, non-interest bearing, and have no specific repayment terms, however, the Company does not expect to repay these amounts within the next year.

During the three months ended May 31, 2009, the Company sold fiberglass products totaling \$30,575 to Tampa Fiberglass, Inc. a company owned by a stockholder and officer of Chariot Manufacturing, Inc.

During the three months ended May 31, 2008 the Company issued 16,019,229 shares of common stock to a related party and a related company valued at \$108,931 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.

**9. Discontinued Operations**

During the three months ended May 31, 2009, the Board of Directors of American Commerce Solutions, Inc. has determined that it will seek to divest the Company of the fiberglass manufacturing operations in favor of expansion of manufacturing, fabricating, erecting and construction operations. The Company has entered into discussions with a related party to purchase the fiberglass manufacturing operations; however, they are awaiting the receipt of a valuation of assets before determining a purchase price and execution of the documents. The following are the assets and liabilities of the fiberglass segment at May 31, 2009:

Accounts receivable and other current assets	\$ 52,250
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Inventory	33,695
Property and equipment, net of accumulated depreciation	595,078
Assets to be disposed of	\$ 681,023
Accounts payable and accrued expenses	\$ 341,497
Deferred revenue	108,342
Notes payable	354,748
Liabilities to be disposed of	\$ 804,587

**10. Subsequent event**

*Refinancing of Note Payable*

The Company has entered into a refinancing agreement with a financial institution to refinance \$692,516 at 7% interest. The note is due on demand of the lenders option and is therefore classified as current in the accompanying financial statements. If demand is not made, monthly payments of principle and interest of \$6,610 are due through April 30, 2012. The note is secured by all of the Company's fixed assets, key man life insurance policy and 1,000,000 shares of the Company's common stock.

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**Table of Contents**

**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 2010 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 month periods ended May 31, 2009 and 2008. 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 months ended May 31, 2009 and 2008. 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 and other fiberglass parts by contract with affiliate owned, Tampa Fiberglass, Inc. These trailers are sold both on the retail and dealer levels. The company also provides non warranty repairs, modification of existing Chariot Trailers. Chariot is currently being classified as a discontinued operation, as the company seeks to divest itself of this segment.

**COMPARISON OF THE RESULTS OF CONTINUING OPERATIONS FOR THE THREE MONTHS ENDED MAY 31, 2009 AND 2008.**

**General**

The Company's consolidated net sales increased to \$635,693 for the three months ended May 31, 2009, an increase of \$125,817 or 25%, from \$509,876 for the three months ended May 31, 2008. The overall increase in net sales is due to a significant increase in sales in the manufacturing operation through the addition of new customers.



## **Table of Contents**

Gross profit for the consolidated operations increased to \$317,980 for the three months ended May 31, 2009 from \$235,470 for the three months ended May 31, 2008. Gross profit as a percentage of sales was 50% and 46% for the three month periods ended May 31, 2009 and 2008, 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 May 31, 2009 was \$48,144 as compared to \$51,716 for same period in 2008 for a decrease of \$3,572 or 7%.

Selling, general and administrative expenses decreased to \$412,238 for the three months ended May 31, 2009 as compared to \$462,759 for the three months ended May 31, 2008, a decrease of \$50,521 or 11%.

The Company incurred a net consolidated loss from continuing operations of \$142,812 for the three months ended May 31, 2009 compared to a loss of \$269,408 for the three months ended May 31, 2008. The decrease in the consolidated net loss from continuing operations 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 \$635,693 for the three months ended May 31, 2009 compared to \$509,876 for the three months ended May 31, 2008. The machining operations provided \$194,544 or 31% of net sales with parts and service providing \$441,149 or 69% of net sales for the three months ended May 31, 2009 as compared to machining operations contributing \$196,683 or 39% of net sales with parts and service providing \$313,193 or 61% of net sales for the three months ended May 31, 2008. The overall increase in net sales is due to an increase in new customer accounts, which has increased sales significantly.

Gross profit from the International Machine and Welding, Inc. was \$317,980 for the three months ended May 31, 2009 compared to \$235,470 for the same period in 2008 providing gross profit margins of 50% and 46%, 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 \$236,085 for the three months ended May 31, 2009 compared to \$244,297 for the three months ended May 31, 2008.

Interest expense, net was \$36,411 for the three months ended May 31, 2009 compared to \$35,423 for the same period ended 2008. The increase in interest expense, net is due to an increase in notes payable for the three months ended May 31, 2009.

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 (Discontinued Operations)**

The fiberglass manufacturing operation, Chariot Manufacturing Company, Inc. provided net sales of \$57,834 for the three months ended May 31, 2009 as compared to \$50,232 for the same period in 2008. The increase in net sales is due to the addition of new customers.

Gross profit from Chariot was \$13,573 for the three months ended May 31, 2009 providing a gross profit margin of 23% as compared to (\$130) providing a gross profit margin of 0% for the same period in 2008. The increase in gross profit and the related gross profit margin was due to the addition of new customers, who are purchasing products that have a higher gross profit margin.

## **Table of Contents**

Selling, general and administrative expenses were \$75,197 for the three months ended May 31, 2009 as compared to \$90,044 for the same period in 2008. The decrease in selling, general and administrative expenses was mainly due to the Company moving its operations to a new location that is owned by a related party. The related party is not requiring the Company to pay rent. Also, the intangible assets were fully amortized during prior periods, and therefore there was no amortization expense during this quarter.

### **LIQUIDITY AND CAPITAL RESOURCES**

During the three months ended May 31, 2009 and 2008, the Company used net cash from operating activities of \$107,050 and \$147,961, respectively.

During the three months ended May 31, 2009 and 2008, the Company used cash for investing activities of \$620 and \$(3,488), respectively. The increase in net cash provided by investing activities is primarily due to the sale of property and equipment in 2009.

During the three months ended May 31, 2009 and 2008, the Company provided cash from financing activities of \$133,520 and \$148,097, respectively. The decrease in net cash provided from financing activities is due to a decrease in the amount of proceeds from the issuance of notes payable and long term debt during the three months ended May 31, 2009.

Cash flows from loans provided for working capital needs and principal payments on long-term debt through May 31, 2009. As of May 31, 2009, working capital deficit was \$2,520,583. 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.

### **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.

## **Table of Contents**

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. 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 three month period ending May 31, 2009 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 May 31, 2009.

#### **Changes in Internal Control Over Financial Reporting**

No change in the Company's internal control over financial reporting occurred during the quarter ended May 31, 2009, that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**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 May 31, 2009, 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.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

The Company has defaulted on a total of \$853,186 of notes payable. The amount of principal payments in arrears was \$579,057, with an additional amount of \$274,129 of interest due at May 31, 2009. 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 May 31, 2009, 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

(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

**Table of Contents**

**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: July 20, 2009

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

President

Date: July 20, 2009

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

CFO and Chief Accounting Officer