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AMERICAN COMMERCE SOLUTIONS
Form 10QSB
July 12, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934
For the quarterly period ended May 31, 2002

Transition 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
(I.R.S. Employer
Identification No.)

1400 Chamber Dr., Bartow, Florida 33830
(Address of Principal Executive Offices)

(863) 533-0326
(Issuer's Telephone Number, Including Area Code)

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 Securities Exchange Act of 1934 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 the past 90 days. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common Stock, \$.002 par value per share, 18,556,344 shares outstanding at June 10, 2002

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE) YES NO

AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited)

May 31, 2002

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 10,078
Accounts Receivable, Net of Allowance \$8,732	184,289
Inventory	282,931
Other Receivables	244,878
Other Current Assets	8,810

Total Current Assets 730,986

Property and Equipment, Net of Depreciation \$591,451 5,294,521

Real Property for Resale 170,000

Equipment for Resale 243,150

TOTAL ASSETS \$ 6,438,657

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The accompanying notes are an integral part of these
Consolidated Financial Statements.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET -- CONTINUED
(Unaudited)

May 31, 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Current Portion of Long-Term Debt	\$ 1,682,831
Accounts Payable	532,462
Accrued Expenses	152,435
Accrued Payroll Taxes	335,041
Accrued Interest	291,282
Due to Stockholders	83,674

Total Current Liabilities	3,077,745
Long-Term Debt, Net of Current Portion	973,368
STOCKHOLDERS' EQUITY:	
Preferred Stock, total authorized 1,000,000 shares:	
Series A, cumulative and convertible, authorized 600 shares, \$.001 par value, 102 shares issued and outstanding, liquidating preference	\$ 376,125
Series B, cumulative and convertible, authorized 3,950 shares, \$.001 par value, 3,609 shares issued and outstanding, liquidating preference \$3,609,595	3
Common Stock, \$.002 par value, authorized 30,000,000 shares, 18,556,344 issued and 17,974,344 outstanding	37,043
Additional Paid-In Capital	14,676,703
Stock Receivable	(20,000)
Treasury Stock	(265,526)
Accumulated Deficit	(12,040,679)

Total Stockholders' Equity	2,387,544

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,438,657
	=====

The accompanying notes are an integral part of these
Consolidated Financial Statements.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

For the Three Months Ended

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	May 31, 2002	*May 31, 2001
	-----	-----
Net Sales	\$ 516,056	\$ 494,980
Cost of Goods Sold	301,485	266,702
	-----	-----
Gross Profit	214,571	228,278
Selling, General and Administrative Expenses:		
Payroll and Payroll Taxes	316,258	215,265
Consulting Expenses	96,800	100,250
Depreciation	19,601	19,483
Professional Fees		201,571
Other	182,933	124,517
	-----	-----
Total Selling, General and Administrative Expenses	615,592	661,086
	-----	-----
Loss from Operations	(401,021)	(432,808)
Other income	8,827	
Interest Expense	(77,477)	(52,706)
	-----	-----
Loss from Continuing Operations	(469,671)	(485,514)
Loss from Discontinued Operations		(126,284)
	-----	-----
Net Loss to Common Shareholders	(469,671)	(611,798)
	=====	=====
Loss Per Share:		
Basic + Fully Diluted Loss Per Common Share from Continuing Operations	\$ (0.03)	\$ (0.04)
Basic + Fully Diluted Loss Per Common Share from Discontinued Operations		\$ (0.02)
	-----	-----
Net Loss per Common Shareholders, Basic and Diluted	\$ (0.03)	\$ (0.06)
	=====	=====
Weighted Average Number of Common Shares Outstanding	17,678,844	10,897,217
	=====	=====

*As Restated

The accompanying notes are an integral part of these Consolidated Financial Statements.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

For the Three Months Ended

May 31, 2002 May 31, 2001

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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (469,671)	\$ (611,798)
Adjustments to Reconcile Net Loss to Net Cash		
Used in Operating Activities:		
Depreciation and Amortization	70,719	80,367
Stock Issued for Services	273,900	
Gain On sale of Assets		6,105
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(14,969)	63,424
Inventory	(14,901)	29,970
Prepaid Expenses	2,544	(69,046)
Other Assets		(8,172)
Accounts Payable	(40,494)	102,335
Accrued Expenses	136,196	177,849
	-----	-----
Total Adjustments	412,995	382,832
Net Cash Used in Operating Activities	(56,676)	(228,966)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment Purchased	(5,979)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on Notes Payable and Long-Term Debt	149,007	27,435
Repayments on Notes Payable and Long-Term Debt	(90,482)	(33,626)
Exercise of Stock Options and Warrants		221,200
Proceeds Received on Common Stock Receivable		5,000
	-----	-----
Net Cash Provided by Financing Activities	58,525	220,009
	-----	-----
Net Decrease in Cash	(4,130)	(8,957)
Cash and Cash Equivalents - Beginning of Period	14,208	34,885
	-----	-----
Cash and Cash Equivalents - End of Period	\$ 10,078	\$ 25,928
	=====	=====

The accompanying notes are an integral part of these Consolidated Financial Statements.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)

	For the Three Months Ended	
	May 31, 2002	May 31, 2001
	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Period for Interest	\$ 19,298	\$ 138
	=====	=====
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property Surrendered for Note Repayment	\$	\$133,416
	=====	=====
Securities Issued for Debt Repayment	\$	\$ 7,843
	=====	=====

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The accompanying notes are an integral part of these
Consolidated Financial Statements.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Unaudited)
May 31, 2002

NOTE 1: THE COMPANY

The Company was incorporated in Rhode Island in 1991 under the name Jaque Dubois, Inc. and was re-incorporated in Delaware in 1994. In July 1995, the Company's name was changed to JD American Workwear, Inc. In December 2001 the shareholders voted at the annual shareholders' meeting to change the name of the Company to American Commerce Solutions, Inc. The Company is primarily a holding company whose wholly owned subsidiary is engaged in the machining and fabrication of parts used in industry and parts sales and service for heavy construction equipment.

The financial statements for the period ended May 31, 2001 have been restated to reflect the discontinued operations that had existed during this period to aid in the comparative analysis of current operations.

NOTE 2: GOING CONCERN

The Company has incurred substantial operating losses since inception. The Company recorded losses from operations of \$469,671 and \$485,514 for the three-month periods ended May 31, 2002 and 2001, as restated, respectively. Current liabilities exceed current assets by \$2,346,759 at May 31, 2002. Additionally, the Company has been unable to meet obligations to its creditors as they have become due. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

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. Management is currently negotiating new debt 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. Subsequent to May 31, 2002, the Company has an agreement with a lender that has agreed to a lump sum offer in the amount of \$551,283 in settlement of approximately \$1.3 million, subject to SBA approval.

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 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.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Unaudited)
May 31, 2002

NOTE 3: BASIS OF PRESENTATION

The interim financial statements are prepared pursuant to the rules and

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regulations of the Securities and Exchange Commission. The interim financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods. The accompanying financial statements do not contain all of the disclosures required by generally accepted accounting principles and should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the fiscal year ended February 28, 2002. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year ending February 28, 2003.

Prior year financial information was restated to conform to the current year presentation by removing discontinued operations.

NOTE 4: STOCK TRANSACTIONS

During the period, 750,000 options were granted and exercised by management in lieu of \$133,100 of compensation and \$48,400 of consulting fees. In addition, the Company issued 440,000 shares for \$92,400 of services.

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AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
(Unaudited)
May 31, 2002

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth in this report, the Company's Annual Report on Form 10-KSB and other reports and documents that the Company files with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

The acquisition of International Machine and Welding, Inc. provided a full service welding and machine shop with expertise in metal fabrication, various types of welding, machining and boring operations. The subsidiary is particularly strong in the re-manufacturing of large, complex shaped heavy components, pumps, valves, bearings, shafts etc. The company's boring mill is one of the largest in the Southeast allowing the company to machine items up to 20 feet in diameter and 55 feet in length.

Other operations housed at International Machine and Welding include an independent full service repair facility capable of repairing most heavy construction equipment, including rebuilding engines, transmissions, torque converters, undercarriage and tracks for crawler tractors. The Company has a fleet of field service trucks capable of doing most repairs in the field. Coupled with these operations is a direct to the consumer parts sales operation for heavy construction equipment.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MAY 31, 2002

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AND 2001.

Net sales for the three months ended May 31, 2002 increased by 4.8% to \$516,086 from \$494,980 for the three months ended May 31, 2001. The increase is directly attributable to the heavy equipment repair. Cost of goods sold for the three months ended May 31, 2002 was \$301,485 compared to \$266,702 for the three months ended May 31, 2001. Gross margin for the three months ended May 31, 2002 was \$214,571 compared to \$228,278 for the three months ended May 31, 2001. The gross profit margin percentage decreased to 41.6% for the three months ending May 31, 2002 from a 46% gross profit margin percentage for the three months ended May 31, 2001. The decrease is due to the lower gross profit margins of the parts used in heavy equipment repair.

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Operating expenses decreased to \$615,592 for the three months ended May 31, 2002 from \$661,086 for the three months ended May 31, 2001 as a result the reduction of salaries across all operations.

The net loss for the three months ended May 31, 2002 was \$469,671 (\$.03 per common share) compared to a net loss of \$485,514 (\$.04 per common share) for the three months ended May 31, 2001. The decrease is directly a reduction in salaries offset by an increase interest expense.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities was \$412,995 for the three months ended May 31, 2002 compared to \$228,961 for the three months ended May 31, 2001. Receivables decreased \$14,969 from May 31, 2001 to May 31, 2002 as a result of increased collections and a change in payment terms to certain customers. Inventory increased \$14,901 in the manufacturing segment.

Short and long-term loans provided the working capital needs and principal payments on long-term debt through the three months ended May 31, 2002. However, the Company requires additional financing to provide for working capital needs and principal payments on long-term debt during the year ending February 28, 2003 and to meet its business strategy of achieving significant expansion in revenue for all divisions and to expand through strategic acquisitions and alliances. The Company has been actively seeking additional debt and/or equity financing; however, there can be no assurance that financing will be available to the Company on acceptable terms, if at all.

Through May 31, 2002, the Company has experienced substantial losses, and at May 31, 2002 had an accumulated deficit of approximately \$12,040,679. The Company has not been able to pay all of its obligations as they have become due, and expects to incur much smaller additional losses before it achieves profitable operations. The receipt of funding from any current commitments will allow the Company to continue its restructuring plan.

RESULTS OF OPERATIONS - MANUFACTURING

Manufacturing revenues were \$198,483 from machining operations, \$99,823 from the parts sales operation, and \$217,750 from the heavy equipment service operations for the three months ended May 31, 2002 compared to \$256,256, \$67,697 and \$171,027 for the three months ended May 31, 2001. Cost of goods sold were \$301,485 and \$266,702 from the division for the three months ended May 31, 2002 and 2001, respectively. General and administrative expenses were \$615,592 and \$661,086 for the three months ended May 31, 2002 and 2001, respectively.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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N/A

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ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

N/A

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The Company has defaulted on a total of \$465,561 of notes payable. The amount of principal payments in arrears was \$115,897 with an additional amount of \$72,641 of interest due at May 31, 2002. These defaults were created by failure to pay under the terms of the agreements.

ITEM 4. SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The Company filed a Form 8K in June 2002 explaining the change in auditors from Bella Hermida Gillman Hancock and Mueller to Pender Newkirk and Company, CPA's.

There were no disagreements between the prior auditor and the Company over accounting issues. Pender Newkirk and Company, CPA's had rendered no services to the Company prior to being chosen as auditors for fiscal year 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN COMMERCE SOLUTIONS, INC.

By: /s/ Daniel L. Hefner

Daniel L. Hefner,
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Frank D. Puissegur

Frank D. Puissegur,
Chief Financial Officer
(Principal Accounting Officer)

Date: July 10, 2002