America's Suppliers, Inc.
Form 10-Q
August 11, 2014

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
$\mathbf{x}_{\text {ACT OF }} 1934$

For the quarterly period ended: June 30, 2014

OR

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

For the transition period from $\qquad$ to $\qquad$

Commission File Number: 0-27012

## AMERICA'S SUPPLIERS, INC.

(Exact name of registrant as specified in its charter)

## Delaware

(State or other jurisdiction of incorporation

27-1445090
(I.R.S. Employer Identification No.)
or organization)

## 7575 E. Redfield Road

## Suite 201

Scottsdale, AZ
85260
(Address of principal executive offices) (Zip Code)
(480) 922-8155
(Registrant's telephone number, including area code)

## Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ${ }^{*}$

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

Large accelerated filer * Accelerated filer "
Non-accelerated filer " Smaller reporting company x
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 13,970,339 shares of common stock as of August 11, 2014.

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## PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

AMERICA'S SUPPLIERS, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

## (unaudited)

|  | $\begin{aligned} & \text { June } 30 \text {, } \\ & 2014 \end{aligned}$ | $\begin{aligned} & \text { December 31, } \\ & 2013 \end{aligned}$ |
| :---: | :---: | :---: |
| Assets |  |  |
| Current assets: |  |  |
| Cash and cash equivalents | \$449,121 | \$ 378,069 |
| Certificates of deposit | - | 251,133 |
| Accounts receivable | 172,587 | 312,811 |
| Inventory | 166,748 | 45,620 |
| Prepaid expenses and other current assets | 241,015 | 218,576 |
| Total current assets | 1,029,471 | 1,206,209 |
| Property and equipment, net | 339,412 | 393,276 |
| Deposits and other assets | 37,250 | 37,250 |
| Total assets | \$1,406,133 | \$ 1,636,735 |
| Liabilities and Stockholders' Equity (Deficit) |  |  |
| Current liabilities: |  |  |
| Accounts payable | \$1,378,719 | \$ 1,275,244 |
| Accrued expenses and other current liabilities | 271,029 | 158,161 |
| Accrued taxes | 231,174 | - |
| Total current liabilities | 1,880,922 | 1,433,405 |
| Stockholders' equity (deficit): |  |  |
| Preferred stock \$0.001 par value, 1,000,000 shares authorized, no shares outstanding | - | - |
| Common stock, $\$ 0.001$ par value, $50,000,000$ shares authorized, $13,970,339$ shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively | 13,970 | 13,970 |
| Additional paid in capital | 6,749,592 | 6,743,799 |
| Accumulated deficit | (7,238,351) | (6,554,439 ) |
| Total stockholders' equity (deficit) | (474,789 ) | 203,330 |
| Total liabilities and stockholders' equity (deficit) | \$ 1,406,133 | \$ 1,636,735 |

See accompanying notes to unaudited condensed consolidated financial statements.

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## AMERICA'S SUPPLIERS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

## (unaudited)

|  | Three Months Ended June 30, |  | Six Months Ended June 30, |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
|  | 2014 | 2013 | 2014 | 2013 |  |
|  |  | $\$ 4,004,864$ | $\$ 3,890,574$ | $\$ 7,111,067$ | $\$ 6,984,923$ |
| Revenue | 77,367 | 119,134 | 157,055 | 257,162 |  |
| Advertising revenue | $(2,680,548$ | $)$ | $(2,554,676$ | $)$ | $(4,780,770$ |$)(4,605,103)$

See accompanying notes to unaudited condensed consolidated financial statements.

## AMERICA'S SUPPLIERS, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

## (unaudited)

Six Months Ended June 30,
$2014 \quad 2013$
Cash flows from operating activities:
Net loss
Adjustments to reconcile net loss to net cash used in operating activities:
Depreciation and amortization
72,557 70,979
Bad debt expense (recovery)
(3,291 ) 8,170
Stock-based compensation
Changes in operating assets and liabilities:
Accounts receivable
Inventory
Prepaid and other current assets
Accounts payable
Accrued expenses
Accrued taxes
Net cash used in operating activities

Cash flows from investing activities:
Maturities of certificates of deposit
Purchases of property and equipment
Net cash provided by (used in) investing activities
Cash flows from financing activity
Proceeds from line of credit $\quad 150,000 \quad 50,000$
Repayment on line of credit
(150,000 ) (50,000 )
Net cash provided by financing activity

| Change in cash and cash equivalents | 71,052 | $(708,990$ |
| :--- | :---: | :---: |
| Cash and cash equivalents, beginning of period | 378,069 | 777,650 |
| Cash and cash equivalents, end of period | $\$ 449,121$ | $\$ 68,660$ |

See accompanying notes to unaudited condensed consolidated financial statements.

## AMERICA'S SUPPLIERS, INC.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 

## (unaudited)

## Note 1: Organization and Basis of Presentation

## Background

On December 14, 2009, America's Suppliers, Inc. ("ASI" or the "Company") was incorporated under the laws of the State of Delaware. ASI is an internet-based provider of general merchandise through its wholly-owned subsidiaries, DollarDays International, Inc. ("DollarDays") and WowMyUniverse Inc. ("Wow"). DollarDays is a wholesaler of general merchandise to small independent resellers through its website, www.DollarDays.com. Wow is a retailer of general merchandise that focuses its business on sales to retail consumers through its website, www.WowMyUniverse.com. Orders are placed by customers through the websites of DollarDays and Wow, and upon receiving full payment for those orders, the related merchandise is shipped directly to the customer by third-party suppliers.

## Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of only normal recurring accruals, necessary for a fair statement of financial position, results of operations and cash flows. The information included in this Quarterly Report on Form 10-Q (this "Quarterly Report") should be read in conjunction with the consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2013 (the "2013 Annual Report"). The accounting policies are described in the "Notes to the Consolidated Financial Statements" in the 2013 Annual Report and have been updated, as necessary, in this Quarterly Report. The year-end consolidated balance sheet data presented for comparative purposes was derived from audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP"). The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the operating results for the full year or for any other subsequent interim period.

## Note 2: Summary of Significant Accounting Policies

## Revenue Recognition

Revenue is recognized when the four criteria for revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) shipment or delivery has occurred; (3) the price is fixed or determinable; and (4) collectability is reasonably assured. Cash payments received in advance of product shipment are deferred as reflected as a deferred revenue liability in the accompanying consolidated balance sheets. Allowances for sales returns and discounts are recorded as a component of revenues in the period the allowances are recognized.

All amounts billed to customers for shipping and handling costs are included in revenues in the consolidated statements of operations. Actual shipping costs incurred are reflected as a component of the cost of goods sold in the accompanying consolidated statements of operations. Total shipping expense included in cost of goods sold for the three and six months ended June 30, 2014 was $\$ 480,467$ and $\$ 905,172$, respectively, and for the three and six months ended June 30, 2013 was $\$ 463,092$ and $\$ 877,001$, respectively

The Company has evaluated the provisions of GAAP Accounting Standards Codification Topic 605-45 regarding reporting revenue gross as a principal or net as an agent, noting that the task force determined that it is a matter of judgment and a preponderance of the evidence as to whether a company satisfies the gross versus net indicators. As a result of its analysis, the Company has determined that it qualifies for gross revenue recognition.

Advertising revenue is recognized as the service is provided on our websites.

Accounts Receivable

Accounts receivable represent amounts earned but not collected in connection with the Company's revenues. Trade receivables are carried at their estimated collectible amounts and generally consist of amounts due from credit card transactions.

The Company follows the allowance method of recognizing uncollectible accounts receivable. The allowance method recognizes bad debt expense as a percentage of accounts receivable based on a review of individual accounts outstanding, and prior history of uncollected accounts receivable. The allowance for doubtful accounts at June 30, 2014 and December 31, 2013 was, in both instances, $\$ 0$ as the Company expected to collect substantially all amounts due. Bad debt recovery (expense) was $\$ 6,198$ and $\$ 3,291$ for the three and six months ended June 30, 2014, respectively and was $\$ 538$ and $(\$ 8,170)$ for the three and six months ended June 30, 2013, respectively.

The Company follows the allowance method of recognizing sales returns. The allowance method recognizes sales returns as a percentage of sales based on a prior history of sales returns. The allowance for sales returns at June 30, 2014 and December 31, 2013 was, in both instances, $\$ 0$. Expenses for sales returns for the three and six months ended June 30, 2014 was $\$ 82,825$ and $\$ 140,145$, respectively, and for the three and six months ended June 30, 2013 was $\$ 73,295$ and $\$ 130,710$, respectively.

## Note 3: Going concern

The Company incurred a net loss of $\$ 683,912$ for the six months ended June 30, 2014 and has an accumulated deficit of $\$ 7,238,351$, and limited liquid resources as at June 30 , 2014. In addition, due to the potential obligations arising from the initial results of a tax audit conducted by the State of Arizona, (see Note 5), the Company may need to identify additional sources of outside funding to fund its on-going operations. As such, there is substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

## Note 4: Fair Value of Financial Instruments

Fair value measurements are performed in accordance with the guidance provided by GAAP Accounting Standards Codification Topic 820 ("ASC 820 "). ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities recorded at fair value in the financial statements are categorized based upon the hierarchy of levels of judgment associated with the inputs used to measure their fair value. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities, are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The Company's financial instruments include cash and cash equivalents, certificates of deposit and short term receivables and payables. The carrying value of these instruments approximates fair value due to the short-term nature of such instruments.

## Note 5: Accrued Taxes

The Arizona Department of Revenue (the "Department") has advised ASI of the initial results of the Sales and Use Tax Audit it conducted of each of DollarDays and Wow. The Department proposed that each of DollarDays and Wow owed additional Sales and Use Tax for the certain periods, and together owed $\$ 231,174$ for back taxes, penalties, and interest. The Company has accrued a tax liability for additional Sales and Use taxes that may be assessed and ultimately deemed owing by the Department in the aggregate amount of $\$ 231,174$ for the tax periods from December 1, 2009 through November 30, 2013. The Company does not believe that either DollarDays or Wow underpaid or underreported its tax obligations to the extent set forth in the Department's initial conclusion. While the Company may resolve the tax audit and ultimately may be assessed with a lesser tax obligation than that set forth in the Department's initial assessment, the Company has accrued for the total possible liability in the six month period ended June 30, 2014.

## Note 6: Line of Credit and Related Party Payments

The Company had a line of credit with a major financial institution totaling $\$ 225,000$, which expired on March 26, 2014. The Company paid off all outstanding balances during the period ended June 30, 2014 and did not renew the line of credit. As of June 30, 2014 and December 31, 2013 the balance outstanding was $\$ 0$ on this line of credit. Interest expense recorded during the three and six months ended June 30, 2014 was $\$ 1,014$ and $\$ 1,876$ respectively, and during the three and six months ended June 30, 2013 was $\$ 0$.

This line of credit was personally guaranteed by Christopher Baker, the Chairman of the Board of Directors of the Company. In November 2013, the Company agreed to make quarterly payments to Mr. Baker in consideration for being the guarantor. However, since the line of credit was closed and paid in full during the six months ended June 30, 2014, the Company and Mr. Baker have agreed that no additional quarterly payments will be paid to Mr. Baker.

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## Note 7: Equity Compensation

## Stock Options

The Company has historically granted stock options to certain of its suppliers and employees, and in connection with certain financing transactions.

The following table summarizes the Company's stock option activity during the six months ended June 30, 2014:

| Outstanding at December 31, 2013 | $1,018,086$ |  | $\$$ | 0.22 | 2.4 |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Grants | 75,000 |  | 0.16 |  | $\$ 15,350$ |
| Forfeitures/Expirations | $(116,152$ |  | ) | 0.40 |  |
| Outstanding at June 30, 2014 | 976,934 | $\$$ | 0.19 | 2.1 | $\$$ - |
|  |  |  |  |  |  |
| Vested and exercisable at June 30, 2014 | 887,934 | $\$$ | 0.20 | 1.9 | $\$-$ |

During the six months ended June 30, 2014, there were 75,000 stock options granted at a weighted average exercise price of $\$ 0.16$ per share, of which 50,000 and 25,000 options were exercisable until April 14, 2019 and June 3, 2019, respectively. The fair value of the options granted during the period is $\$ 11,111$. The options granted were $40 \%$ vested upon grant and shall vest in $27 \%, 23 \%$, and $10 \%$ increments on a yearly basis over the next three years. In order to calculate the fair value of stock options at the date of grant, we use the Black-Scholes option pricing model. The volatility used was based on our historical volatility which ranged from $216 \%$ to $232 \%$. The expected term ranged from 2.85 to 2.9 years and was determined based on the simplified method outlined in Staff Accounting Bulletin No. 110. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant and ranged from $0.85 \%$ to $0.86 \%$.

The Company recognized expenses relating to stock option awards of $\$ 5,101$ and $\$ 5,793$ during the three and six months ended June 30, 2014, respectively and $\$ 2,032$ and $\$ 4,064$ during the three and six months ended June 30 , 2013, respectively. The Company's future expense relating to unvested option awards (net of estimated forfeitures) is $\$ 8,797$ as of June 30 , 2014, and will be recognized over a weighted average period of 2.3 years.

The following table sets forth exercise prices of outstanding options at June 30, 2014.

| Exercise | Number of <br> Shares |  |
| :--- | :--- | :--- |
| Price | Outstanding | Exerciseable |
| $\$ 0.12-\$ 0.20$ | $\$ 975,934$ | $\$ 886,934$ |
| 7.50 | $\$ 1,000$ | $\$ 1,000$ |
|  | 976,934 | 887,934 |

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## Note 8: Net Loss Per Share

Basic net loss per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted loss per share reflects potential dilution from the exercise or conversion of securities into common stock. The dilutive effect of the Company's share-based awards is computed using the treasury stock method, which assumes that all share-based awards are exercised and the hypothetical proceeds from exercise are used to purchase common stock at the average market price during the period. The incremental shares from potentially dilutive securities are not included in computing diluted net loss per share as all such shares are anti-dilutive, either due to the effects of the treasury stock method or the net loss incurred during each applicable period. Accordingly, basic net loss per common share is equal to diluted net loss per common share for the three and six months ended June 30, 2014 and 2013.

The following represents a reconciliation of the numerators and denominators of the basic and diluted net loss per share computation for the three and six months ended June 30, 2014 and 2013:


The following potentially dilutive securities were excluded from the computation of diluted net loss per shares for the three and six months ended June 30, 2014 and 2013, as the effects were antidilutive:

20142013
Stock options 976,934 993,086
Warrants 450,000 450,000

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

## Forward-Looking Information

Unless otherwise indicated, the terms "America's Suppliers," the "Company," "we," "us" and "our" refer to America's Suppliers, Inc. and its subsidiaries.

The statements contained in this Quarterly Report that are not historical fact are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which include statements regarding our plans, strategies, objectives, expectations, intentions and resources. The forward-looking statements contained herein are based on current expectations that involve a number of risks and uncertainties. These statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "intend," "plan," "could," "is likely" or "anticipates," or the negative thereof, or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These forward-looking statements are not historical facts but only predictions. No assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While sometimes presented with numerical specificity, these projections and other forward-looking statements are based upon a variety of assumptions relating to the business of the Company, which, although considered reasonable by the Company, may not be realized. Because of the number and range of assumptions underlying the Company's projections and forward-looking statements, many of which are subject to significant uncertainties and contingencies that are beyond the reasonable control of the Company, some of the assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to the date of this report. These forward-looking statements are based on current expectations and the Company assumes no obligation to update this information. Therefore, the actual experience of the Company and the results achieved during the period covered by any particular projections or forward-looking statements may differ substantially from those projected. Consequently, the inclusion of projections and other forward-looking statements should not be regarded as a representation by the Company or any other person that these estimates and projections will be realized, and actual results may vary materially. There can be no assurance that any of these expectations will be realized or that any of the forward-looking statements contained herein will prove to be accurate.

You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties, and other factors that are, in some cases, beyond our control and that could materially affect actual results, levels of activity, performance or achievements. Factors that could materially affect our actual results, levels of activity, performance or achievements include, but are not limited to, those detailed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission (the "SEC") on March 24, 2014, together with the risk factors included in subsequent reports filed with the SEC by the Company and in this Quarterly Report, which include, but are not limited to, the following items:
the potential adverse outcome of the Arizona Department of Revenue tax audit; the expectation that the Company may will de-register its common stock under the Securities Exchange Act of 1934, as amended;
adverse changes in the cost of, or demand for our goods and services;
availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs;
any inability to achieve, or continue to sustain, our expected levels of operating performance; and increases in competition.

If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what we projected.

## Overview

America's Suppliers, Inc. develops software programs that allow the Company to provide general merchandise to resale businesses and retail consumers through the websites of its wholly-owned subsidiaries, DollarDays International Inc. ("DollarDays") and WowMyUniverse Inc. ("Wow"). The websites for DollarDays and Wow are www.DollarDays.com and www.WowMyUniverse.com, respectively.

DollarDays' objective is to provide a one-stop, discount, on-line shopping destination for general merchandise for smaller distributors, retailers and non-profit organizations nationwide that are seeking single and small cased-sized lots at bulk prices. We launched the DollarDays website to sell merchandise in October 2001. The site offers customers an opportunity to shop for bargains conveniently, while offering our suppliers an alternative sales channel. We believe the DollarDays website offers a unique benefit to smaller businesses in that they are able to purchase goods from wholesalers and importers in single and small case-sized lots, with no minimum purchase requirements, at discounted prices. We believe the prevailing reason DollarDays has been able to obtain bulk pricing for single case-sized lots is its ability to reach smaller distributors, retailers and non-profit organizations that most general merchandise suppliers cannot economically reach. We provide all the logistics and customer support to serve this sales channel and grow DollarDays' customer base.

We continually add new products to DollarDays' website in order to create an atmosphere that encourages customers to visit frequently and purchase products before the available inventory sells out. Through its on-line catalog, DollarDays offers approximately 270,000 products, including up to 10,000 closeout items at further discounted prices. Closeout merchandise is typically available in inconsistent quantities and prices.

We accept orders, either online or via telephone, collect payment in the form of credit or debit card, PayPal or similar means, and coordinate with manufacturers, importers and closeout specialists regarding delivery particulars. PayPal refers to the online payment platform located at www.paypal.com and its localized counterparts. Our proprietary software and service procedures allow us to sell merchandise to a single customer, and bill as a singer order, items purchased and delivered from multiple suppliers. We do not take possession of inventory, but we are responsible for processing customer claims and returns.

DollarDays' website has a registered base of approximately 230,000 small businesses and receives approximately 3 million monthly page views. We receive an average of approximately 5,000 orders per month. Our target customers are smaller businesses and not-for-profit companies.

During 2010, we established a majority-owned subsidiary to develop a retail online business to sell directly to consumers. Later in 2010 Wow became a wholly owned subsidiary. We experienced limited sales through test marketing in 2010 and early 2011 and Wow engaged in limited operations until 2011 when it then began full operations. To date Wow has generated limited revenues and we are continuing to evaluate our options as we consider efforts to potentially expand, or otherwise modify, its business.

## Results of Operations

## Revenue

| Revenue | 2014 | 2013 | Change from | Percent Change |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Three Months Ended June 30ar | from Prior Year |  |  |  |

Revenues for the three and six months ended June 30, 2014, were comparable with revenues for the three and six months ended June 30, 2013.

Advertising Revenue

Advertising Revenue $20142013 \quad$\begin{tabular}{l}
Change from <br>
Prior Year

 

Percent Change <br>
from Prior Year
\end{tabular}

Three Months Ended June 30, \$77,367 \$119,134 \$(41,767 ) (35.1 )\%
Six Months Ended June 30, \$157,055 \$257,162 \$ (100,107 ) (38.9 )\%

Advertising revenues decreased during the three and six months ended June 30, 2014 as compared to the three and six months ended June 30, 2013 due primarily to a decrease in website traffic.

Cost of Goods Sold

| Cost of Goods Sold | 2014 | 2013 | Change from <br> Prior Year | Percent Change <br> from Prior Year |  |
| :--- | :--- | :--- | :--- | :---: | :--- |
| Three Months Ended June 30, | $\$ 2,680,548$ | $\$ 2,554,676$ | $\$ 125,872$ | 4.9 | $\%$ |
| Six Months Ended June 30, | $\$ 4,780,770$ | $\$ 4,605,103$ | $\$ 175,667$ | 3.8 | $\%$ |

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Cost of goods sold increased during the three and six months ended June 30, 2014 as compared to the three and six months ended June 30, 2013, due primarily to increased revenues being derived from discounted product sales. Gross margin as a percentage of revenue, excluding advertising revenue, was $33.1 \%$ and $32.8 \%$ for the three and six months ended June 30, 2014, respectively, as compared to $34.3 \%$ and $34.1 \%$ for the three and six months ended June 30, 2013, respectively.

Factors that may influence the cost of goods sold include our general sales volume, negotiated terms with suppliers and general economic conditions.

## Sales and Marketing

| Sales and Marketing | 2014 | 2013 | $\begin{array}{l}\text { Change from }\end{array}$ | Percent Change |  |
| :--- | :--- | :--- | :--- | :--- | :--- |$]$| Prior Year | from Prior Year |
| :--- | :--- | :--- | :--- | :--- |

Sales and marketing expense includes fees for attracting users to our sites, including search engine optimization, telemarketing and other marketing efforts as well as promotional activities to increase sales by end users. Sales and marketing expenses for the three and six months ended June 30, 2014 were comparable to the three and six months ended June 30, 2013.

Factors influencing sales and marketing expenses include strategic decisions with respect to the cost-effectiveness of each of our marketing activities.

## General and Administrative

| General and Administrative | 2014 | 2013 | Change from <br> Prior Year | Percent Change <br> from Prior Year |  |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Three Months Ended June 30, | $\$ 648,467$ | $\$ 608,743$ | $\$ 39,724$ | 6.5 | $\%$ |
| Six Months Ended June 30, | $\$ 1,500,275$ | $\$ 1,265,868$ | $\$ 234,407$ | 18.5 | $\%$ |

General and administrative expenses include management fees, salaries and other compensation expenses, rent, utilities, general office expenses, insurance and other costs necessary to conduct business operations.

General and administrative expenses increased in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 due to an increase in professional fees of approximately $\$ 41,700$, an increase in payroll-related expenses of approximately $\$ 16,400$, and an increase in taxes of approximately $\$ 8,600$, partially offset by a decrease in travel expenses of approximately $\$ 11,600$, a decrease in telephone expense of approximately $\$ 7,900$, and a decrease in bad debt expense of approximate $\$ 5,700$.

General and administrative expenses increased in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 due to an increase in accrued other taxes of approximately $\$ 231,100$ attributable to the State of Arizona tax assessment, as described in the liquidity section below, an increase in professional fees of approximately $\$ 60,800$, and an increase in other taxes of approximately $\$ 5,000$, partially offset by a decrease in payroll-related expenses of approximately $\$ 17,400$, a decrease in insurance expense of approximately $\$ 13,000$, a decrease in telephone expense of approximately $\$ 11,200$, a decrease in bad debt expenses of approximately $\$ 11,500$, and a decrease in travel expenses of approximately $\$ 9,400$.

Factors that influence the amount of general and administrative expenses include the amount and extent by which we compensate our consultants, executives and directors with stock-based or other compensation, the rate of growth of our business and the extent to which we outsource or bring certain activities in-house.

## Other Income (Expense)

| Other Income (Expense) | 2014 | 2013 | Change from <br> Prior Year | Percent Change <br> from Prior Year |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Three Months Ended June 30, | $\$(1,009)$ | $\$ 1,676$ | $\$(2,685$ | $)$ | $(160.2$ | $) \%$ |
| Six Months Ended June 30, | $\$(1,857)$ | $\$ 1,733$ | $\$(3,590$ | $)$ | $(207.2$ | $) \%$ |

Other expense for the three and six months ended June 30, 2014 consisted of interest expense on the line of credit of $\$ 1,014$ and $\$ 1,876$, respectively. Other income for the three and six months ended June 30, 2013 consisted of interest income on cash balances and short-term investments.

## Net Loss

| Net income (loss) | 2014 | 2013 | Change from <br> Prior Year | Percent Change <br> from Prior Year |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Three Months Ended June 30, | $\$(150,268)$ | $\$(58,230)$ | $\$(92,038$ | $)$ | 158.1 | $\%$ |
| Six Months Ended June 30, | $\$(683,912)$ | $\$(312,493)$ | $\$(371,419$ | $)$ | 118.9 | $\%$ |

Net loss for the three months ended March 31, 2014 increased as compared to the net loss incurred for the three months ended March 31, 2013. This increase in net loss is primarily due to an increase in cost of goods sold and general and administrative expenses, partially offset by increases in net revenue and a decrease in sales and marketing expenses, each of which is described above.

Net loss for the six months ended June 30, 2014 increased as compared to the net loss incurred for the six months ended June 30, 2013 primarily due to an increase in general and administrative expenses and cost of goods sold, each of which is described above.

## Liquidity and Capital Resources

Our operating cash outflows were $\$ 161,388$ for the six months ended June 30, 2014, as compared to outflows of $\$ 701,541$ for the six months ended June 30, 2013, constituting a decrease in cash used by operations of $\$ 540,153$. The change in net operating cash outflows is attributable to an increase in accounts payable of $\$ 535,083$, a decrease in
accounts receivable of $\$ 352,488$, an increase in accrued taxes of $\$ 231,174$, and an increase in accrued expenses of $\$ 37,153$, partially offset by an increase in net loss of $\$ 371,419$, an increase in inventory of $\$ 142,399$, and an increase in prepaid assets of $\$ 93,773$ and other minor changes in non-cash charges and operating assets and liabilities.

Investing cash inflows for the six months ended June 30, 2014 consisted of $\$ 251,133$ of cash received from the maturities of certificates of deposit, offset by $\$ 18,693$ of purchases of equipment to support our business operations. Investing cash outflows for the six months ended June 30, 2013 consisted of $\$ 7,449$ of purchases of equipment.

Financing activities for the six month periods ended June 30, 2014 and 2013, consisted of proceeds from the line of credit of $\$ 150,000$ and $\$ 50,000$, respectively, offset by repayments on the line of credit of $\$ 150,000$ and $\$ 50,000$, respectively.

The Company has a working capital deficit of $\$ 851,451$ as of June 30,2014 as compared to a working capital deficit of $\$ 227,196$ as of December 31, 2013. This change was driven primarily by the seasonality of the Company's business and the accrual of additional tax obligations resulting from the preliminary results of an audit of by the Arizona Department of Revenue (the "Department").

In April 2014, the Company was advised by the Department that the Department had conducted a Sales and Use Tax Audit with respect to each of DollarDays and Wow, and its initial conclusion was that DollarDays and Wow had additional tax obligations, which together with interest and penalties, totaled $\$ 231,100$. If the Company is unable to demonstrate to the Department that DollarDays and Wow did not significantly underpay or under-report their respective tax obligations and either company is required to pay significant additional tax obligations, such payment obligations will likely significantly strain the Company's financial resources and could result in the Company having to significantly decrease its business operations. The Company is in ongoing discussions with the State of Arizona regarding this potential liability, but is uncertain when this matter will be concluded or if it will be concluded in a manner more favorable to the Company.

Until March 26, 2014, the Company had a $\$ 225,000$ line of credit that it could draw upon, when and if needed, to pay corporate obligations. That line of credit expired on March 26, 2014, and as of the date of this Quarterly Report the Company has not secured a new line of credit or comparable source of potential liquidity. As a result, the Company has less liquidity as of June 30, 2014 and fewer potential financial resources to draw upon than it had as of December 31, 2013.

Although we hope to continue to grow revenues from our existing business and improve our operation margins, we cannot guarantee that we will generate sufficient operating cash flows to fund our planned activities and current and potential obligations. We cannot be sure that additional financing will be available when needed, or that, if available, financing will be obtained on terms favorable to us or our stockholders. Having insufficient funds may require us to delay, scale back or eliminate some or all of our operating efforts than we would otherwise choose. If we raise additional funds by incurring new debt obligations, the terms of the debt will likely require significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

## Off-balance sheet arrangements

We did not have any off-balance sheet arrangements at June 30, 2014.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

## Item 4. Controls and Procedures.

## Disclosure Controls and Procedures

Disclosure controls and procedures are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the Securities and Exchange Commission (the "SEC"), such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed with an objective of ensuring that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by our principal executive officer and principal financial officer included a review of the controls' objectives and design, the operation of the controls and the effect of the controls on the information presented in this Quarterly Report. Our management, including our principal executive officer and principal financial officer, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on their review and evaluation as of the end of the period covered by this Quarterly Report, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are effective as of the end of the period covered by this report.

## Changes In Internal Controls Over Financial Reporting

There have not been any changes in internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f)) that occurred during the fiscal quarter ended June 30, 2014, that have materially affected, or are reasonably likely to affect, our internal controls over financial reporting.

## PART II - OTHER INFORMATION

## Item 1. Legal Proceedings.

None.

## Item 1A. Risk Factors.

Except as set forth below, there have been no material updates to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and in subsequent Quarterly Reports on Form 10-Q filed by the Company.

In the third quarter of 2014, the Company expects to suspend its reporting obligations under Section 12(g) of the Securities Exchange Act of 1934. The Company's common stock is currently registered under Section 12(g) of the Exchange Act and its common stock is publicly quoted and traded through the OTC Markets (OTCQB). With respect to certain tiers of the OTC Markets, for a class of securities to be quoted, that class of securities must be registered under the Exchange Act and the issuer must be current in its reporting obligations with the Securities and Exchange Commission (the "SEC"). Both a special committee of the Board and the Board as a whole has determined that as a measure to decrease the Company's overhead expenses, it is in the Company's and its stockholders' best interests to deregister the Company's common stock under Section 12(g) of the Exchange Act and thereby suspend the Company's public reporting obligations (the "De-Registration"). The Company expects to effect the De-Registration in the third quarter of 2014. If the Company suspends its public reporting obligations it will likely result in the Company's common stock no longer being eligible for quotation on certain tiers of the OTC Markets, and ultimately result in even less market liquidity for the Company's common stock. Upon suspending its reporting obligations under the Exchange Act the Company will cease filing reports with the SEC, which will result in significantly less information about the Company being publicly available.

## Each of the Company's operating subsidiaries are the subject of an on-going tax audit being conducted by the

 Arizona Department of Revenue. On April 7, 2014, the Arizona Department of Revenue (the "Department") advised the Company of the initial results of the Sales and Use Tax Audit it conducted of the Company's two operating subsidiaries, DollarDays and Wow. The Department proposed that each of DollarDays and Wow owed additional Sales and Use Taxes for certain periods. The Department advised the Company that it believes DollarDays has an additional tax obligation of approximately $\$ 185,700$, and together with penalty and interest, a total of approximately $\$ 199,500$ is due and owing to the State of Arizona (the "State"). The Department further advised the Company that it believes Wow has an additional tax obligation of approximately $\$ 26,200$, and together with penalty and interest, a total of approximately $\$ 31,600$ is due and owing to the State. The Company does not believe that either DollarDays orWow underpaid or underreported its respective tax obligations to the Department to the extent set forth in the Department's initial assessment and intends to contest the amounts the Department's initial determination. If the Company is unable to successfully contest the amounts of taxes allegedly owed to the State, or is otherwise deemed to have significant additional tax obligations, such additional payment obligations will have a significant negative effect on the Company's liquidity, and the Company may have to devote a significant amount of its liquid assets to the payment of such obligations or otherwise have to significantly decrease certain of its planned operations to pay such obligations. Although The Company has had initial discussions with the Department regarding this potential liability, the Company is uncertain when it will be able to resolve this potential tax discrepancy, or if the discrepancy will be resolved in a favorable manner to the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

On May 7, 2014, the Board of Directors (the "Board") of the Company formed a special committee of the Board (the "Committee") to evaluate strategies for and provide a recommendation to, the Board regarding decreasing the Company's overhead costs, including, without limitation, terminating the registration of the Company's common stock, par value of $\$ 0.001$, under Section $12(\mathrm{~g})$ of the Securities Exchange Act of 1934 as amended (the "De-Registration). After reviewing and considering multiple factors, including the potential benefits of having the Company's common stock registered under the federal securities laws and quoted on certain tiers of the OTC Markets versus the significant costs imposed on the Company to maintain such registration and the Company's current and anticipated business plans and operations, on June 3, 2014 the Committee recommended to the Board that as a measure to reduce the Company's overhead costs the Company effect the De-Registration. On June 3, 2014 the Board determined that the De-Registration is in the best interests of the Company and its stockholders, voted in favor of the Committee's recommendation and thus approved the De-Registration. The Company expects to effect the De-Registration in the
third quarter of 2014.

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## Item 6. Exhibits.

## Exhibit <br> Number

## Description

Agreement and Plan of Merger By and Among Insignia Solutions plc, Jeode Inc. and DollarDays 2.1 International, Inc., dated June 23, 2008, incorporated by reference to Exhibit 2.1 filed with the Registrant's Current Report on Form 8-K on March 18, 2009

Scheme of Arrangement, whereas America's Suppliers, Inc., a Delaware corporation, became the holding company of Insignia Solutions plc, a public limited company incorporated in England and Wales, incorporated by reference to the Registrant's Definitive Proxy Statement filed on December 10, 2009
3.1 Registrant's Certificate of Incorporation, incorporated by reference to Exhibit 3.1 filed with the Registrant's Definitive Proxy Statement on December 10, 2009

Registrant's By-Laws, incorporated by reference to Exhibit 3.2 filed with the Registrant's Definitive Proxy Statement on December 10, 2009
10.1 Registrant's 2009 Long-Term Incentive Compensation Plan, incorporated by reference to Exhibit 4.1 filed with the Registrant's Form S-8 Registration Statement (No. 333-176223) on August 11, 2011

Registrant's Form of Stock Award Agreement, incorporated by reference to Exhibit 4.2 filed with the Registrant's Form S-8 Registration Statement (No. 333-176223) on August 11, 2011

Employment Agreement, dated as of November 11, 2010, by and between the Registrant and Marc Joseph, 10.3 incorporated by reference to Exhibit 10.1 filed with the Registrant's Current Report on Form 8-K filed on November 17, 2010

Certification of Principal Executive Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934

Certification of Principal Executive Officer Pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934
32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The following financial statements from America's Suppliers, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, formatted in XBRL (Extensible Business Reporting Language): (i)
101* Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Changes in Shareholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text

* In accordance with Rule 406T of Regulation S-T, the XBRL related to information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be "filed" for purposes of Section 18 of Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.


## 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.

## AMERICA'S SUPPLIERS, INC.

Date: August 11, 2014 By:/s/ Marc Joseph
Marc Joseph
President and Chief Executive Officer
(Principal Executive Officer)
Date: August 11, 2014 By:/s/ Jeffrey Dorsey
Jeffrey Dorsey
Chief Financial Officer
(Principal Financial and Accounting Officer)

