AMERICAN COMMERCE SOLUTIONS
Form 10QSB
January 17, 2002

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

FORM 10-QSB

(Mark One)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended November 30, 2001

[ ] Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from __________ to __________

COMMISSION FILE NUMBER 33-98682

AMERICAN COMMERCE SOLUTIONS, INC.
f/k/a JD AMERICAN WORKWEAR, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	05-0460102
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

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

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, $.002 par value per share, 10,768,497 shares outstanding at January 15, 2002.

Transitional Small Business Disclosure Format (check one) Yes [ ] No [X]

AMERICAN COMMERCE SOLUTIONS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN COMMERCE SOLUTIONS, INC.
BALANCE SHEET
(Unaudited)

	November 30, 2001
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 10,697
Accounts receivable, net of allowance $35,114	208,033
Inventory	280,516
Real property for resale	243,150
Equipment for resale	476,000
Short term loans receivable	282,258
Total current assets	1,500,654

Property and equipment, net	4,897,645
TOTAL ASSETS	$6,398,299

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

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

	November 30, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFI CIT)	
Current liabilities:	
Current portion of long-term debt	$ 438,918
Accounts payable	570,386
Accrued expenses	837,656
Short-term loans	395,214
Shareholder loans	122,815
Total current liabilities	2,364,989
Long-term debt, net of current portion	1,569,321
STOCKHOLDERS' EQUITY (DEFICIT):	
Preferred stock, total authorized 1,000,000 shares:	
Series A, cumulative and convertible, $.001 par value, 102 shares issued and outstanding, liquidating preference $343,494	--
Series B, cumulative and convertible, authorized 3,950 shares, $.001 par value, 3,303 shares issued and outstanding, liquidating preference $3,303,301	3
Series C, cumulative and convertible, $.001 par value, 4,800 shares issued and outstanding, liquidating preference $4,800,000	5
Common stock, $.002 par value, authorized 30,000,000 shares, 10,768,497 issued and 9,798,432 outstanding	21,437
Additional paid-in capital	14,281,208
Stock receivable	(242,000)
Treasury stock	(577,499)
Accumulated deficit	(11,019,165)
Total Stockholders' equity (deficit)	2,463,989
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 6,398,299

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

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

	For the Three Months Ended	
	November 30, 2001	November 30, 2000
Net sales	472,205	794,455
Cost of goods sold	289,891	383,411
Gross profit	182,314	411,044
Selling, general and administrative expenses	343,031	520,062
	(160,717)	(109,018)
Other income	1,978	
Interest expense	(42,890)	(52,031)
Net loss from continuing operations	(201,629)	(161,049)
Loss from discontinued operations	(14,136)	
Loss on disposal of discontinued operations	(16,840)	
Accretion of discount and dividends on mandatory redeemable preferred shares		(66,515)
Gain on extinguishment of mandatory redeemable preferred stock		1,815,519
Net gain (loss) to common stockholders	$ (232,605)	$ 1,587,955
Net gain (loss) per common shareholders, basic and diluted	$ (.02)	$ .54
Weighted average number of common shares outstanding	10,682,938	2,945,393

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

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AMERICAN COMMERCE SOLUTIONS, INC.

STATEMENTS OF OPERATIONS
(Unaudited)

	For the Nine Months Ended	
	November 30, 2001	November 30, 2002
Net sales	$ 1,523,899	$ 1,531,162
Cost of goods sold	895,534	671,118
Gross profit	628,365	860,044
Selling, general and administrative expenses	1,437,614	1,333,434

	(809,249)	(473,390)
Other income	17,323	
Loss on disposal of assets	14,547	
Interest expense	(155,533)	(120,719)
	(932,912)	(594,109)
Less: Profit (loss) on purchased segment prior to date of acquisition		(3,038)
Net loss from continuing operations	(932,912)	(591,071)
Loss from discontinued operations	(59,350)	
Loss on disposal of discontinued operations	(16,840)	
Accretion of discount and dividends on mandatory redeemable preferred shares		(310,090)
Gain on extinguishment of mandatory redeemable preferred stock		1,815,519
Net gain (loss) per common shareholder	$ (1,009,102)	$ 914,358
Net gain (loss) per common share, basic and diluted	$ (.09)	$ .31
Weighted average number of common shares outstanding	10,682,938	2,945,393

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

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

	For the Nine Months Ended	
	November 30, 2001	November 30, 2000
Cash flows from operating activities		
Net loss	$(1,009,102)	$ (591,071)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	280,511	156,051
Securities issued for services	217,843	255,877
Gain on sale of assets	(14,547)	
Loss on disposal of subsidiaries	16,840	
Changes in operating assets and liabilities:		
Accounts receivable	(31,753)	(144,988)
Notes receivable, stockholder		(55,152)
Inventory	3,403	(36,325)
Other assets	(3,212)	(76,652)
Accounts payable	161,150	116,536
Accrued liabilities	366,631	321,082

Net cash used in operating activities	(12,236)	(54,642)
Cash flows from investing activities		
Cash surrendered in disposal of subsidiaries	(61,259)	
Collections from notes	16,753	
Investment in notes	(55,307)	
Capital expenditures	(10,033)	--
Net cash provided by investing activities	(109,846)	--
Cash flows from financing activities		
Proceeds from debt	159,015	65,603
Repayment of debt	(76,121)	(45,378)
Proceeds from stock receivable	15,000	28,000
Net cash provided by financing activities	97,894	48,225
Net increase decrease in cash	(24,188)	(6,417)
Cash and cash equivalents - beginning of period	34,885	11,523
Cash and cash equivalents - end of period	$ 10,697	$ 5,106

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

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

	For the Nine Months Ended	
	November 30, 2001	November 30, 2000
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 34,111	$ --
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property sold for mortgage payoff and receivable	$165,000	$ --
Securities issued for debt repayment	$ 7,000	$ --
Notes payable refinanced	$221,229	$ --
Treasury stock acquired in sale of operation	$577,499	$ --
Stock option issued in sale of operation	$ 47,000	$ --
Equipment purchased for notes payable	$ 65,388	$ --

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

AMERICAN COMMERCE SOLUTIONS, INC.
Notes to Financial Statements
(Unaudited)
November 30, 2001

NOTE 1: THE COMPANY

The Company was incorporated in Rhode Island in 1991 under the name Jaque Dubois, Inc. and was re-incorporated in Delaware in 1994. In July 1995, the Company's name was changed to JD American Workwear, Inc. In December 2000 the shareholders voted at the annual shareholders' meeting to change the name of the Company to American Commerce Solutions, Inc. The Company is primarily a holding company whose wholly-owned subsidiaries were engaged in the machining and fabrication of parts used in industry, parts sales and service for heavy construction equipment, and paving and concrete installation. The Company sold its paving and concrete subsidiary on October 31, 2001.

NOTE 2: GOING CONCERN

The Company has incurred substantial operating losses since inception. The Company recorded losses from operations of $932,912 and $591,071 for the nine month periods ended November 30, 2001 and 2000, respectively. Current liabilities exceed current assets by $864,335 at November 30, 2001. Additionally, the Company has been unable to meet obligations to its creditors as they have become due. 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 acquisition of other companies in exchange for the Company's stock. Management is currently negotiating new debt financing, the proceeds from which would be used to settle outstanding debts at more favorable terms, to finance operations and to complete additional business acquisitions.

However, there can be no assurance that the Company will be able to raise capital, obtain debt financing or improve operating results sufficiently to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary if the Company is unable to continue as a going concern.

NOTE 3: BASIS OF PRESENTATION

The interim financial statements are prepared pursuant to the rules and regulations of the Securities and Exchange Commission. The interim financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary to a fair presentation of the Company's financial position, results of operations and cash flows for the interim periods. The accompanying financial statements do not contain all of the disclosures required by generally accepted accounting principles and should be read in conjunction with the financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the fiscal year ended February 28, 2001. The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year ending February 28, 2002.

AMERICAN COMMERCE SOLUTIONS, INC.
Notes to Financial Statements
(Unaudited)
November 30, 2001

NOTE 4: SEGMENT AND RELATED INFORMATION (Continued)

The accounting policies of the reportable segments are the same as those described in Note 1 to the Company's financial statements and related notes contained in the Company's Annual Report on Form 10-KSB. The Company evaluates the performance of its operating segments based upon income before taxes and non-recurring charges such as beneficial conversion features and extraordinary items.

Segment information for the Nine months ended November 30, 2001 and 2000 was as follows:

For Nine months ended November 30, 2001:

	MANUFACTURING
Revenue	$ 1,523,899
Operating gain (loss)	(50,425)
Depreciation and amortization	(256,185)
Total assets	6,185,486

For Nine months ended November 30, 2000:

	MANUFACTURING
Revenue	$ 1,126,538
Operating gain (loss)	278,676
Depreciation and amortization	(88,426)
Total assets	6,089,001

Reconciliation of consolidated amounts:

	FOR THE NINE MONTHS ENDED NOVEMBER 30,	
	2001	2000
Revenues		
Total revenues reportable segments	$ 1,523,899	$ 1,126,538
Other revenues		
Total revenues from operations	$ 1,523,899	$ 1,126,538
Profit (loss) from operations		
Segments	$ 178,279	$ 278,676
Depreciation and amortization	(256,185)	(88,426)
Unallocated amounts	(775,663)	1,203,107
Interest expense	(155,533)	(120,719)
Net gain (loss) per common shareholder	$(1,009,102)	$ 914,358

(Unaudited)
November 30, 2001

NOTE 4: SEGMENT AND RELATED INFORMATION (Continued)

Reconciliation of consolidated amounts:

	FOR THE NINE MONTHS ENDED NOVEMBER 30, 2001	2000
Assets		
Total assets for reportable segments	$6,185,486	$6,089,001
Other assets	212,813	
Total assets	$6,398,299	$6,089,001

NOTE 5: GAIN ON EXTINGUISHMENT OF MANDATORY REDEEMABLE PREFERRED STOCK

On October 23, 2000 an agreement was completed with the holder of the Series B 12% Mandatory Redeemable Preferred Stock in which the holder relinquished all mandatory conversion rights. This amendment allows the Company to classify all the value of the preferred stock as equity. The gain of $1,815,519 recorded is a direct correlation of the carrying value subtracted from the fair market value of the underlying shares at the date of the transaction.

NOTE 6: CAPITALIZATION

The Company has 30,000,000 common shares and 1,000,000 preferred shares authorized.

NOTE 7: DISCONTINUED OPERATIONS

On June 1, 2001, the Company discontinued the operations of JD American Workwear, its product marketing segment and sold the net assets to the subsidiary's founder and President, a related party, in exchange for 725,000 shares of the Company's common stock valued at $420, 967. The fair value of the assets sold was $337,967. In addition, the Company issued stock options valued at $47,000 and a note payable for $36,000 to the President of the subsidiary. In connection with the transaction, the Company assumed the lease on the Rhode Island facility and entered into a product license agreement. Revenues from the subsidiary amounted to $35,884 and $132,111 for the nine months ended November 30, 2001 and 2000, respectively.

On October 31, 2001, the Company discontinued the operations of Rhode Island Truck and Equipment and International Paving, its paving and concrete installation subsidiaries. The net assets were sold to the subsidiary's founder and President in exchange for 195,000 of the Company's common stock. The fair value of the assets sold was $156,532 and the Company recorded a loss of $16,840 resulting from the write off of goodwill. Revenues from the discontinued operations amounted to $461,192 and $272,513 for the nine months ended November 30, 2001 and 2000, respectively.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

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

Results of Operations

The Company completed the discontinuance of all Rhode Island operation effective November 1, 2001 with the sale of Rhode Island Truck and Equipment Corp. to its former owners. Although the manufacturing sector had a weakening during the fiscal third quarter ended November 30, 2001 due to the soft economy the significant negative cash flows of the past have now been disposed of.

Current operations consist of International Machine and Welding, Inc. an independent full service repair facility capable of repairing most heavy construction equipment, including rebuilding engines, transmissions, torque converters, plus undercarriage and tracks for crawler tractors. A fleet of field service trucks provides the capacity to do most repairs at the customer site. Direct parts sales to the customer complete this portion of the operation. The machine and welding operations contribute significant service capabilities primarily to mining, marine and agricultural customers.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2001 AND 2000.

Net sales for the three months ended November 30, 2001 decreased 40% or $322,250 to $472,205 from $794,455 or the three months ended November 30, 2000. The decrease is directly attributable to the reduction in parts and service sales and the discontinued operations of subsidiaries during 2001. Correspondingly, cost of goods sold for the three months ended November 30, 2001 decreased $93,520 or 24% to $289,891 compared to $383,411 for the three months ended November 30, 2000. Gross margin for the three months ended November 30, 2001 also decreased $228,830 to $182,314 (38.6%) from $411,044 (51.7%) for the three months ended November 30, 2000. The decrease is due to the reduction in parts and service sales and lower profit margins on certain customer jobs in the machining operations and the effects of discontinued operations.

Operating expenses decreased $177,031 to $343,031 for the three months ended November 30, 2001 down from $520,062 for the three months ended November 30, 2000 as a result of the reduction in salaries of the parent and cost containments in employee benefits and wages for manufacturing operations and the effects of discontinued operations.

The net loss from continuing operations for the three months ended November 30, 2001 was $201,629 compared to a loss of $161,049 for the three months ended November 30, 2000. The increased loss is a result of decreased sales from the manufacturing segment during the three months ended November 30, 2001. The loss from operations discontinued during the three months ended November 30, 2001 was $14,136.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED NOVEMBER 30, 2001 AND 2000.

Net sales for the nine months ended November 30, 2001 decreased $7,263 to $1,523,899 from $1,531,162 for the nine months ended November 30, 2000. The decrease is attributable to the discontinued operations. Cost of goods sold for the nine months ended November 30, 2001 increased $188,416 (28%) from $671,118 to $895,534. Gross margin for the nine months ended November 30, 2001 was

$628,365 (41%) compared to $860,044 (56%) for the nine months ended November 30, 2000. The decrease in the gross profit margin is due to the lower margins of machining jobs.

Operating expenses increased to $1,437,614 for the nine months ended November 30, 2001 from $1,333,434 for the nine months ended November 30, 2000. The increase is due to increased operating expenses of the manufacturing segment for the nine months ended November 30, 2001 as compared to the period ended November 30, 2000.

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The loss from continuing operations for the nine months ended November 30, 2001 was $932,912 compared to a net loss form operations of $591,071 for the nine months ended November 30, 2000, primarily a result of decreased profitability of the machining operations. The loss from discontinued operations was $59,350.

Liquidity and Capital Resources

Net cash used in operating activities was $12,236 for the nine months ended November 30, 2001 compared to $54,642 for the nine months ended November 30, 2000. Accounts receivable increased $31,753 from February 28, 2001 to November 30, 2001.

Cash flow from operations and short-term loans provided the working capital needs and principal payments on long-term debt through the nine months ended November 30, 2001. However, the Company requires additional financing to provide for working capital needs and principal payments on long-term debt during the year ended February 28, 2002 and to meet its business strategy of achieving significant expansion in revenue and to expand through strategic acquisitions and alliances. The Company has been actively seeking additional debt and/or equity financing; however, there can be no assurance that financing will be available to the Company on acceptable terms, if at all.

Through November 30, 2001, the Company has experienced substantial losses, and at November 30, 2001 had an accumulated deficit of approximately $11,019,165. The Company has not been able to pay all of its obligations as they have become due, and expects to incur much smaller additional losses before it achieves profitable operations. The receipt of funding from any current commitments will allow the Company to continue its restructuring plan.

RESULTS OF OPERATIONS - MANUFACTURING

Manufacturing revenues were $1,523,899 for the nine months ended November 30, 2001 compared to $1,126,538 for the six months ended November 30, 2000. The segment began operations on June 1, 2000. The segment recognized a net loss of $50,425 for the period ended November 30, 2001 compared to a net profit of $278,676 for the period ended November 30, 2000. The loss results from lower margins on machining jobs and higher operating expenses.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

N/A

Item 2. Changes in Securities and use of Proceeds.

N/A

Item 3. Defaults Upon Senior Securities

N/A

Item 4. Submissions of Matters to a Vote of Security Holders

N/A

Item 5. Other Information

N/A

Item 6. Exhibits and Reports on Form 8-K

N/A

SIGNATURES

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

AMERICAN COMMERCE SOLUTIONS, INC.

By: /s/ Daniel L. Hefner

Daniel L. Hefner, President
(Principal Executive Officer)

/s/ Frank D. Puissegur

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

Date: January 16, 2002