

America's Suppliers, Inc.
Form 10-K
March 03, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2010

OR

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 0-27012

AMERICA'S SUPPLIERS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1445090
(I.R.S. employer
identification number)

7575 E. Redfield Road
Suite 201
Scottsdale, AZ
(Address of principal executive offices)

85260
(Zip Code)

(480) 922-8155
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock (\$0.001 par value)

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

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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 Website, if any, every Interactive Data 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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes

No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$1,372,056 as of June 30, 2010, based upon the closing sale price of the registrant's common equity reported for such date on the OTCBB exchange.

As of March 1, 2011, there were 14,255,857 common shares of \$0.001 par value outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

Forward-Looking Information

Unless otherwise indicated, the terms “America’s Suppliers,” “ASI,” “Insignia Solutions plc,” “Insignia,” the “Company,” “we,” and “our” refer to America’s Suppliers, Inc. and its subsidiaries. In this Annual Report on Form 10-K, we may make certain forward-looking statements, including statements regarding our plans, strategies, objectives, expectations, intentions and resources that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. We do not undertake to update, revise or correct any of the forward-looking information. The following discussion should also be read in conjunction with the audited consolidated financial statements and the notes thereto.

The statements contained in this Annual Report on Form 10-K 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. 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 thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. The Company wishes to caution the reader that these forward-looking statements that are not historical facts are 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.

Item 1 — Business

History

Organization

On December 14, 2009, America's Suppliers, Inc., a Delaware corporation ("ASI" or the "Company"), became the holding company of Insignia Solutions plc, a public limited company incorporated in England and Wales ("Insignia"), pursuant to a scheme of arrangement under Section 897 of the UK Companies Act of 2006 that was approved by the Insignia stockholders on November 30, 2009 and the High Court of Justice in England and Wales on December 14, 2009 (the "Scheme of Arrangement"). Pursuant to the Scheme of Arrangement, every ordinary share, 1 pence par value per share, of Insignia (the "Ordinary Shares") was exchanged and cancelled at a ratio of ten Ordinary Shares for one share of common stock, \$.001 par value per share (the "Common Stock"), of ASI (the "Exchange Ratio"). All outstanding Insignia options and warrants were assumed by ASI, adjusted as per the Exchange Ratio, and such options and warrants are now exercisable for shares of ASI Common Stock. Insignia is now a wholly-owned subsidiary of ASI. The securities issued in the transaction were issued in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 3(a)(10) promulgated thereunder.

Insignia was incorporated under the laws of England and Wales on November 20, 1985 under the name Diplema Ninety Three Limited. The Company changed its name to Insignia Solutions Limited on March 5, 1986 and commenced operations on March 17, 1986. Until April 2007, Insignia developed, marketed and supported software technologies that enabled mobile operators and phone manufacturers to update, upgrade and configure the firmware of mobile devices using standard over-the-air ("OTA") data networks.

In April 2007, Insignia sold substantially all of its assets to Smith Micro Software, Inc. From April 2007 until June 23, 2008, Insignia did not generate any revenues from operations and operated as a shell company.

On June 23, 2008, DollarDays International LLC ("DollarDays") entered into a series of transactions to effect a reverse merger with Insignia (the "Merger"). These transactions consisted of the following:

- DollarDays was formed as a Delaware limited liability company on November 5, 2001. On June 20, 2008, DollarDays contributed all of its assets and liabilities to DollarDays International, Inc., a Delaware corporation, ("DDI Inc.") pursuant to a contribution agreement. In return for DollarDays' assets and liabilities, DDI Inc. issued 100% of its common stock to DollarDays. Following the contribution, DDI Inc. became the operating company, and DollarDays had no assets or liabilities except for the DDI Inc. common stock issued to it.
- DDI Inc. merged with Jeode, Inc., a Delaware corporation and a wholly-owned subsidiary of Insignia, whereby DDI Inc. was the surviving corporation and a wholly-owned subsidiary of Insignia. In exchange for all of the DDI Inc. capital stock, Insignia was required to: (1) issue 73,333,333 American Depositary Shares ("ADSs") to DDI Inc. stockholders, (2) issue a warrant to purchase 8,551,450 ADSs with an exercise price of \$.01 per ADS to Peter Engel, the then-existing Chief Executive Officer of DDI Inc., (3) issue a warrant to purchase 3,603,876 ADSs with an exercise price of \$.13 per ADS to a financial advisor of DDI Inc. and (4) issue options to purchase 7,360,533 ADSs, in replacement of DDI Inc. options.
- The combined entity was to issue an aggregate of 7,682,926 ADSs to a new investor DollarDays ("Amorim") in exchange for \$550,000 in cash and conversion of a \$450,000 note.

Under the agreement and plan of merger, Insignia shareholders maintained approximately 37.1% ownership of the combined company, DDI Inc. shareholders obtained 56.7%, and Amorim obtained 6.2% of the combined company stock. The Merger is accounted for as a reverse merger whereby DDI Inc. is the accounting acquirer resulting in a recapitalization of DDI Inc. equity.

The above share amounts in the Merger transaction have been exchanged according to the Exchange Ratio resulting in 7,333,333 shares to DDI Inc. stockholders, 855,145 warrants to Peter Engel, 360,387 warrants to a financial advisor to DDI Inc., 736,053 options in replacement of DDI Inc. options, and 768,292 shares to Amorim.

Operations

Dollar Days

We, through our wholly-owned subsidiary DDI Inc., develop software programs that allow us to provide general merchandise from third party manufacturers and suppliers for resale to businesses through our website at www.DollarDays.com. We have been recognized as a leader in the Internet wholesale market of discounted merchandise by a leading business periodical and numbers trade associations. Our objective is to provide a one-stop discount shopping destination for general merchandise for smaller distributors, retailers and non-profits nationwide seeking single and small cased-sized lots at bulk prices. We launched our first website in October 2001. The site offers customers an opportunity to shop for bargains conveniently, while offering our suppliers an alternative sales channel. We believe our 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 lots, with no minimum purchase requirements at discounted prices. We believe the prevailing reason our business has been able to obtain bulk pricing for single case lots is our ability to reach smaller distributors, retailers and non-profits that most general merchandise suppliers cannot economically reach. We provide all the logistics and customer support to serve this sales channel and grow our customer base.

We continually add new, limited inventory products to our website in order to create an atmosphere that encourages customers to visit frequently and purchase products before the inventory sells out. Through our Internet catalog, we offer approximately 140,000 products, including up to 25,000 closeout items at further discounted prices. Closeout merchandise is typically available in inconsistent quantities and prices.

We accept orders, either online or via telephone sales staff, collect payment in the form of credit or debit card, PayPal or similar means, and coordinate with manufacturers, importers and close-out 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 single 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.

Our website has a registered base of approximately 2,000,000 small businesses and receives approximately 3.5 million monthly page views. We receive an average of approximately 4,000 orders per month. Our target audience is smaller businesses.

Our historical success has resulted largely from the size of our community of active users. We had approximately 29,500 unique customers place an order with us in 2010 as compared to approximately 26,000 unique customers who placed an order with us in 2009. We believe our sales and marketing efforts make inefficient markets more efficient because:

- Our website includes more than 150,000 items on any given day and makes available to our users a wide variety of goods; and
 - We bring buyers and sellers together for lower costs than traditional intermediaries.

We have had increased success throughout the years by attracting repeat customers. In 2008, 2009 and 2010, the sales volume of individuals who purchased through our website four times or more were 38%, 40% and 40%, respectively.

WowMyUniverse.com

During 2010, we established a majority-owned subsidiary, WowMyUniverse.com, to develop a retail online business to sell directly to consumers. On October 1, 2010, this subsidiary became wholly owned as we acquired the noncontrolling interest in exchange for our interest in an unconsolidated subsidiary.

During 2010, most of our activities related to WowMyUniverse.com consisted of website development and marketing activities. As this business is still in its infancy, we have yet to achieve significant revenues from this subsidiary.

Products and Services

Manufacturer, Supplier and Distribution Relationships

It is difficult to establish wholesale and closeout buying relationships with manufacturers and vendors. Trust and experience gained through past interactions are important. We believe our business model reduces the risk to the manufacturer because its discounted products are sold alongside its full-priced products. We enter into standardized contracts with each of our suppliers. Our supplier relationships provide us with both private label and recognized brand-name products. The table below identifies some of the brand names often found on our website.

Avon
Black & Decker
Calvin Klein

Fruit of the Loom
Gillette
Revlon

3M
Tommy Hilfiger
Tonka

Colgate
Disney

Kelloggs
NFL

Victoria's Secret
Ziploc

Our manufacturer and supplier relationships are based on historical experience with manufacturers, vendors and liquidation wholesalers. We are not obligated or entitled to receive merchandise on a long-term or short-term basis, nor do our contractual terms guarantee the availability of merchandise. We control the terms on which products are sold through our website.

Online Products

Our customers can locate products on our website by utilizing our proprietary search function or by navigating through online departments. The departments section is currently organized into approximately 32 main categories:

America's Boutique Suppliers	Custom Imprinting	Medical Products
Arts & Crafts	Electronics & Media	Office & School Supplies
As Seen on TV	Food Pantry	Pallet Assortment
Automotive	Gift Baskets	Party Supplies
Baby Care	Hardware	Pets
Bath and Body	Holiday & Seasonal	Religious
Books & Calendars	Dome Décor	Sports & Outdoors
Candles & Home Fragrance	Housewares	Stationary & Gift Wrap
Cleaning Supplies	Jewelry	Store Fixtures
Clothing	Lawn & Garden	Toys & Games
Cosmetics & Fragrances	Licensed Team Products	

Our categories change as our business evolves and from time to time we need to add or subtract categories to better serve our suppliers and customers. Each of the departments has multiple categories that more specifically define the products offered within that department. For example, the "Toys & Games" department currently has the following product categories:

Action Figures	Games	Remote Control Toys
Action Toys	Glow in the Dark	Sport Related Toys
Bingo Accessories	Licensed Toys	Stuffed Animals
Building Toys	Novelty & fake Money	Teddy Bears
Cars, Trucks & Vehicles	Novelty Toys	Toy Animals
Costume Dress Up/Make Believe	Outdoor Toys	Toy Musical Instruments
Dolls & Doll Accessories	Playing Cards & Accessories	Water Guns
Electronic Toys	Puppets	
Flashing Novelties	Puzzles	

Categories are typically further divided into subcategories to facilitate product identification. Individual products can be accessed and viewed from the category or subcategory pages. These specific product pages include product descriptions, color photographs and pricing information.

The number of total products we offer has grown from less than 5,000 in 2001, to more than 140,000 products in 2010. The number of products and product categories change throughout the year, as we periodically reorganize our departments and/or categories to better reflect our current product offerings.

Sales and Marketing

We use a variety of methods to target our consumer audience, including online campaigns, direct marketing, and trade-shows. However, our primary marketing consists of online marketing, including advertising through portals, keywords, search engines, affiliate marketing programs, banners, and email campaigns. We seek to identify and eliminate campaigns that do not meet our expectations. We generally develop these campaigns internally.

Marketing

Our marketing initiatives include, but are not limited to, the following:

Web Positioning: In order to maintain favorable positioning and to increase the likelihood of our website being “found” by customers looking for wholesale merchandise, we maintain a proactive search engine optimization effort to assure continued high search engine placement. We currently have over 350,000 web pages indexed in various search engines, including Google, Bing, Yahoo, MSN and AOL. Part of the continuing search engine optimization program involves evolution of page content and product descriptions for maximum indexing and rank possibilities. We believe our newer categories and higher priced products in existing categories help to increase search engine visibility and should, therefore, increase visitor counts. Approximately 75%, 75% and 73% of our gross sales in 2010, 2009 and 2008, respectively, came from “organic” (i.e., unpaid) search engine traffic.

Website Design : On April 15, 2008, we re-launched our website at www.DollarDays.com with considerable improved web design. We believe this new design is significantly more user friendly and has resulted in more visitors. We continually evaluate our website and make improvements as deemed necessary. Periodically, we intend to re-design our website as market factors and technological advances necessitate.

Banner Ads: We place banner ads in many relevant wholesale directories.

Pay-Per-Click Advertising: Pay-per-click companies provide advertising space on various relevant websites and charge us based on actual user clicks on our ads. We monitor the results of our various pay-per-click programs and evaluate alternative advertising outlets.

Promotions: We offer both broad based promotions on our website available to all users, and targeted promotions transmitted via email directly to select customers. Promotions include, but are not limited to, price discounts, free merchandise or premiums, discount coupons, free shipping, and combinations of different promotions. Free shipping promotions have been our most popular campaigns.

E-mail Campaigns: We send approximately 3 million emails per month offering a variety of promotions, as previously discussed.

Platinum Program: Under this subscription service, in return for a \$49 joining fee and a \$15.95 additional monthly fee, customers can receive a number of discounts and savings on goods, services, freight and other products sold on our website. Our platinum program participants purchased more products through our website than non-participants and made purchases more frequently than prior to participating in the program.

Affiliates: We promote an “affiliate” program, where we pay a sales commission to affiliates for customers recommended to our website by such affiliates. Approximately 700 affiliates have DollarDays’ banners on their websites.

Distributors: We encourage Internet entrepreneurs to “clone” our website under the respective entrepreneurs’ names. These “clones”, for which such entrepreneurs pay us a \$99 annual fee and a \$15.99 monthly fee, reflect our website at www.DollarDays.com in every aspect except for the difference in name. We have approximately 300 distributors who promote their websites, while we handle all related sales, promotional efforts, customer service, collection and other back office matters in the same manner we handle orders pertaining to our own website. We pay distributors a commission on all sales generated through their independent websites.

Sales

No single customer accounts for more than 5% of our sales. We have on staff an average of 15 sales people, for approximately 11 hours of coverage per day, five days a week. The primary function of the sales staff is to field incoming calls and make outgoing calls to solicit new customers, obtain additional sales from infrequent purchasers and re-contact lapsed customers.

To facilitate our sales process, as part of our overall software program we have implemented a vendor management system ("VMS"), which is an interface between us and our vendors. The VMS is the primary platform for a vendor to place and remove its product on our website, as well as providing inventory tracking ability for the vendor. Once a product is listed on the website, customers and sales staff are able to place and fulfill orders.

We have established the DollarDays Institute, which coordinates with our vendors, via regular telephone seminars, on how to better describe and illustrate their products and how to best utilize our VMS to their advantage. Management believes the visual and verbal depiction of the products on our website is crucial to sales and establishing a loyal consumer base. If a product's picture is inadequate or its description incomplete or unpersuasive, the product is unlikely to sell. We believe the DollarDays Institute enables our vendors to better promote their products, and consequently, increase sales.

Our product mix changes daily based on the availability of the products we buy and sell.

Our primary distribution channel is online sales to small businesses, non-profits and home-based businesses located in the United States. During both 2010 and 2009, sales to domestic customers accounted for approximately 97% of our net sales, respectively.

Vendor Relations

Our ability to service our customers quickly and efficiently is contingent upon vendor response time in fulfilling orders for in-stock merchandise and promptly informing us of out-of-stock products. To facilitate our vendor relationships, we enter into agreements with them whereby they agree to the following:

- Participation in the VMS program to automatically convey information about out-of-stock items, price changes, new products, changes in product description and other important information to be reflected by the vendor on our website;
- Use of one of our pre-approved shippers; and
- Payment of a 2.5% marketing fee, which is automatically deducted from their invoice.

Our merchandising department monitors vendors for compliance with the terms of their respective agreements. In the event a vendor does not comply with the terms of the agreement, such vendor's products may be removed from our website and replaced with products from a more suitable vendor.

We have over 300 vendors and no single vendor accounts for more than 10% of our sales.

Customer Service and Sales

We are committed to providing superior customer service. We staff our customer service and sales department with dedicated in-house professionals who respond to phone and e-mail inquiries on products, ordering, shipping status and returns. Our customer service and sales staff processes approximately 2,500 calls per week and up to approximately 3,000 calls per week during peak periods.

Technology

We use our internally developed software to support our operations. We have developed intuitive user interfaces and customer tools to create a user-friendly website and developed transaction processing, database and network applications that help enable our users to reliably and securely complete transactions on our sites. Our technology infrastructure simplifies the storage and processing of large amounts of data, eases our operation, and automates much of the administration. We use multiple servers to obtain connectivity over the Internet with one full-time dedicated server and additional servers housed off-site by third-party providers.

We also use a third-party application to provide search, navigation and merchandising techniques to guide customers through our website. We currently employ two full-time IT engineers to monitor and maintain the functionality of our website.

We also developed a web-based eCommerce property specially tailored for vendors listing products on our website. The technology is designed to permit our vendors to list their own products on our website, subject to our approval, and remove such products once the respective inventory is depleted. This technology eases the burden on merchandising personnel to maintain accurate product information and available quantities.

We are continually improving our technology to enhance the customer experience and increase efficiency, scalability and security.

Competition

The online wholesale market is rapidly evolving, intensely competitive and has relatively low barriers to entry, as new competitors can launch websites at relatively low costs. We believe competition in the online wholesale market is based predominately on:

- price;
- product quality and selection;
- ease of shopping experience;
- order processing and fulfillment;
- customer service; and
- company brand recognition.

Our wholesale services compete with other online retailers and traditional wholesalers, liquidation “brokers”, importers and manufacturers that sell general merchandise, some of which may specifically adopt our methods and target our customers. We currently or potentially compete with a variety of companies that can be divided into several broad categories:

- local wholesalers tailored to service and supply small independent retailers that carry “fast-selling” general brands, provide personal delivery and who often have interpersonal relations with smaller retailers;