

AMERICAN COMMERCE SOLUTIONS Inc  
Form 10-Q  
January 18, 2011

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

FORM 10-Q

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

For the quarterly period ended November 30, 2010

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)

05-0460102  
(IRS Employer  
Identification No.)

1400 Chamber Dr., Bartow, Florida 33830  
(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 preceding 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 at least 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 (§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

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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 the definitions of “accelerated filer, large accelerated filer and smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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 329,374,576 shares of the Registrant’s \$0.002 par value common stock outstanding as of January 5, 2011.

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American Commerce Solutions, Inc.

Contents

INDEX

Part I – Financial Information

<u>Item 1.</u>	<u>Financial Statements</u>	3
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations</u>	4
	<u>Consolidated Statement of Changes in Stockholders' Equity</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	15
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	15
<u>Item 4T.</u>	<u>Controls and Procedures</u>	15
Part II – Other Information		
<u>Item 1.</u>	<u>Legal Proceedings</u>	15
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	15
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	15
<u>Item 4.</u>	<u>Reserved</u>	16
<u>Item 5.</u>	<u>Other Information</u>	16
<u>Item 6.</u>	<u>Exhibits</u>	16
<u>Signatures</u>		17

## PART I – FINANCIAL INFORMATION

## Item 1. Consolidated Financial Statements

## American Commerce Solutions, Inc. and Subsidiaries

## Consolidated Balance Sheets

	November 30, 2010 (unaudited)	February 28, 2010 (audited)
Assets		
Current assets:		
Cash	\$ 31,427	\$ 10,289
Accounts receivable, net of allowance of \$0 and \$3,500, respectively	26,331	—
Accounts receivable, factored	9,881	62,233
Inventories	193,786	202,165
Note receivable, related party, net of unamortized discount of \$0 and \$20,709, respectively	1,009,792	989,084
Due from related party	561,644	556,231
Other receivables	49,726	25,999
<b>Total current assets</b>	<b>1,882,587</b>	<b>321,226</b>
Property and equipment, net of accumulated depreciation of \$2,201,868 and \$2,197,381, respectively	3,119,948	3,259,954
Prepaid loan costs paid with common stock	38,583	21,734
Other assets	15,273	13,528
	<b>\$ 5,056,391</b>	<b>\$ 5,141,217</b>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of notes payable	\$ 1,311,969	\$ 1,296,668
Current portion of notes payable, related party	646,631	609,163
Accounts payable; including related party balances of \$93,241 and \$272,904, respectively	298,632	387,863
Accrued expenses	147,815	159,398
Accrued interest	387,961	316,543
Deferred revenue	—	14,097
<b>Total current liabilities</b>	<b>2,793,008</b>	<b>2,783,732</b>
Notes payable, net of current portion	10,406	35,473
Due to stockholders	1,714,210	1,539,910
<b>Total Liabilities</b>	<b>4,517,624</b>	<b>4,359,115</b>
Stockholders' equity:		
Preferred stock, total authorized 5,000,000 shares:	—	—

Series A; cumulative and convertible; \$0.001 par value; 600 shares authorized; 102 shares issued and outstanding; liquidating preference \$376,125		
Series B; cumulative and convertible; \$0.001 par value; 3,950 shares authorized; 3,944 shares issued and outstanding; liquidating preference \$3,944,617	3	3
Common stock; \$0.002 par value; 350,000,000 shares authorized; 329,691,576 and 283,918,566 shares issued; 329,169,576 and 283,396,566 shares outstanding, respectively	659,384	567,838
Additional paid-in capital	19,155,574	19,180,977
Stock subscription receivable	(10,000)	(10,000)
Treasury stock, at cost	(265,526)	(265,526)
Accumulated deficit	(19,000,668)	(18,691,190)
Total stockholders' equity	538,767	782,102
	\$ 5,056,391	\$ 5,141,217

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

## American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Operations  
(unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2010	2009	2010	2009
Net sales	\$ 480,511	\$ 644,256	\$ 1,673,960	\$ 1,829,426
Cost of goods sold	212,425	330,652	793,659	925,479
Gross profit	268,086	313,604	880,301	903,947
Selling, general and administrative expenses	346,123	406,056	1,079,145	1,213,838
Loss from operations	(78,037)	(92,452)	(198,844)	(309,891)
Other income (expense):				
Other	—	242	—	(13,410)
Interest income	873	30,218	28,307	59,405
Interest expense	(43,266)	(50,311)	(138,941)	(145,292)
Total other (expense)	(42,393)	(19,851)	(110,634)	(99,297)
Loss from continuing operations before income tax	\$ (120,430)	\$ (112,303)	\$ (309,478)	\$ (409,188)
Income taxes	—	—	—	—
Loss from continuing operations	\$ (120,430)	\$ (112,303)	\$ (309,478)	\$ (409,188)
Discontinued operations:				
Gain on sale of discontinued fiberglass division (net of tax)	—	—	—	1,339,172
Loss from operation of discontinued fiberglass division (net of tax)	—	—	—	(70,156)
	—	—	—	1,269,016
Net income (loss) available to common stockholders	(120,430)	(112,303)	(309,478)	859,828
Net loss per common share from continuing operations	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
Net income (loss) per common share from discontinued operations	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
Weighted average number of common shares outstanding	329,159,576	283,396,566	308,530,110	275,838,819

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

American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Nine Months Ended November 30, 2010 (unaudited)

	Common Stock		Preferred Stock	
	Shares	Amount	Shares	Amount
Balance, February 28, 2010	283,918,566	\$567,838	3,944	\$3
Common shares issued for guaranty (unaudited)	22,886,505	45,773		
Common shares issued for pledge of assets (unaudited)	22,886,505	45,773		
Net loss (unaudited)				
Balance, November 30, 2010 (unaudited)	329,691,576	\$659,384	3,944	\$3

Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Total
\$19,180,977	\$(10,000 )	\$(18,691,190)	\$(265,526 )	\$782,102
(12,702 )				33,071
(12,701 )				33,072
		(309,478 )		(309,478 )
\$19,155,574	\$(10,000 )	\$(19,000,668)	\$(265,526 )	\$538,767

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

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

	Nine Months Ended November 30,	
	2010	2009
Operating activities:		
Net income (loss)	\$ (309,478)	\$ 859,828
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation and amortization	140,006	196,878
Amortization of loan costs	49,294	28,854
Amortization of discount on notes receivable	(20,708)	(57,759)
Gain on sale of fiberglass division	—	(1,339,172)
Loss on sale of equipment	—	13,410
Decrease in allowance for doubtful accounts	6,682	224
(Increase) decrease in:		
Accounts receivables	(33,013)	(3,638)
Inventories	8,379	(29,046)
Other assets	(1,745)	(37,798)
Increase (decrease) in:		
Accounts payable and accrued expenses	(11,165)	70,923
Deferred income	(14,097)	17,057
Net cash used by operating activities	(185,845)	(280,239)
Investing activities:		
Increase in other receivables	(29,140)	(8,005)
Acquisition of property and equipment		(22,642)
Proceeds from sale of property and equipment	—	20,507
Net cash (used) provided by investing activities	(29,140)	(10,140)
Financing activities:		
Increase in bank overdraft	—	3,527
Decrease in due from factor	52,352	4,840
Proceeds from notes payable and long-term debt	121,302	188,069
Principal payments on notes payable	(111,831)	(70,642)
Increase in due to stockholders	174,300	174,300
Net cash provided by financing activities	236,123	300,094
Net increase in cash	21,138	9,715
Cash, beginning of period	10,289	1,046
Cash, end of period	\$ 31,427	\$ 10,761
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Cash paid during the period for interest	\$ 18,229	\$ 50,854

During the nine months ended November 30, 2010 and 2009, the Company increased notes payable by \$18,231 and \$18,231, respectively for an accrual of interest.

During the nine months ended November 30, 2010 and 2009, the Company issued 45,773,010 and 16,627,044 shares of common stock to a related party and related company, respectively, valued at \$66,143 and \$69,251, respectively, in exchange for guarantees of a note payable. As of November 30, 2010 and 2009, \$49,294 and \$28,854, respectively, of these guaranty fees have been amortized.

During the nine months ended November 30, 2009, the Company sold the stock and assets of the Fiberglass subsidiary to Public Acquisition Company, Inc. ("PAC") which is owned by the President of the Fiberglass Subsidiary and a shareholder of the Company, in exchange for a one year, non-interest bearing, term note of \$1,009,792, which may be settled in cash or stock, and the assumption of \$1,102,291 of liabilities.

During the nine months ended November 30, 2009, the Company sold property and equipment valued at \$253,230 to PAC for a one year, non-interest bearing, term note of \$263,940, which may be settled in cash or stock.

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

American Commerce Solutions, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
As of November 30, 2010 and for the  
Three and Nine Months Ended November 30, 2010 and 2009  
(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, 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. Effective June 1, 2009, Chariot was sold and is classified as a discontinued operation, see note 10.

2. Recent Accounting Pronouncements

Recent accounting pronouncements issued by FASB (including EITF), the AICPA and the SEC did not or are not believed by management to have a material impact on the Company's present or future financial statements.

3. Stock Based Compensation

At November 30, 2010, the Company has two stock-based employee compensation plans, both which have been approved by the shareholders.

The Company recognizes all share-based payments to employees, including grants of employee stock options, as compensation expense in the financial statements based on their fair values. That expense will be recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

The value of each grant is estimated at the grant date using the Black-Scholes model. There were no options granted or exercised during the three and nine months ended November 30, 2010 and 2009.

4. Going Concern

The Company has incurred substantial operating losses since inception and has used approximately \$185,800 of cash in operations for the nine months ended November 30, 2010. The Company recorded losses from continuing operations of approximately \$309,500 for the nine months ended November 30, 2010. Current liabilities exceed current assets by approximately \$910,421 at November 30, 2010. 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 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.

#### 5. 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, 2010 and 2009, (b) the financial position at November 30, 2010, and (c) cash flows for the nine month periods ended November 30, 2010 and 2009, 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, 2010. The results of operations for the three and nine month periods ended November 31, 2010 are not necessarily indicative of those to be expected for the entire year.

#### 6. Accounts Receivable, Factored

During the three and nine months ended November 30, 2010, the Company factored receivables of approximately \$197,700 and \$1,053,700, respectively. In connection with the factoring agreement, the Company incurred fees of approximately \$9,400 and \$34,900 during the three and nine months ended November 30, 2010. As of November 30, 2010 and February 28, 2010, certain customers had remitted \$2,620 and \$9,581, 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.

#### 7. Inventory

Inventory consists of the following:

	November 30, 2010	February 28, 2010
Work-in process	\$ 4,381	\$ 6,360
Raw materials		9,000
Finished goods	178,081	186,805
<b>Total inventory</b>	<b>\$ 193,786</b>	<b>\$ 202,165</b>

#### 8. Segment Information

The Company had two reportable segments during 2010 and 2009; 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, 2010 and 2009 the Company has included segment reporting.

For the three months ended November 30, 2010, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 480,511	\$		\$480,511
Interest expense, net	\$ 30,909	\$	\$11,484	\$42,393
Depreciation	\$ 43,432	\$	\$	\$43,432
Net income (loss)	\$ 32,243	\$	\$(152,673 )	\$(120,430 )
Property and equipment, net of accumulated depreciation	\$ 3,119,948	\$	\$	\$3,119,948

8

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For the nine months ended November 30, 2010, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 1,673,960		\$	\$1,673,960
Interest expense, net	\$ 96,216	\$	\$14,418	\$110,634
Depreciation and amortization	\$ 140,006	\$	\$	\$140,006
Net income (loss)	\$ 134,606	\$	\$(444,084 )	\$(309,478 )

For the three months ended November 30, 2009, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 644,256		\$	\$644,256
Interest expense, net	\$ 24,726	\$	\$(4,633 )	\$20,093
Depreciation	\$ 53,366	\$	\$	\$53,366
Net income (loss)	\$ 15,946	\$	\$(128,249 )	\$(112,303 )
Property and equipment, net of accumulated depreciation	\$ 3,312,100	\$	\$	\$3,312,100

For the nine months ended November 30, 2009, information regarding operations by segment is as follows:

	Manufacturing	Fiberglass (discontinued operation)	Other	Total
Revenue	\$ 1,829,426	\$ 57,834		\$1,887,260
Interest expense	\$ 95,898	\$ 8,704	\$(10,011 )	\$94,591
Depreciation and amortization	\$ 168,966	\$ 27,604	\$	\$196,570
Net income	\$ 70,090	\$(70,156 )	\$859,894	\$859,828

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.

#### 9. Related Party Transactions

During the nine months ended November 30, 2010 and 2009, two executives who are stockholders of the Company deferred approximately \$174,300 and \$174,300, respectively, of compensation earned during the period. The balance due to stockholders at November 30, 2010 and February 28, 2009, totaled \$1,714,210 and \$1,539,910, 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 nine months ended November 30, 2010 and 2009, the Company issued 45,773,010 and 16,627,044 shares of common stock to a related party and related company, respectively, valued at \$66,142 and \$69,251, respectively, in exchange for guarantees of a note payable. As of November 30, 2010 and 2009, \$32,759 and \$28,854, respectively, of these guaranty fees have been amortized.

During the nine months ended November 30, 2009, the Company entered into an agreement with Public Acquisition Company, Inc. (“PAC”) to sell property and equipment with a net book value of \$253,230 in exchange for a one year non-interest bearing term note of \$263,940, which may be settled in cash or stock. The transaction resulted in a \$13,719 loss due to the \$24,429 imputed interest discount applied to the note receivable. The loss is recorded in the accompanying Consolidated Statements of Operations under Other expense for the three and nine months ending November 30, 2009. As of November 30, 2010, the note has not been satisfied. The maturity date has been extended by PAC and is payable, in cash or stock, on demand.

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

#### 10. Discontinued Operations

During the quarter ended August 31, 2009, the Board of Directors of American Commerce Solutions, Inc. determined to divest the Company of the fiberglass manufacturing operations in favor of expansion of manufacturing, fabricating, erecting and construction operations. The Company has completed negotiations with a related party to purchase the fiberglass manufacturing operations

On September 29, 2009, American Commerce Solutions, Inc. (“ACS”) entered into an agreement with Public Acquisition Company, Inc. (“PAC”) which is owned by the President of the Fiberglass subsidiary and a shareholder of the Company, to sell the fiberglass subsidiary, Chariot Manufacturing, Inc. (“Chariot”), effective on June 1, 2009, in exchange for a one year, non-interest bearing, term note of \$1,009,792, which may be settled in cash or stock, and the assumption of \$1,102,291 of liabilities. The transaction resulted in a gain on the sale of \$1,339,172, which has been recorded in the statement of operations as Gain on the Sale of Discontinued Operations. A discount of \$91,891 for imputed interest was recorded against the note receivable and has been fully amortized at November 30, 2010.

The following are the assets and liabilities of the fiberglass segment at June 1, 2009:

Accounts receivable and other current assets	\$52,250
Inventory	33,695
Property and equipment, net of accumulated depreciation	595,078
<b>Assets to be disposed of</b>	<b>\$681,023</b>
Accounts payable and accrued expenses	\$281,881
Deferred revenue	114,083
Notes payable and accrued interest	408,623
<b>Liabilities to be disposed of</b>	<b>\$804,587</b>
Additional liability for intercompany payable not relieved	297,704
<b>Total liabilities assumed</b>	<b>\$1,102,291</b>

## 11. Notes Payable

During the nine months ended November 30, 2009, the Company entered into a refinancing agreement with a financial institution to refinance \$692,516 at 7% interest, with monthly principle and interest payments of \$6,610 and a maturity date of April 30, 2012. The note is secured by all of the Company's fixed assets, and 1,000,000 shares of the Company's common stock. The note contains a due on demand clause and is therefore reflected as a current liability on the accompanying Consolidated Balance Sheet.

## 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," "will," "could," "may," and similar expressions are intended to identify forward-looking statements. The 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 2011 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 nine month periods ended November 30, 2010 and 2009. 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 one subsidiary that operated in the manufacturing segment during the three and nine months ended November 30, 2010 and two subsidiaries that operating in the manufacturing and the fiberglass segment during the three and nine months ended November 30, 2009. Effective June 1, 2009, the Company sold its fiberglass subsidiary, so only operations through May 31, 2009 have been included in the nine month analysis. 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 30,500 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. Effective June 1, 2009, Chariot was sold and was classified as a discontinued operation for the period March 1, 2009 through May 31, 2009.

## COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2010 AND 2009.

### Consolidated

The Company's consolidated net sales decreased to \$480,511 for the three months ended November 30, 2010, a decrease of \$163,745 or 25%, from \$644,256 for the three months ended November 30, 2009. The decrease is primarily the result of a decrease in sales to one customer by about 33% due to a temporary shutdown. The remaining decrease is due to the downturn in the economy.

Gross profit for the consolidated operations decreased to \$268,086 for the three months ended November 30, 2010 from \$313,604 for the three months ended November 30, 2009. Gross profit as a percentage of sales was 56% and 49% for the three month periods ended November 30, 2010 and 2009, 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 for the three months ended November 30, 2010 was \$43,266 as compared to \$50,311 for same period in 2009. The decrease in consolidated interest expense was primarily due to decrease in debt.

Consolidated interest income for the three months ended November 30, 2010 was \$873 compared to \$30,218 the same period in 2009. The decrease in consolidated interest income is due to the interest on the sale of Chariot.

Selling, general and administrative expenses decreased to \$346,123 for the three months ended November 30, 2010 as compared to \$406,056 for the three months ended November 30, 2009, a decrease of \$59,933 or 15%. The decrease in selling, general and administrative expenses is due to better control over costs and a reduction in the sales force.

The Company incurred a net consolidated loss from continuing operations of \$120,430 for the three months ended November 30, 2010 compared to a loss of \$112,303 for the three months ended November 30, 2009. The decrease in the consolidated net loss from continuing operations is primarily due to the increase in gross profit margin and decrease in general and administrative expenses. 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 \$480,511 for the three months ended November 30, 2010 compared to \$644,256 for the three months ended November 30, 2009. The machining operations provided \$160,414 or 33% of net sales with parts and service providing \$320,097 or 67% of net sales for the three months ended November 30, 2010 as compared to machining operations contributing \$138,717 or 22% of net sales with parts and service providing \$505,538 or 78% of net sales for the three months ended November 30, 2009.

Gross profit from the International Machine and Welding, Inc. was \$268,086 for the three months ended November 30, 2010 compared to \$313,604 for the same period in 2009 providing gross profit margins of 56% and 49%, 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 \$204,935 for the three months ended November 30, 2010 compared to \$249,225 for the three months ended November 30, 2009. The decrease in selling, general and administrative expenses of \$44,290 or 18% is primarily due to better control over costs and a reduction in the sales force.

Interest expense, net was \$30,909 for the three months ended November 30, 2010 compared to \$24,726 for the same period ended 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. was sold effective June 1, 2009, and therefore, had no operations for the three months ended November 30, 2010.

#### COMPARISON OF THE RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED NOVEMBER 30, 2010 AND 2009.

##### Consolidated

The Company's consolidated net sales decreased to \$1,673,960 for the nine months ended November 30, 2010, a decrease of \$155,466 or 8%, from \$1,829,426 for the nine months ended November 30, 2009. The decrease is primarily the result of a decrease in sales to one customer by about 33% due to a temporary shutdown. The remaining decrease is due to the downturn in the economy.

Gross profit for the consolidated operations decreased to \$880,301 for the nine months ended November 30, 2010 from \$903,947 for the nine months ended November 30, 2009. Gross profit as a percentage of sales was 53% and 49% for the nine month periods ended November 30, 2010 and 2009, respectively.

Consolidated interest income for the nine months ended November 30, 2010 was \$28,307 as compared to \$59,405 for same period in 2009. The decrease in consolidated interest income is due to the interest on the sale of Chariot.

Consolidated interest expense for the nine months ended November 30, 2010 was \$138,941 as compared to \$145,292 for same period in 2009.

Selling, general and administrative expenses decreased to \$1,079,145 for the nine months ended November 30, 2010 as compared to \$1,213,838 for the nine months ended November 30, 2009, a decrease of 134,693 or 11%. Overall, the decrease is due to a decrease in accounting and audit fees.

The Company incurred a net consolidated loss from continuing operations of \$309,478 for the nine months ended November 30, 2010 compared to a loss of \$409,188 for the nine months ended November 30, 2009. The decrease in the consolidated net loss from continuing operations is primarily due to the net of the increase in revenues and decrease in general and administrative expenses. 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 \$1,673,960 for the nine months ended November 30, 2010 compared to \$1,829,426 for the nine months ended November 30, 2009. The machining operations provided \$502,014 or 30% of net sales with parts and service providing \$1,171,946 or 70% of net sales for the nine months ended November 30, 2010 as compared to machining operations contributing \$488,298 or 27% of net sales with parts and service providing \$1,341,128 or 73% of net sales for the nine months ended November 30, 2009.

Gross profit from the International Machine and Welding, Inc. was \$880,301 for the nine months ended November 30, 2010 compared to \$903,947 for the same period in 2009 providing gross profit margins of 53% and 49%, 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 \$649,479 for the nine months ended November 30, 2010 compared to \$724,552 for the nine months ended November 30, 2009. There was an overall decrease in selling, general and administrative expenses of \$75,073 or 10%, which was mainly the result of a reduction in the sales force.

Interest expense was \$70,721 for the nine months ended November 30, 2010 compared to \$95,898 for the same period ended 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. was sold effective June 1, 2009, and therefore, had no operations for the nine months ended November 30, 2010.

#### LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended November 30, 2010 and 2009, the Company used net cash from operating activities of \$185,845 and \$280,239, respectively. The decrease in cash used from operating activities is mainly due to the sale of the fiberglass subsidiary.

During the nine months ended November 30, 2010 and 2009, the Company used cash for investing activities of \$29,140 and \$10,140, respectively. The increase in net cash used by investing activities is primarily due to the increase in other receivables.

During the nine months ended November 30, 2010 and 2009, the Company provided cash from financing activities of \$236,123 and \$300,094, 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 nine months ended November 30, 2010.

Cash flows from loans provided for working capital needs and principal payments on long-term debt through November 30, 2010. As of November 30, 2010, working capital deficit was \$910,421. 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. Also, a significant portion of the debt is owed to the officers, directors and affiliates of the Company. In the event that ongoing attempts to raise additional capital are unsuccessful, we expect to be able to negotiate conversion of a substantial portion of these obligations into equity.

As of February 28, 2010, the Company has had significant losses since inception, negative cash flows from operations and current assets exceed current liabilities. In view of these matters, recoverability of recorded asset amounts shown in the accompanying financial statements is dependent upon the Company's ability to reverse negative operating trends, raise additional capital and obtain financing. There can be no assurance that the Company will be successful at achieving its financing goals at reasonably commercial terms, if at all and therefore, our auditors have concluded that there is a substantial doubt about our ability to continue as a going concern opinion. 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.

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 have 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 November 30, 2010 covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have 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, 2010.

#### 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, 2010, 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, 2010, 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 \$1,084,261 of notes payable. The amount of principal payments in arrears was \$699,722, with an additional amount of \$384,539 of interest due at November 30, 2010. These defaults are the result of a failure to pay in accordance with the terms agreed.



ITEM 4. RESERVED

ITEM 5. OTHER MATTERS

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

31.2 Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.1 Certification of the CFO pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

32.2 Certification of the CEO pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)

(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: January 18, 2011

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

Date: January 18, 2011

By: /s/ Frank D. Puissegur  
Frank D. Puissegur,  
CFO and Chief Accounting Officer

