

AMERICAN COMMERCE SOLUTIONS Inc

Form 10-Q

October 20, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2008

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

For the transition period from to

Commission file number: 33-98682

American Commerce Solutions, Inc.

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO.

There were 266,769,522 shares of the Registrant's \$.002 par value common stock outstanding as of August 31, 2008.

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

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American Commerce Solutions, Inc.

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American Commerce Solutions, Inc. and Subsidiaries

Consolidated Balance Sheets

	August 31, 2008 <i>(unaudited)</i>	February 29, 2008
Assets		
Current assets:		
Cash	\$ 5,145	\$ 6,461
Accounts receivable, net of allowance of \$848 and \$1,328, respectively	34,706	36,260
Accounts receivable, factored	50,239	57,104
Inventory	222,070	210,096
Other receivables	46,717	47,123
Other current assets	30,059	39,699
Total current assets	388,936	396,743
Property and equipment, net of accumulated depreciation of \$2,799,123 and \$2,630,808, respectively	4,518,146	4,702,248
Other assets:		
Intangible assets, net of accumulated amortization of \$185,778 and \$166,778	4,222	23,222
Other assets	24,000	
	\$ 4,935,304	\$ 5,122,213
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of notes payable	\$ 1,349,074	\$ 1,349,377
Current portion of notes payable, related parties	765,574	591,336
Bank overdraft	17,667	6,571
Accounts payable, including amounts due to related parties of \$246,261 and \$216,158, respectively	598,632	507,290
Accrued expenses	174,933	178,377
Accrued interest	243,214	208,456
Deferred revenue	107,757	116,655
Total current liabilities	3,256,851	2,958,062
Due to stockholders	1,191,310	1,075,110
Notes payable, net of current portion	38,900	44,867
	4,487,061	4,078,039
Stockholders equity:		
Preferred stock, total authorized 5,000,000 shares:	3	3
Series A; cumulative and convertible; \$.001 par value; 600 shares authorized; 102 shares issued and outstanding; liquidating preference \$376,125		
Series B; cumulative and convertible; \$.001 par value; 3,950 shares authorized; 3,944 shares issued and outstanding; liquidating preference \$3,944,617		
Common stock; \$.002 par value; 350,000,000 shares authorized; 267,291,522 and 251,272,293 shares issued; 266,769,522 and 250,750,293 shares outstanding, respectively	534,584	502,545
Additional paid-in capital	19,144,980	19,068,088

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Stock subscription receivable	(10,000)	(10,000)
Treasury stock, at cost	(265,526)	(265,526)
Prepaid loan costs	(54,465)	
Accumulated deficit	(18,901,333)	(18,250,936)
Total stockholders' equity	448,243	1,044,174
	\$ 4,935,304	\$ 5,122,213

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 August 31,		Six Months Ended August 31,	
	2008	2007	2008	2007
Net sales	\$ 629,094	\$ 657,522	\$ 1,189,202	\$ 1,424,884
Cost of goods sold	362,538	362,565	687,822	847,196
Gross profit	266,556	294,957	501,380	577,688
Selling, general and administrative expenses	495,075	506,828	1,048,115	1,041,819
Loss from operations	(228,519)	(211,871)	(546,735)	(464,131)
Other income (expense):				
Other	180	180	10,152	493
Interest expense	(56,091)	(49,881)	(113,814)	(92,027)
Total other (expense)	(55,911)	(49,701)	(103,662)	(91,534)
Net loss	\$ (284,430)	\$ (261,572)	\$ (650,397)	\$ (555,665)
Net loss per common share	\$ (.00)	\$ (.00)	\$ (.00)	\$ (.00)
Weighted average number of common shares outstanding	266,759,522	250,333,626	266,508,339	248,196,539

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

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American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

Six Months Ended August 31, 2008 (unaudited)

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount
Balance, February 29, 2008	251,272,293	\$ 502,545	3,944	\$ 3
Common shares issued for guaranty (unaudited)	5,339,743	10,680		
Common shares issued for pledge of assets (unaudited)	10,679,486	21,359		
Amortization of loan costs (unaudited)				
Net loss (unaudited)				
Balance, August 31, 2008 (unaudited)	267,291,522	\$ 534,584	3,944	\$ 3

Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Loan Costs	Total
\$19,068,088	\$ (10,000)	\$ (18,250,936)	\$ (265,526)	\$	\$ 1,044,174
25,630				(36,310)	
51,262				(72,621)	
				54,466	54,466
		(650,397)			(650,397)
\$19,144,980	\$ (10,000)	\$ (18,901,333)	\$ (265,526)	\$ (54,465)	\$ 448,243

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

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American Commerce Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(unaudited)

	Six Months Ended August 31,	
	2008	2007
Operating activities:		
Net loss	\$ (650,397)	\$ (555,665)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	202,858	208,008
Amortization of stock issued for services	54,466	56,321
Gain on sale of equipment	(10,168)	
Increase (decrease) in allowance for doubtful accounts	(480)	(816)
(Increase) decrease in:		
Accounts receivables	2,034	40,972
Inventory	(11,974)	7,144
Other assets	9,640	439
Increase (decrease) in:		
Accounts payable and accrued expenses	134,854	(46,824)
Deferred income	(8,898)	10,214
Net cash used by operating activities	(278,065)	(280,207)
Investing activities:		
Decrease (increase) in other receivables	406	11,471
Acquisition of property and equipment	(13,588)	(113,381)
Net cash used by investing activities	(13,182)	(101,910)
Financing activities:		
Increase in checks drawn in excess of bank balance	11,096	223
Decrease in due from factor	6,865	7,947
Proceeds from notes payable and long-term debt	280,591	416,240
Principal payments on notes payable and long-term debt	(124,821)	(160,579)
Increase in due to stockholders	116,200	116,200
Net cash provided by financing activities	289,931	380,031
Net decrease in cash	(1,316)	(2,086)
Cash, beginning of period	6,461	16,634
Cash, end of period	\$ 5,145	\$ 14,548
Supplemental disclosures of cash flow information and noncash investing and financing activities:		
Cash paid during the period for interest	\$ 79,066	\$ 69,452

During the six months ended August 31, 2008 and 2007, the Company issued 16,019,229 and 9,816,309 shares of common stock to a related party and related company, respectively, valued at \$108,931 and \$112,642, respectively, in exchange for guarantees of a note payable. As of August 31, 2008 and 2007, \$54,466 and \$56,322, respectively, of these guaranty fees have been amortized.

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During the six months ended August 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 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, 2008 and 2007, the Company increased notes payable by \$12,199 and \$12,199, respectively for an accrual of interest.

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

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