

AMERICAN COMMERCE SOLUTIONS Inc
Form 10-Q
October 15, 2015

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, 2015

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

For the transition period from _____ to _____ .

Commission File Number 33-98682

American Commerce Solutions, Inc.

(Exact Name of Registrant as Specified in Charter)

Florida
(State or Other Jurisdiction of Incorporation or
Organization)

05-0460102
(I.R.S. Employer Identification Number)

1400 Chamber Drive, Bartow, Florida 33830

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(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
\$0.002 par value common stock

Over the Counter Bulletin Board
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

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

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

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

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.

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

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

As of October 14, 2015, the Registrant had 1,157,812,573 outstanding shares of its common stock, \$0.002 par value.

Documents incorporated by reference: none

AMERICAN COMMERCE SOLUTIONS, INC.

FORM 10-Q—INDEX

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PART I – FINANCIAL INFORMATION**ITEM 1.
CONSOLIDATED
FINANCIAL
STATEMENTS****AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	AUGUST 31, 2015 (unaudited)	FEBRUARY 28, 2015
ASSETS		
CURRENT ASSETS:		
Cash	\$ 11,407	\$ 44,697
Accounts receivable	103,440	97,279
Accounts receivable, factored	20,697	14,617
Inventories	279,929	288,441
Note receivable, related party	1,009,792	1,009,792
Due from related party	493,307	491,807
Other receivables, including related party receivables of \$272,882 and \$247,908, respectively	372,473	317,881
Prepaid expenses	191	-
Total Current Assets	2,291,236	2,264,514
Property and equipment, net of accumulated depreciation of \$3,057,839 and \$2,976,631, respectively	2,461,333	2,518,990
OTHER ASSETS:		
Other assets	3,927	4,364
Investment, available for sale	49,500	55,000
Total Other Assets	53,427	59,364
TOTAL ASSETS	\$ 4,805,996	\$ 4,842,868
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable, including related party payables of \$1,286 and \$645, respectively	\$ 69,348	\$ 76,157
Accrued expenses, including related party balances of \$8,240 and \$20,276, respectively	49,716	44,018
Accrued interest, including related party balances of \$53,857 and \$48,692, respectively	360,731	344,413
Current portion of notes payable	667,843	248,251
Total Current Liabilities	1,147,638	712,839
LONG-TERM LIABILITIES:		

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Notes payable, net of current portion	-	434,904
Notes payable, related party, net of current portion	332,692	373,024
Due to stockholders	1,717,610	1,601,910
Total Long-Term Liabilities	2,050,302	2,409,838
Total Liabilities	3,197,940	3,122,677
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; 1,500,000,000 shares authorized; 1,157,812,573 and 1,157,812,573		
shares issued and 1,157,290,573 and 1,157,290,573 shares outstanding, respectively	2,315,626	2,315,626
Additional paid-in capital	19,084,073	19,084,073
Stock subscription receivable	(10,000)	(10,000)
Accumulated other comprehensive loss	(54,000)	(48,500)
Accumulated deficit	(19,462,120)	(19,355,485)
	1,873,582	1,985,717
Treasury stock at cost; 522,000 shares of common stock	(265,526)	(265,526)
Total Stockholders' Equity	1,608,056	1,720,191
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,805,996	\$ 4,842,868

See notes to the unaudited financial statements

AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	For the Three Months Ended		For the Six Months Ended	
	August 31,		August 31,	
	2015	2014	2015	2014
REVENUE:				
Net sales	\$ 543,051	\$ 474,336	\$ 1,054,609	\$ 1,083,222
	543,051	474,336	1,054,609	1,083,222
COST OF GOODS SOLD	260,449	237,167	504,168	495,114
GROSS PROFIT	282,602	237,169	550,441	588,108
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	324,048	320,308	627,948	678,706
LOSS FROM OPERATIONS	(41,446)	(83,139)	(77,507)	(90,598)
OTHER INCOME (EXPENSE)				
Other income (expense)	-	-	-	84,102
Interest expense	(21,699)	(20,830)	(43,927)	(43,436)
Interest income	7,835	5,501	14,799	11,421
TOTAL OTHER EXPENSE (INCOME)	(13,864)	(15,329)	(29,128)	52,087
NET (LOSS) INCOME	\$ (55,310)	\$ (98,468)	\$ (106,635)	\$ (38,511)
Unrealized gain (loss) on fair value of investment	(16,500)	(30,207)	(5,500)	(51,028)
COMPREHENSIVE (LOSS) INCOME	\$ (71,810)	\$ (128,675)	\$ (112,135)	\$ (89,539)
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				
	1,157,290,573	1,035,721,946	1,157,290,573	1,035,721,946

See notes to the unaudited financial statements

**AMERICAN COMMERCE SOLUTIONS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Preferred Stock		Common Stock		Additional	Stock	Accumulated	Accumulated	Treasury	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Subscription Receivable	Other Comprehensive Income/(Loss)			
Balance, February 28, 2014	3,944	\$ 3	1,036,243,946	\$ 2,072,489	\$ 19,017,210	\$ (10,000)	\$ -	\$ (19,225,360)	\$ (265,526)	\$ 1,588
Issuance of shares of common stock in conversion of debt	-	-	117,647,058	235,294	64,706	-	-	-	-	300
Issuance of shares of common stock in conversion of liability	-	-	3,921,569	7,843	2,157	-	-	-	-	10
Unrealized loss on fair value of investment	-	-	-	-	-	-	(48,500)	-	-	(48)
Net loss	-	-	-	-	-	-	-	(130,125)	-	(130)
Balance, February 28, 2015	3,944	\$ 3	1,157,812,573	\$ 2,315,626	\$ 19,084,073	\$ (10,000)	\$ (48,500)	\$ (19,355,485)	\$ (265,526)	\$ 1,720
Unrealized loss on fair value of investment (unaudited)	-	-	-	-	-	-	(5,500)	-	-	(5)
Net loss (unaudited)	-	-	-	-	-	-	-	(106,635)	-	(106)
Balance, August 31, 2015 (unaudited)	3,944	\$ 3	1,157,812,573	\$ 2,315,626	\$ 19,084,073	\$ (10,000)	\$ (54,000)	\$ (19,462,120)	\$ (265,526)	\$ 1,608

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,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (106,635)	\$ (38,511)
Adjustments to reconcile net (loss) income to net cash and cash equivalents used by operating activities:		
Depreciation	81,207	96,164
Amortization of loan costs	-	3,082
Investment received for services	-	(82,500)
Unrealized loss on investment in common stock	-	(20,503)
Loss on disposal of equipment	-	547
(Increase) decrease in:		
Accounts receivable	(6,161)	34,481
Inventories	8,512	38,193
Other assets	246	454
Increase (decrease) in:		
Accounts payable and accrued expenses	15,207	(47,289)
Net cash provided (used) by operating activities	(7,624)	(15,882)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in other receivables	(54,592)	(11,534)
Increase in due from related party	(1,500)	-
Acquisition of property and equipment	(23,550)	(14,911)
Net cash used by investing activities	(79,642)	(26,445)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease (increase) in due from factor	(6,080)	9,299
Proceeds from notes payable and long-term debt	90,350	101,600
Principal payments on notes payable	(145,994)	(136,073)
Increase in due to stockholders	115,700	116,200
Net cash provided by financing activities	53,976	91,026
Net (decrease) increase in cash and cash equivalents	(33,290)	48,699
Cash and cash equivalents, beginning of period	44,697	7,731
Cash and cash equivalents, end of period	\$ 11,407	\$ 56,430
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 27,609	\$ 22,431
NON-CASH FINANCING AND INVESTING ACTIVITIES:		

Conversion of liability to equity	\$	-	\$	310,000
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See notes to the unaudited financial statements

American Commerce Solutions, Inc. and Subsidiary

Notes to Condensed Consolidated Financial Statements

As of August 31, 2015 and for the

Three and Six Months Ended August 31, 2015 and 2014

(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"). 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 resulting in an accumulated deficit. 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 are not believed by management to have a material impact on the Company's present or future financial statements.

4. FINANCIAL INSTRUMENTS

The Company's balance sheet includes certain financial instruments. The carrying amounts of current assets and current liabilities approximate their fair value because of the relatively short period of time between the origination of these instruments and their expected realization.

ASC 820 Fair Value Measurements and Disclosures defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of August 31, 2015. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, other current assets, investments, accounts payable, accrued compensation and accrued expenses. The fair value of the Company's notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

5. STOCK BASED COMPENSATION

At August 31, 2015, the Company had 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 six months ended August 31, 2015 and 2014.

6. BASIS OF PRESENTATION

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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, 2015 and 2014, (b) the financial position at August 31, 2015, and (c) cash flows for six month periods ended August 31, 2015 and 2014, 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, 2015. The results of operations for the three and six month periods ended August 31, 2015 are not necessarily indicative of those to be expected for the entire year.

7. ACCOUNTS RECEIVABLE, FACTORED

During the six months ended August 31, 2015, the Company factored receivables of approximately \$187,600. In connection with the factoring agreement, the Company incurred fees of approximately \$3,100 and \$3,700 during the three months ended August 31, 2015 and 2014, respectively. During the six months ended August 31, 2015 and 2014, the Company incurred fees of approximately \$6,600 and \$8,800, 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.

8. NOTE RECEIVABLE, RELATED PARTY

During the year ended February 2010, the Company entered into an agreement with Public Acquisition Company, Inc. (PAC) to sell the fiberglass subsidiary, Chariot Manufacturing, Inc. (Chariot) effective 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. The note is past maturity.

9. DUE FROM RELATED PARTY

	August 31, 2015	February 28, 2015
	(unaudited)	(audited)
Other receivable, PAC*	\$ 235,442	\$ 235,442
Due from related party, due on demand, 8% interest	8,200	6,700
Note receivable, PAC*	249,665	249,665
Total	\$ 493,307	\$ 491,807

*Above amounts are due on demand and non-interest bearing, with the exception of the note receivable, PAC, which is past maturity.

10. OTHER RECEIVABLES

	August 31, 2015	February 28, 2015
	(unaudited)	(audited)
Employee advances*	\$ 820	\$ 820
Employee Stock Incentive Plan Receivable, net of reserve*	5,614	5,229
Interest receivable*	77,667	63,924
Note receivable, PAC and other related party, due on demand, \$287,372 @ 10% and \$1,000 @ 6% interest	288,372	247,908

Total	\$	372,473	\$	317,881
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*Above amounts are due on demand and non-interest bearing.

11. INVENTORIES

Inventories consist of the following:

	August 31, 2015	February 28, 2015
	(unaudited)	(audited)
Work-in process	\$ 47,276	\$ 17,888
Finished goods	232,653	270,553
Raw materials	-	-
Total inventories	\$ 279,929	\$ 288,441

12. RELATED PARTY TRANSACTIONS

The following transactions with our officer's, in the aggregate amount of \$310,000 and 121,568,627 shares of common stock, were reported in Form S8 as filed with the Securities and Exchange Commission on May 1, 2014:

During the six month ended August 31, 2015, two executives who are stockholders of the Company deferred approximately \$115,700 of compensation earned during this period. The balance due to stockholders at August 31, 2015 and 2014, totaled \$1,717,610 and \$1,485,710, 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 six months ended August 31, 2014, the Company issued 58,823,529 shares of common stock to each of the executives valued at \$0.00255, in exchange for the reduction \$300,000 of deferred compensation.

In April 2014, the Company exchanged \$10,000 of debt due to the related parties for 3,921,569 shares of common stock. The shares were valued at \$0.00255 per share.

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.

13. NOTES PAYABLE

The Company has defaulted on a total of \$523,340 of notes payable. The amount of principal payments in arrears was \$216,988 with an additional amount of \$306,352 of interest due at August 31, 2015. These defaults are the result of a failure to pay in accordance with the terms agreed.

14. SEGMENT INFORMATION

The Company had two reportable segments during 2015 and 2014; manufacturing and other. For the three months ended August 31, 2015 and 2014 the Company has included segment reporting.

For the three months ended August 31, 2015, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	\$ 543,051		\$ 543,051
Interest expense	\$ 15,009	6,690	21,699
Depreciation	\$ 40,653		40,653
Net income (loss)	\$ 17,900	(73,210)	(55,310)
Property and equipment, net of accumulated depreciation	\$ 2,461,333		2,461,333
Segment assets	\$ 3,139,602	1,666,394	4,805,996

For the three months ended August 31, 2014, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	\$ 474,336		\$ 474,336
Interest expense	\$ 13,925	6,905	20,830
Depreciation	\$ 48,124		48,124
Net income (loss)	\$ (13,004)	(85,464)	(98,468)
Property and equipment, net of accumulated depreciation	\$ 2,573,430		2,573,430
Segment assets	\$ 3,223,675	1,577,603	4,801,278

For the six months ended August 31, 2015, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	\$ 1,054,609		\$ 1,054,609
Interest expense	\$ 30,505	13,422	43,927
Depreciation	\$ 81,208		81,208
Net income (loss)	\$ 36,568	(143,203)	(106,635)

For the six months ended August 31, 2014, information regarding operations by segment is as follows:

	Manufacturing	Other (a)	Total Continuing Operations
Revenue	\$ 1,083,222		\$ 1,083,222
Interest expense	\$ 29,575	13,861	43,436
Depreciation	\$ 96,164		96,164
Net income (loss)	\$ 67,391	(105,902)	(38,511)

(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 44% 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.

15. SUBSEQUENT EVENTS

The Company has evaluated events and transactions subsequent to August 31, 2015 through the date of filing with the Securities and Exchange Commission (date available for issuance) that would require reporting.

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," and similar expressions are intended to identify forward-looking statements. These statements include, among others, information regarding future operations, future capital expenditures, and future net cash flow. Such statements reflect the Company's current views with respect to future events and financial performance and involve risks and uncertainties, including, without limitation, general economic and business conditions, changes in foreign, political, social, and economic conditions, regulatory initiatives and compliance with governmental regulations, the ability to achieve further market penetration and additional customers, and various other matters, many of which are beyond the Company's control. Should one or more of these risks or uncertainties occur, or should underlying assumptions prove to be incorrect, actual results may vary materially and adversely from those ANTICIPATED, believed, estimated, or otherwise indicated. Consequently, all of the forward-looking statements made in this FILING are qualified by these cautionary statements and there can be no assurance of the actual results or developments.

The Company cautions readers that in addition to important factors described elsewhere, the following important facts, among others, sometimes have affected, and in the future could affect, the Company's actual results, and could cause the Company's actual results during the year ended February 28, 2016 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, 2015 and 2014. 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, 2015 AND 2014

General

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The Company's consolidated net sales increased to \$543,051 for the three months ended August 31, 2015, an increase of \$68,715 or 14%, from \$474,336 for the three months ended August 31, 2014. 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 \$282,602 for the three months ended August 31, 2015 from \$237,169 for the three months ended August 31, 2014. Gross profit as a percentage of sales increased to 52% for the three months ended August 31, 2015 from 50% for the three months ended August 31, 2014.

Consolidated selling, general and administrative expenses increased to \$324,048 for the three months ended August 31, 2015 from \$320,308 for the three months ended August 31, 2014, an increase of \$3,740 or 1%.

Consolidated interest expense for the three months ended August 31, 2015 was \$21,699 compared to \$20,830 for the three months ended August 31, 2014. The increase of \$869 or 4% is primarily due to the increase in notes payable.

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Consolidated interest income for the three months ended August 31, 2015 was \$7,835 compared to \$5,501 for the three months ended August 31, 2014. The increase of \$2,334 or 42% is primarily due to the increase in other receivables.

The Company incurred net consolidated loss of \$55,310 for the three months ended August 31, 2015 compared to a net loss of \$98,468 for the three months ended August 31, 2014. The decrease in net loss is primarily due to the increase in sales.

Manufacturing Segment

The manufacturing operation, International Machine and Welding, Inc. provided net sales of \$543,051 for the three months ended August 31, 2015 compared to \$474,336 for the three months ended August 31, 2014. The machining operations provided \$200,263 or 37% of net sales with parts and service providing \$342,788 or 63% of net sales for the three months ended August 31, 2015 as compared to machining operations contributing \$133,171 or 28% of net sales with parts and service providing \$341,165 or 72% of net sales for the three months ended August 31, 2014.

Gross profit from International Machine and Welding, Inc. was \$282,602 for the three months ended August 31, 2015 compared to \$237,169 during the three months ended August 31, 2014 providing gross profit margins of 52%, for the three months ended August 31, 2015 as compared to 50% for the same period ended August 31, 2014.

Selling, general and administrative expenses for International Machine and Welding, Inc. were \$250,475 for the three months ended August 31, 2015 compared to \$236,341 for the three months ended August 31, 2014.

Interest expense was \$15,009 for the three months ended August 31, 2015 compared to \$13,925 for the three months ended August 31, 2014. The increase in interest expense is primarily due to an increase 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.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED AUGUST 31, 2015 AND 2014

General

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The Company's consolidated net sales decreased to \$1,054,609 for the six months ended August 31, 2015, a decrease of \$28,613 or 3%, from \$1,083,222 for the six months ended August 31, 2014. Management believes the decrease is due to changes in the construction industry as machines are between their life cycles.

Gross profit for the consolidated operations decreased to \$550,441 for the three months ended August 31, 2015 from \$588,108 for the six months ended August 31, 2014. Gross profit as a percentage of sales decreased to 52% for the six months ended August 31, 2015 from 54% for the six months ended August 31, 2014.

Consolidated selling, general and administrative expenses decreased to \$627,948 for the six months ended August 31, 2015 from \$678,706 for the six months ended August 31, 2014, a decrease of \$50,758 or 7%. The decrease was due to a decrease in outside services, tools, legal expenses and loan costs.

Consolidated interest expense for the six months ended August 31, 2015 was \$43,927 compared to \$43,436 for the six months ended August 31, 2014. The increase of \$491 is primarily due to the increase in notes payable.

Consolidated interest income for the six months ended August 31, 2015 was \$14,799 compared to \$11,421 for the six months ended August 31, 2014. The increase of \$3,378 or 30% is primarily due to the increase in other receivables.

The Company incurred net consolidated loss of \$106,635 for the six months ended August 31, 2015 compared to a net loss of \$38,511 for the six months ended August 31, 2014. The increase in net loss is primarily due to the decrease in sales and other income, net of the decrease in selling, general and administrative expenses.

Manufacturing Segment

The manufacturing operation, International Machine and Welding, Inc. provided net sales of \$1,054,609 for the six months ended August 31, 2015 compared to \$1,083,222 for the six months ended August 31, 2014. The machining operations provided \$402,550 or 38% of net sales with parts and service providing \$652,059 or 62% of net sales for the six months ended August 31, 2015 as compared to machining operations contributing \$354,412 or 33% of net sales with parts and service providing \$728,810 or 67% of net sales for the six months ended August 31, 2014.

Gross profit from International Machine and Welding, Inc. was \$550,441 for the six months ended August 31, 2015 compared to \$588,108 during the six months ended August 31, 2014 providing gross profit margins of 52%, for the six months ended August 31, 2015 as compared to 54% for the same period ended August 31, 2014.

Selling, general and administrative expenses for International Machine and Welding, Inc. were \$484,687 for the six months ended August 31, 2015 compared to \$433,713 for the six months ended August 31, 2014.

Interest expense was \$30,506 for the six months ended August 31, 2015 compared to \$29,575 for the six months ended August 31, 2014. The decrease in interest expense is primarily due to a 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, 2015 and 2014, the Company used net cash for operating activities of \$7,624 and \$15,882, respectively.

During the six months ended August 31, 2015 and 2014, the Company used funds for investing activities of \$79,642 and \$26,445, respectively. The decrease in cash used for investing activities is primarily due to the Company not purchasing as much property and equipment.

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During the six months ended August 31, 2015 and 2014, the Company provided cash from financing activities of \$84,976 and \$91,026, respectively. The increase in net cash provided by financing activities is due to the increase 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 year 2015. 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, 2015, 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, 2015 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, 2015, 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 \$523,340 of notes payable. The amount of principal payments in arrears was \$216,988 with an additional amount of \$306,352 of interest due at August 31, 2015. 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.

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**ITEM 6.
EXHIBITS
AND
REPORTS
ON FORM
8-K**

EXHIBIT INDEX

Incorporated		Sequentially
Documents	SEC Exhibit Reference	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, 2015

By: */s/ DANIEL L. HEFNER*
Daniel L. Hefner, President

Date: October 15, 2015

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