AMERICAN COMMERCE SOLUTIONS Inc
Form 10-Q
October 15, 2013

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, 2013

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _______, 20 , to ______, 20 .

Commission File Number 33-98682

American Commerce Solutions, Inc.
(Exact Name of Registrant as Specified in Charter)

Florida	05-0460102
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

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

(863) 533-0326
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(g) of the Act:

$0.001 par value preferred stock	Over the Counter Bulletin Board
$0.002 par value common stock	Over the Counter Bulletin Board

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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) during the preceding 12 months. Yes ¨ No x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes ¨ No x

As of October 14, 2013, the Registrant had 673,622,066 outstanding shares of its common stock, $0.002 par value.

Documents incorporated by reference: none

AMERICAN COMMERCE SOLUTIONS, INC.
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Part I – Financial Information

Part II – Other Information

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

ASSETS	AUGUST 31, 2013 (unaudited)	FEBRUARY 28, 2013
CURRENT ASSETS:		
Cash	$13,791	$21,751
Accounts receivable, net of allowance of $91 and $0, respectively	87,401	144,748
Accounts receivable, factored	29,387	14,054
Inventories	290,831	278,594
Note receivable, related party	1,009,792	1,009,792
Due from related party	561,644	561,644
Other receivables, including related party receivables of $171,565 and $149,451, respectively	232,944	181,398
Prepaid expenses	57,748	4,481
Total Current Assets	2,283,538	2,216,462
Property and equipment, net of accumulated depreciation of $2,722,607 and $2,624,254, respectively	2,708,991	2,775,828
OTHER ASSETS:		
Other assets	4,146	3,080
Total Other Assets	4,146	3,080
TOTAL ASSETS	$4,996,675	$4,995,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable, including related party payables of $19,927 and $19,940, respectively	$80,852	$155,503
Accrued expenses, including related party balances of $22,923 and $52,386, respectively	77,281	102,149
Accrued interest, including related party balances of $95,716 and $76,242, respectively	368,976	348,313
Current portion of notes payable, related parties	389,394	226,988
Current portion of notes payable	285,000	539,363
Total Current Liabilities	1,201,503	1,372,316
LONG-TERM LIABILITIES:		

Notes payable, net of current portion	466,432	-
Notes payable, related party, net of current portion	494,990	881,808
Due to stockholders	1,953,310	1,837,110
Total Long-Term Liabilities	2,914,732	2,718,918
Total Liabilities	4,116,235	4,091,234
STOCKHOLDERS' EQUITY		
Preferred stock; $0; 5,000,000 shares authorized:		
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; 1,500,000 shares authorized; 673,622,066 and 663,622,066 shares issued and 673,100,066 and 663,100,066 shares outstanding, respectively	1,347,245	1,327,245
Additional paid-in capital	18,930,713	18,908,713
Stock subscription receivable	(10,000)	(10,000)
Accumulated deficit	(19,121,995)	(19,056,299)
	1,145,966	1,169,662
Treasury stock at cost	(265,526)	(265,526)
Total Stockholders' Equity	880,440	904,136
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,996,675	$4,995,370

See notes to the unaudited financial statements

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

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2013	2012	2013	2012
REVENUE:				
Net sales	$695,174	$554,519	$1,372,259	$1,207,465
	695,174	554,519	1,372,259	1,207,465
COST OF GOODS SOLD	322,028	248,175	638,996	551,266
GROSS MARGIN	373,146	306,344	733,263	656,199
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	364,011	344,487	742,626	714,563
LOSS FROM OPERATIONS	9,135	(38,143)	(9,363)	(58,364)
OTHER INCOME (EXPENSE)				
Forgiveness of debt	-	75,478	-	208,489
Other income (expense)	-	7,289	-	7,289
Interest expense	(30,811)	(34,789)	(64,303)	(67,205)
Interest income	4,103	3,473	7,970	6,736
TOTAL OTHER EXPENSE (INCOME)	(26,708)	51,451	(56,333)	155,309
NET (LOSS) INCOME	$(17,573)	$13,308	$(65,696)	$96,945
NET (LOSS) INCOME PER COMMON SHARE, BASIC AND DILUTED	$(0.00)	$0.00	$(0.00)	$0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	665,517,648	349,169,576	664,295,718	347,800,001

See notes to the unaudited financial statements

AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Total Stockholders' Deficit
Balance, February 28, 2013	4,046	$3	663,622,066	$1,327,245	$18,908,713	$(10,000)	$(19,056,299)	$(265,526)	$904,136
Issuance of shares of common stock for deposit on acquisition	-	-	10,000,000	20,000	1,000	-	-	-	21,000
Capital contribution from shareholder	-	-	-	-	21,000	-	-	-	21,000
Net loss (unaudited)	-	-	-	-	-	-	(65,696)	-	(65,696)
Balance, August 31, 2013 (unaudited)	4,046	$3	673,622,066	$1,347,245	$18,930,713	$(10,000)	$(19,121,995)	$(265,526)	$880,440

See notes to the unaudited financial statements

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

	For the Six Months Ended August 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(65,696)	$96,945
Adjustments to reconcile net loss to net cash and cash equivalents		.
(used) provided by operating activities:		
Depreciation	98,353	92,853
Amortization of loan costs	10,417	31,916
Gain on forgiveness of debt	-	(208,489)
Loss on disposal of equipment	-	1,917
Issuance of common stock for guaranty	-	41,003
(Increase) decrease in:		
Accounts receivable	57,347	57,918
Inventories	(12,237)	11,638
Other assets	9,804	5,862
Increase (decrease) in:		
Accounts payable and accrued expenses	(78,856)	(130,531)
Net cash provided (used) by operating activities	19,132	1,032
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in other receivables	(30,546)	(33,714)
Acquisition of property and equipment	(31,516)	(10,547)
Net cash used by investing activities	(62,062)	(44,261)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in due from factor	(15,333)	(46,207)
Proceeds from notes payable and long-term debt	56,929	112,566
Principal payments on notes payable	(122,826)	(134,140)
Increase in due to stockholders	116,200	116,200
Net cash provided by financing activities	34,970	48,419
Net decrease in cash and cash equivalents	(7,960)	5,190
Cash and cash equivalents, beginning of period	21,751	8,078
Cash and cash equivalents, end of period	$13,791	$13,268
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$33,223	$26,046
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Increase in notes payable for accrued interest	$-	$665
Common stock issued for a deposit	$21,000	$-
Capital contribution from shareholder	$21,000	$-

See notes to the unaudited financial statements

American Commerce Solutions, Inc. and Subsidiary
Notes to Condensed Consolidated Financial Statements
As of August 31, 2013 and for the
Three and Six Months Ended August 31, 2013 and 2012

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”). In August of 2012, the Company was re-incorporated in Florida.

The Company is primarily a holding company with one wholly owned subsidiary; 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.

2. GOING CONCERN

The Company has incurred substantial operating losses since inception and has provided approximately $19,132 of cash in operations for the six months ended August 31, 2013. Additionally, the Company is in default on several notes payable. These factors raise substantial doubt about the Company’s ability to continue as a going concern. 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.

3. 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.

4. STOCK BASED COMPENSATION

At August 31, 2013, 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 months ended August 31, 2013 and 2012.

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 six month periods ended August 31, 2013 and 2012, (b) the financial position at August 31, 2013, and (c) cash flows for the six month periods ended August 31, 2013 and 2012, 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, 2013. The results of operations for the three and six month periods ended August 31, 2013 are not necessarily indicative of those to be expected for the entire year.

6. ACCOUNTS RECEIVABLE, FACTORED

During the six months ended August 31, 2013, the Company factored receivables of approximately $254,000. In connection with the factoring agreement, the Company incurred fees of approximately $5,000 and $6,900 during the three months ended August 31, 2013 and 2012, respectively. During the six months ended August 31, 2013 and 2012, the Company incurred fees of approximately $9.300 and $12,900, respectively. Any and all of the Company’s indebtedness and obligations to the Factoring Company is guaranteed by two stockholders and collateralized by the Company’s inventory and fixed assets.

7. INVENTORIES

Inventories consist of the following:

	August 31, 2013	February 28, 2013
Work-in process	$12,930	$10,906
Finished goods	277,901	267,688
Raw materials	—	—
Total inventories	$290,831	$278,594

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8. RELATED PARTY TRANSACTIONS

During the three and six months ended August 31, 2013, two executives who are stockholders of the Company deferred $58,100 and $116,200 of compensation earned during these periods, respectively. The balance due to stockholders at August 31, 2013 and 2012, totaled $1,953,310 and $2,120,910, 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.

Certain notes to related parties have conversion features, whereby, at the holder's option, the notes may be converted, in whole or in part upon written notice, into the Company's common shares at a discount to the fair market value. The Company considered the value of the beneficial conversion features of the notes, and when deemed material, recorded the beneficial conversion value as deferred financing costs and amortized the amount over the period of the loan, charging interest expense. The convertible notes are to related parties, who have the majority of the voting rights. The related parties have waived their conversion rights since the inception of these notes until such time that the Company's market price of shares rise sufficiently or the Company amends the capital structure (through a reverse split or increase in the authorized shares) or combination of all factors, whereby a conversion of any single note, or portion thereof, will not exceed the authorized shares of the Company.

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. SEGMENT INFORMATION

The Company had two reportable segments during 2013 and 2012; manufacturing and other. For the three months ended August 31, 2013 and 2012 the Company has included segment reporting.

For the three months ended August 31, 2013, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	$ 695,174		$695,174
Interest expense	$ 16,433	14,378	30,811
Depreciation	$ 49,578		49,578
Net income (loss)	$ 100,799	(118,372)	(17,573)
Property and equipment, net of accumulated depreciation	$ 2,708,991		2,708,991
Segment assets	$ 3,406,541	1,590,134	4,996,675

For the three months ended August 31, 2012, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total
Revenue	$ 554,519		$554,519
Interest expense	$ 21,412	13,377	34,789
Depreciation	$ 46,842		46,842
Net income (loss)	$ 110,685	(97,377)	13,308
Property and equipment, net of accumulated depreciation	$ 2,834,469		2,834,469
Segment assets	$ 3,501,616	1,477,407	4,979,023

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For the six months ended August 31, 2013, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	$ 1,372,259		$1,372,259
Interest expense	$ 35,773	28,530	64,303
Depreciation	$ 98,353		98,353
Net income (loss)	$ 170,820	(236,516)	(65,696)

For the six months ended August 31, 2012, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total
Revenue	$ 1,207,465		$1,207,465
Interest expense	$ 40,726	26,479	67,205
Depreciation	$ 83,403		83,403
Net income (loss)	$ 316,287	(219,342)	96,945

(a) The “other” segment is mainly related to the holding company expenses and general overhead, as well as the stock based compensation awards.

Segment 1, manufacturing, consists of International Machine and Welding, Inc. and derives its revenues from machining operations, sale of parts and service.

The manufacturing segment, International Machine and Welding, Inc. has a broad and diverse base of customers. The segment does have a significant customer which accounts for 56% of total sales; the loss of this customer would have a material adverse effect on the segment. Also, this segment generates a significant amount of revenues from sales and services provided to three different industries.

ITEM 2. MANAGEMENT'S DISCUSSION AND 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 the year ended February 28, 2014 and beyond, to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

This Management's Discussion and Analysis or Plan of Operation presents a review of the consolidated operating results and financial condition of the Company for the three and six month periods ended August 31, 2013 and 2012. This discussion and analysis is intended to assist in understanding the financial condition and results of operation of the Company and its subsidiary. This section should be read in conjunction with the consolidated financial statements and the related notes.

RESULTS OF OPERATIONS
MANUFACTURING SEGMENT

The manufacturing subsidiary, International Machine and Welding, Inc., generates its revenues from three divisions. Division 1 provides specialized machining and repair services to heavy industry and original equipment manufacturers. Division 2 provides repair and rebuild services on heavy equipment used in construction and mining as well as sales of used equipment. Division 3 provides parts sales for heavy equipment directly to the customer. The primary market of this segment is the majority of central and south Florida with parts sales expanding its market internationally. The current operations can be significantly expanded using the 38,000 square foot structure owned by International Machine and Welding, Inc.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED AUGUST 31, 2013 AND 2012

General
The Company's consolidated net sales increased to $695,174 for the three months ended August 31, 2013, an increase of $140,655 or 25%, from $554,519 for the three months ended August 31, 2012. Management believes the increase is due to changes in the construction industry as machines are between their life cycles.

Gross profit for the consolidated operations increased to $373,146 for the three months ended August 31, 2013 from $306,344 for the three months ended August 31, 2012. Gross profit as a percentage of sales decreased to 54% for the three months ended August 31, 2013 from 55% for the three months ended August 31, 2012.

Consolidated interest expense for the three months ended August 31, 2013 was $30,811 compared to $34,789 for the three months ended August 31, 2012. The decrease of $3,978 or 13% is primarily due to the decrease in note payable.

Consolidated interest income for the three months ended August 31, 2013 was $4,103 compared to $3,473 for the three months ended August 31, 2012. The increase of $630 or 18% is primarily due to the increase in other receivables.

Consolidated selling, general and administrative expenses increased to $364,011 for the three months ended August 31, 2013 from $344,487 for the three months ended August 31, 2012, an increase of $19,524 or 6%.

The Company incurred net consolidated loss of $17,573 for the three months ended August 31, 2013 compared to $13,308 net income for the three months ended August 31, 2012. The prior year net income was primarily the result of approximately $75,500 gain on forgiveness of debt.

Manufacturing Segment
The manufacturing operation, International Machine and Welding, Inc. provided net sales of $695,174 for the three months ended August 31, 2013 compared to $554,519 for the three months ended August 31, 2012. The machining operations provided $212,446 or 31% of net sales with parts and service providing $482,728 or 69% of net sales for the three months ended August 31, 2013 as compared to machining operations contributing $165,440 or 30% of net sales with parts and service providing $389,079 or 70% of net sales for the three months ended August 31, 2012.

Gross profit from International Machine and Welding, Inc. was $373,146 for the three months ended August 31, 2013 compared to $306,344 during the three months ended August 31, 2012 providing gross profit margins of 54%, for the three months ended August 31, 2013 as compared to 55% for the same period ended August 31, 2012.

Selling, general and administrative expenses for International Machine and Welding, Inc. were $255,914 for the three months ended August 31, 2013 compared to $250,129 for the three months ended August 31, 2012. The increase in selling, general and administrative expenses is primarily due to additional legal fees.

Interest expense was $16,433 for the three months ended August 31, 2013 compared to $21,412 for the three months ended August 31, 2012. The decrease in interest expense is primarily due to a reduction in notes payable as well as a 1.5% reduction in the interest rate on one of the notes.

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.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED AUGUST 31, 2013 AND 2012

General
The Company’s consolidated net sales increased to $1,372,259 for the six months ended August 31, 2013, an increase of $164,794 or 14%, from $1,207,465 for the six months ended August 31, 2012. Management believes the increase is due to changes in the construction industry as machines are between their life cycles.

Gross profit for the consolidated operations increased to $733,263 for the six months ended August 31, 2013 from $656,199 for the six months ended August 31, 2012. Gross profit as a percentage of sales decreased to 53% for the six months ended August 31, 2013 from 54% for the six months ended August 31, 2012.

Consolidated interest expense for the six months ended August 31, 2013 was $64,303 compared to $67,205 for the six months ended August 31, 2012. The decrease of $2,902 or 4% is primarily due to the decrease in note payable.

Consolidated interest income for the six months ended August 31, 2013 was $7,970 compared to $6,736 for the six months ended August 31, 2012. The increase of $1,234 or 18% is primarily due to the increase in other receivables.

Consolidated selling, general and administrative expenses increased to $742,626 for the six months ended August 31, 2013 from $714,563 for the six months ended August 31, 2012, an increase of $28,063 or 4%.

The Company incurred net consolidated loss of $65,696 for the six months ended August 31, 2013 compared to $96,945 net income for the six months ended August 31, 2012. The prior year net income was primarily the result of approximately $208,500 gain on forgiveness of debt.

Manufacturing Segment
The manufacturing operation, International Machine and Welding, Inc. provided net sales of $1,372,259 for the six months ended August 31, 2013 compared to $1,207,465 for the six months ended August 31, 2012. The machining operations provided $419,588 or 31% of net sales with parts and service providing $952,671 or 69% of net sales for the six months ended August 31, 2013 as compared to machining operations contributing $394,164 or 33% of net sales with parts and service providing $813,301 or 67% of net sales for the six months ended August 31, 2012.

Gross profit from International Machine and Welding, Inc. was $733,263 for the six months ended August 31, 2013 compared to $656,199 during the six months ended August 31, 2012 providing gross profit margins of 53%, for the six months ended August 31, 2013 as compared to 54% for the same period ended August 31, 2012.

Selling, general and administrative expenses for International Machine and Welding, Inc. were $526,673 for the six months ended August 31, 2013 compared to $508,535 for the six months ended August 31, 2012. The increase in selling, general and administrative expenses is primarily due to additional legal fees.

Interest expense was $35,773 for the six months ended August 31, 2013 compared to $40,726 for the six months ended August 31, 2012. The decrease in interest expense is primarily due to the reduction in notes payable.

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.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended August 31, 2013 and 2012, the Company provided net cash for operating activities of $19,132 and $1,032, respectively.

During the six months ended August 31, 2013 and 2012, the Company used funds for investing activities of $62,062 and $44,261, respectively.

During the six months ended August 31, 2013 and 2012, the Company provided cash from financing activities of $34,970 and $48,419, respectively. The decrease in net cash provided by financing activities is due to the decrease in proceeds from the issuance of notes payable.

Cash flows from financing activities provided for working capital needs and principal payments on long-term debt through fiscal 2014. To the extent that the cash flows from financing activities 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.

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 where the majority of the revenue is generated while the processors await the next harvest.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accompanying consolidated financial statements include the activity of the Company and its wholly owned subsidiary. All intercompany transactions have been eliminated in consolidation. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 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 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 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.

NEW ACCOUNTING PRONOUNCEMENTS

For a description of recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our financial statements, see “Note 3: Recent Accounting Pronouncements” in Part I, Item 1 of this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(f) and 15d-15(f)) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of August 31, 2013, our internal disclosure controls and procedures were not effective due to material weaknesses in the system of internal control. A material weakness is a deficiency, or combination of deficiencies, that creates a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

The material weaknesses assessed by our management were (1) we have not implemented measures that would prevent the chief executive officer and the chief financial officer from overriding the internal control system and (2) our board of directors has determined that our audit committee does not have an independent “financial expert” as such term is defined under federal securities law. We do not believe that these material weaknesses have resulted in deficient financial reporting because both the chief executive officer and the chief financial officer are aware of their responsibilities under the SEC’s reporting requirements and they both personally certify our financial reports.

Management's Report on Internal Control over Financial Reporting

Accordingly, while we have identified material weaknesses in our system of internal control over financial reporting, we believe we have taken reasonable steps to ascertain that the financial information contained in this report is in accordance with generally accepted accounting principles. Our management has determined that current resources would be appropriately applied elsewhere and when resources permit, it will address and remediate material weaknesses through implementing various controls or changes to controls. At such time as we have additional financial resources available to us, we intend to enhance our controls and procedures. We will not be able to assess whether the steps we intend to take will fully remedy the material weakness in our internal control over financial reporting until we have fully implemented them and sufficient time passes in order to evaluate their effectiveness.

Material weaknesses assessed by our management were (1) we have not implemented measures that would prevent the chief executive officer and the chief financial officer from overriding the internal control system and (2) our board of directors has determined that our audit committee does not have an independent “financial expert” as such term is defined under federal securities law. We do not believe that these material weaknesses have resulted in deficient financial reporting because both the chief executive officer and the chief financial officer are aware of their responsibilities under the SEC’s reporting requirements and they both personally certify our financial reports.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met under all potential conditions, regardless of how remote, and may not prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities Exchange Act Rule 13a-15 or Rule 15d-15 that occurred in the three months ended August 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Auditor’s Report on Internal Control over Financial Reporting

This Quarterly Report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this Quarterly Report.

PART II

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 August 31, 2013, 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 $499,942 of notes payable. The amount of principal payments in arrears was $226,988 with an additional amount of $272,954 of interest due at August 31, 2013. These defaults are the result of a failure to pay in accordance with the terms agreed.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER MATTERS

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBIT INDEX

Incorporated Documents	SEC Exhibit Reference	Sequentially Numbered
	Certification of the Chief Financial Officer	31.1
	Certification of the Chief Executive Officer	31.2
	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbaenes-Oxley Act of 2002 of the Chief Financial Officer	32.1
	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbaenes-Oxley Act of 2002 of the Chief Executive Officer	32.2
	XBRL Instance Document	101.INS **
	XBRL Taxonomy Extension Schema Document	101.SCH **
	XBRL Taxonomy Extension Calculation Linkbase Document	101.CAL **
	XBRL Taxonomy Extension Definition Linkbase Document	101.DEF **
	XBRL Taxonomy Extension Label Linkbase Document	101.LAB **
	XBRL Taxonomy Extension Presentation Linkbase Document	101.PRE **

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

(b) Reports on Form 8-K

None

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	AMERICAN COMMERCE SOLUTIONS, INC.	
Date: October 15, 2013	By:	/S/ DANIEL L. HEFNER Daniel L. Hefner, President
Date: October 15, 2013	By:	/S/ FRANK D. PUISSEGUR Frank D. Puissegur, CFO and Chief Accounting Officer