

CONSULIER ENGINEERING INC

Form 10QSB

November 21, 2005

**U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-QSB**

**(Mark One)**

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

**TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number **0-17756**  
**Consulier Engineering, Inc.**

(Exact name of small business issuer as specified in its charter)

**Florida**

**59-2556878**

(State or other jurisdiction  
of incorporation or organization)

(I.R.S. Employer  
Identification No.)

**2391 Old Dixie Highway, Riviera Beach, FL 33404**

(Address of principal executive offices)  
**(561) 842-2492**

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of November 15, 2005, there were 5,243,105 outstanding shares of  
common stock, par value \$0.01 per share.

Transitional Small Business Disclosure Format (check one); Yes  No

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**

**Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

Except for the historical information contained in this report, certain matters discussed in Management's Discussion and Analysis or Plan of Operation are forward looking statements which involve risks and uncertainties including, but not limited to statements regarding Consulier Engineering, Inc. and Subsidiaries ( Consulier ) planned capital expenditure requirements, cash and working capital requirements. Consulier's expectations regarding the adequacy of current financing arrangements, product demand and market growth, other statements regarding future plans and strategies, anticipated events or trends, and similar expressions concerning matters are not historical facts. It should be noted that Consulier's actual results could differ materially from those contained in such forward looking statements mentioned above due to adverse changes in any number of factors that affect Consulier's business including, without limitation, risks associated with investing in Systems Technologies, LLC, BioSafe Systems, LLC and AVM, L.P. and the marketing of Consulier's Captain Cra-Z Soap products, manufacturing and supply risks, reliance upon distributors, regulatory risks, risks of expansion, product liability and other risks described herein.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
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**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**PART 1. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**  
**SEPTEMBER 30, 2005**  
**(UNAUDITED)**

|   | <b>2005</b>       |
|---|-------------------|
| <b>ASSETS</b>   |                   |
| CURRENT ASSETS  |                   |
| Cash and Cash Equivalents                                       | \$ 386,131        |
| Receivables, Net of Allowance for Doubtful Accounts of \$81,167 | 457,706           |
| Due from Related Parties  | 26,788            |
| Income Tax Receivable   | 651,068           |
| Inventories   | 65,832            |
| Assets Held for Sale  | 139,382           |
| Other Current Assets  | 79,279            |
| Deferred Income Taxes   | 87,883            |
| <br>Total Current Assets  | <br>1,894,069     |
| <br>PROPERTY AND EQUIPMENT, Net                                 | <br>2,706,796     |
| CAPITALIZED SOFTWARE DEVELOPMENT COSTS, Net                     | 387,501           |
| PARTNERSHIP AND LIMITED LIABILITY COMPANY INVESTMENTS           | 2,832,480         |
| NOTE RECEIVABLE RELATED PARTIES                                 | 160,000           |
| DEFERRED INCOME TAXES   | 1,276,291         |
| INTANGIBLE ASSET, Net   | 1,210,333         |
|   | <br>\$ 10,467,470 |
| <br><b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                  |                   |
| CURRENT LIABILITIES   |                   |
| Line of Credit  | \$ 1,382,000      |
| Accounts Payable and Accrued Liabilities                        | 831,024           |
| Income Tax Payable  | 10,599            |
| Unearned Revenue  | 238,374           |
| Note Payable Related Party                                      | 118,290           |
| <br>Total Current Liabilities                                   | <br>2,580,287     |
| <br>COMMITMENTS AND CONTINGENCIES                               |                   |
| <br>MINORITY INTEREST   | <br>3,216,942     |

|   |               |
|---|---------------|
| STOCKHOLDERS EQUITY:                                  |               |
| Common Stock of \$.01 Par Value:                      | 52,431        |
| Authorized 25,000,000 Shares; Issued 5,243,105 Shares |               |
| Additional Paid-in Capital                            | 3,216,008     |
| Retained Earnings                                     | 1,991,139     |
|   | 5,259,578     |
| Less:   |               |
| Treasury Stock at Cost - 275,007 Shares               | (582,686)     |
| Notes Receivable for Common Stock                     | (6,651)       |
| Total Stockholders                                    |               |
| Equity  | 4,670,241     |
|   | \$ 10,467,470 |

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

|   | <b>THREE MONTHS ENDED</b> |                    | <b>NINE MONTHS ENDED</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>SEPTEMBER 30,</b>      |                    | <b>SEPTEMBER 30,</b>     |                    |
|   | <b>2005</b>               | <b>2004</b>        | <b>2005</b>              | <b>2004</b>        |
| Revenue:  |                           |                    |                          |                    |
| Software Licensing Fees   | \$ 455,443                | \$                 | \$ 807,416               | \$                 |
| Other Revenue   | 20,485                    | 4,403              | 29,680                   | 43,480             |
| <b>Total Revenue</b>  | <b>475,928</b>            | <b>4,403</b>       | <b>837,096</b>           | <b>43,480</b>      |
| Operating Costs and Expenses:   |                           |                    |                          |                    |
| Cost of Other Revenue   | 6,998                     | 13,871             | 13,407                   | 23,994             |
| Payroll and Related Expense   | 1,243,657                 | 31,669             | 3,505,209                | 95,006             |
| Selling, General and Administrative                                     | 642,745                   | 54,849             | 1,658,340                | 90,312             |
| Professional Services   | 341,418                   | 19,225             | 892,314                  | 150,551            |
| Depreciation and Amortization   | 310,259                   | 10,275             | 765,891                  | 30,824             |
| <b>Total Operating Costs and Expenses</b>                               | <b>2,545,077</b>          | <b>129,889</b>     | <b>6,835,161</b>         | <b>390,687</b>     |
| <b>Operating Loss</b>   | <b>(2,069,149)</b>        | <b>(125,486)</b>   | <b>(5,998,065)</b>       | <b>(347,207)</b>   |
| Other Income (Loss)/(Expense):  |                           |                    |                          |                    |
| Investment Income Related Parties                                       | 309,440                   | 395,399            | 1,668,185                | 1,836,184          |
| Interest Income Related Parties   |                           | 1,778              |                          | 4,190              |
| Interest Expense  | (11,638)                  | (6,153)            | (28,780)                 | (24,612)           |
| Net Undistributed Income (Loss) of Equity Investees                     | 283,312                   | (1,854,673)        | 360,315                  | (4,645,928)        |
| Other Income  | 31,883                    | 33,129             | 137,659                  | 94,826             |
| Loss on Disposal of Equipment   | (95,746)                  |                    | (95,746)                 |                    |
| <b>Total Other Income (Loss)/(Expense)</b>                              | <b>517,251</b>            | <b>(1,430,520)</b> | <b>2,041,633</b>         | <b>(2,735,340)</b> |
| <b>(Loss) from Operations Before Minority Interest and Income Taxes</b> | <b>(1,551,898)</b>        | <b>(1,556,006)</b> | <b>(3,956,432)</b>       | <b>(3,082,547)</b> |
| Minority Interest in Consolidated Subsidiary Losses                     | 1,104,768                 |                    | 3,141,779                |                    |
| <b>(Loss) from Operations Before Income Taxes</b>                       | <b>(447,130)</b>          | <b>(1,556,006)</b> | <b>(814,653)</b>         | <b>(3,082,547)</b> |
| Income Tax Benefit  | 176,313                   | 550,230            | 327,953                  | 1,104,515          |

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|                  |                    |              |                |              |                |
|------------------|--------------------|--------------|----------------|--------------|----------------|
| Net (Loss)       |                    | \$ (270,817) | \$ (1,005,776) | \$ (486,700) | \$ (1,978,032) |
| (Loss) Per Share | Basic and Diluted: | \$ (0.05)    | \$ (0.20)      | \$ (0.09)    | \$ (0.40)      |

The Accompanying Notes are an Integral  
Part of These Consolidated Financial Statements

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**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2005**  
**(UNAUDITED)**

|                              | <b>Common Stock</b> |               | <b>Treasury Stock</b> |               |
|------------------------------|---------------------|---------------|-----------------------|---------------|
|                              | <b>Shares</b>       | <b>Amount</b> | <b>Shares</b>         | <b>Amount</b> |
| Balance, December 31, 2004   | 5,243,105           | \$ 52,431     | 275,007               | \$ (582,686)  |
| Payments on Notes Receivable |                     |               |                       | -             |
| Net (Loss)                   |                     |               |                       | -             |
| Balance, September 30, 2005  | 5,243,105           | \$ 52,431     | 275,007               | \$ (582,686)  |

|                              | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Notes<br/>Receivable<br/>for<br/>Common<br/>Stock</b> | <b>Total<br/>Stockholders<br/>Equity</b> |
|------------------------------|---|------------------------------|--|--|
|                              |   |                              | <b>Stock</b>   | <b>Equity</b>                            |
| Balance, December 31, 2004   | \$ 3,216,008                              | \$ 2,477,839                 | \$ (36,082)  | \$ 5,127,510                             |
| Payments on Notes Receivable |   |                              | 29,431   | 29,431                                   |
| Net (Loss)                   |   | (486,700)                    |  | (486,700)                                |
| Balance, September 30, 2005  | \$ 3,216,008                              | \$ 1,991,139                 | \$ (6,651)   | \$ 4,670,241                             |

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**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004**  
**(UNAUDITED)**

|  | <b>Nine Months Ended September</b> |             |
|--|------------------------------------|-------------|
|  | <b>30,</b>                         |             |
|  | <b>2005</b>                        | <b>2004</b> |
| Cash Flows (Used in) Provided by Operating Activities      | \$ (4,871,379)                     | \$ 384,485  |
| <br>   |                                    |             |
| Cash Flows From Investing Activities:                      |                                    |             |
| Distributions from Partnership Interest                    | 1,668,185                          | 2,142,184   |
| Contributions to Partnership Interest                      |                                    | (4,240,000) |
| Acquisition of Property and Equipment                      | (1,249,490)                        |             |
| Proceeds from the Sale of Equipment                        | 3,105                              |             |
| Acquisition of Intangible Assets                           | (340,000)                          |             |
| Decrease in Due from Related Parties                       | 60,172                             | 740,950     |
| <br>   |                                    |             |
| Net Cash Provided by (Used in) Investing Activities        | 141,972                            | (1,356,866) |
| <br>   |                                    |             |
| Cash Flow From Financing Activities:                       |                                    |             |
| Proceeds from Subscription Receivable                      | 29,431                             | 40,458      |
| Additional Investment in ST, LLC from Minority Shareholder | 3,753,693                          |             |
| Proceeds from Related Parties                              | 118,290                            |             |
| Proceeds from Line of Credit                               | 1,097,000                          |             |
| <br>   |                                    |             |
| Net Cash Provided by Financing Activities                  | 4,998,414                          | 40,458      |
| <br>   |                                    |             |
| Increase (Decrease) in Cash and Cash Equivalents           | 269,007                            | (931,923)   |
| <br>   |                                    |             |
| Cash and Cash Equivalents    Beginning of Period           | 117,124                            | 1,002,613   |
| <br>   |                                    |             |
| Cash and Cash Equivalents    End of Period                 | \$ 386,131                         | \$ 70,690   |

The Accompanying Notes are an Integral  
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**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION  
OF BUSINESS  
AND  
SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES**

**Description of Business**

Consulier Engineering, Inc. (Consulier) and its subsidiaries are engaged in three primary business lines: the distribution of Captain Cra-Z Soap , investment activities and medical software activities.

Consulier International, Inc. (a subsidiary) markets and distributes Captain Cra-Z Soap .

Consulier s investment income is derived from investments in limited liability companies and limited partnership interests (Note 5) in BioSafe Systems, LLC ( BioSafe ), Systems Technologies, LLC ( ST, LLC ) and AVM, L.P. ( AVM ), an Illinois limited partnership. BioSafe develops and markets environmentally safe products, alternatives to traditionally toxic pesticides. AVM is a broker/dealer in government securities and other fixed income instruments.

Consulier s Chairman and majority stockholder, Warren B. Mosler (Mosler), is a general partner of the general partner of AVM. ST, LLC is the majority member (75%) of Patient Care Technology Systems, LLC ( PCTS, LLC ) which develops and licenses data based integrated emergency room information systems, under the trade name Amelior ED . Mosler s ownership in ST, LLC was approximately 31% as of September 30, 2005. On September 28, 2004, PCTS, LLC acquired all of the assets and assumed certain liabilities of Healthcare Information Technology, Inc. ( HIT ), a provider of passive tracking technologies for emergency departments and operating rooms. The software technologies acquired from HIT track the status and location of patients and assets through wireless badges worn by patients and staff or attached to equipment in the emergency department and ancillary areas. On July 15, 2005, PCTS, LLC acquired certain assets of nuMedica, Inc. ( nuMedica ), which designs, customizes, markets, sells and distributes paper templates used for diagnostic purposes in emergency medical departments (Note 4).

On October 8, 2004, the Company merged C-6 Products, Inc. into Consulier Engineering, Inc. C-6 Products, Inc. distributed the Tool Topper™ products.

**Basis of Consolidation**

The accompanying condensed interim consolidated financial statements include Consulier and its wholly-owned subsidiaries, Consulier International, Inc. and ST, LLC, (collectively known as the Company ). The Company began consolidating ST, LLC, as a variable interest entity ( VIE ) as of December 31, 2004. Effective April 1, 2005, Consulier increased its ownership in ST, LLC to 54% (Note 2).

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION  
OF BUSINESS  
AND  
SUMMARY OF  
SIGNIFICANT  
ACCOUNTING  
POLICIES  
(CONTINUED)**

The accompanying condensed interim consolidated financial statements include the accounts of Consulier and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company uses the equity method of accounting for investments where its ownership is between 20% and 50%. For investments in partnerships that meet the criteria of a VIE and where the Company is deemed to be the primary beneficiary for accounting purposes, such entities are consolidated effective December 31, 2004 (Note 2).

**Interim Financial Data**

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, management believes the accompanying unaudited condensed interim consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of Consulier Engineering, Inc. and subsidiaries ( Consulier ) as of September 30, 2005, and the results of its operations for the three and nine months ended September 30, 2005 and 2004 and cash flows for the nine months ended September 30, 2005 and 2004. The results of operations and cash flows for the period are not necessarily indicative of the results of operations or cash flows that can be expected for the year ending December 31, 2005. For further information, refer to the consolidated financial statements and footnotes thereto included in Consulier s annual report on Form 10-KSB for the year ended December 31, 2004.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for allowances for doubtful accounts, revenue reserves, inventory reserves, depreciation and amortization, taxes, contingencies and impairment allowances. Such estimates are reviewed on an on-going basis, actual results could differ from these estimates and those differences may be material.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**NOTE 1. DESCRIPTION  
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(CONTINUED)**

**Concentrations**

Financial instruments, which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, consist primarily of accounts receivable. ST, LLC's accounts receivable are concentrated in the healthcare industry. ST, LLC's customers typically have been well-established hospitals or medical facilities. However, some hospitals and medical facilities have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities and extended payment of receivables from these entities is not uncommon.

To date, ST, LLC has relied on a limited number of customers for a substantial portion of its total revenues. The Company expects that a significant portion of its future revenues will continue to be generated by a limited number of customers. The failure to obtain new customers or expand sales through remarketing partners, the loss of existing customers or reduction in revenues from existing customers could materially and adversely affect the Company's operating results.

ST, LLC currently buys all of its hardware and some major software components for its emergency room information systems from third-party vendors. Although there are a limited number of vendors capable of supplying these components, management believes that other suppliers could provide similar components on comparable terms. A change in suppliers, however, could cause a delay in system implementations and a possible loss of revenues, which could adversely affect operating results.

**Capitalized Software Development Costs**

Software development costs are accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 86, *Accounting for the Costs of Software to be Sold, Leased or Otherwise Marketed*. Costs associated with the planning and designing phase of software development, including coding and testing activities necessary to establish technological feasibility are classified as product research and development and are expensed as incurred. Once technological feasibility has been determined, a portion of the costs incurred in development, including coding, testing, and product quality assurance, are capitalized and subsequently reported at the lower of unamortized cost or net realizable value.

Amortization is provided on a product-by-product basis over the estimated economic life of the software, not to exceed three years, using the straight-line method. Amortization commences when a product is available for general release to customers. Unamortized capitalized costs determined to be in excess of the net realizable value of a product are expensed at the date of such determination.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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OF BUSINESS  
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(CONTINUED)**

**Intangible Assets**

Intangible assets consist of customer lists acquired in connection with the acquisition of certain assets from HIT (Note 2) and nuMedica (Note 4), which are being amortized, over three to five years, using the straight-line method, and non-compete agreements, which are being amortized over one year, using the straight-line method. The Company periodically reviews its intangible assets for impairment and assesses whether significant events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable.

**Partnership and Limited Liability Companies Investments**

The Company's investments in AVM and Biosafe are less than 50% ownership and are accounted for using the equity method. ST, LLC was consolidated under the provisions of Financial Accounting Standards Board ( FASB ) Interpretation No. 46(R) *Consolidation of Variable Interest Entities* ( FIN 46R ) from December 31, 2004 through March 31, 2005. Effective April 1, 2005, the Company owned in excess of 50% of ST, LLC (Note 2), thereby requiring consolidation. The Company owns less than 20% in AVM; however, the Company has the ability to significantly influence this investee under the terms of the partnership agreement. Income or loss is allocated to Consulier based on the partnership and LLC agreements. The Company reviews its partnership and limited liability companies investments for other than temporary declines in value on a monthly basis by analyzing the underlying investee's actual revenue, earnings capacity and estimated future undiscounted cash flows.

Due to the Company's operating agreement with ST, LLC and ST, LLC's operating agreement with PCTS, LLC, the Company was exposed to the majority of risk related to the activities of ST, LLC and PCTS, LLC. Therefore, in accordance with FIN 46R, the Company considered ST, LLC as a variable interest entity that required consolidation into the Company's financial statements as of December 31, 2004. However, effective April 1, 2005, the operating agreement was amended to reallocate membership interests in this partnership based upon historical contributions. The Company receives allocated losses to the extent of its contributions from inception. Consequently, the losses allocated to Consulier can be greater than or less than the Company's ownership percentage.

The Company has elected, as permitted under FIN 46R, not to restate prior year's financial statements. In 2003 and 2004, the investment in ST, LLC was carried on the equity method of accounting. As a result of consolidating ST, LLC, a minority interest was created representing the other members.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
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**NOTE 1. DESCRIPTION  
OF BUSINESS  
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POLICIES  
(CONTINUED)**

**Stock-Based Compensation**

In previous years, the Company granted stock options to employees under stock option plans that are more fully described in the Company's 10-KSB for the year ended December 31, 2004. The Company accounted for those plans using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. All options under such plans, granted in previous years, expired during 2001 and no new options were granted in 2005 and 2004. As such, there is no proforma effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, and SFAS No. 148 *Accounting for Stock-Based Compensation Transition and Disclosure*.

**Revenue Recognition**

Revenue from sales of goods is recognized when (i) persuasive evidence of an arrangement between the Company and the customer exists, (ii) the good or service has been provided to the customer, (iii) the price to the customer is fixed or determinable and (iv) collectibility of the sales prices is reasonably assured. Shipping and handling expenses incurred by the Company are recorded as selling expenses, and are classified in the caption selling, general and administrative expenses in the accompanying consolidated statements of operations. For the nine months ended September 30, 2005 and 2004, shipping and handling expenses were not material. Historically, the Company's warranty costs have been nominal as the Company's suppliers bear the cost of warranty claims.

Software revenue is derived from the licensing and sale of systems, either directly to end-users or through third-party resellers, comprised of internally developed software, third-party software and hardware components, product support, maintenance and professional services. The Company's revenue recognition policies conform to Statement of Position 97-2, *Software Revenue Recognition*. Generally, revenue from software license fees and hardware sales to end-users is recognized when a master agreement is signed and products are made available to end-users. Revenues from agreements that contain multiple-element arrangements are allocated to the various elements based on the fair value of the elements. Revenues related to routine installation and integration and project management are deferred until the work is performed. If a contract requires the Company to perform services and modifications that are deemed significant to system acceptance, revenues are recorded either on the percentage-of-completion method or revenues related to the delivered hardware and software components are deferred until such obligations are deemed insignificant, depending on the contractual terms. The Company follows this method since reasonably dependable estimates of the revenues and costs applicable to various stages of a contract can be made. Recognized revenues and profit are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged or credited to income in the period in which the facts

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 1. DESCRIPTION  
OF BUSINESS  
AND  
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ACCOUNTING  
POLICIES  
(CONTINUED)**

that give rise to the revision become known. Revenues from consulting, education, and application-hosting services are recognized as the services are performed. Revenues from short-term support and maintenance agreements are recognized ratably over the term of the agreements. Billings to customers recorded prior to the recognition of revenues are classified as deferred revenues. Revenues recognized prior to progress billings to customers are recorded as receivables.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentations.

**NOTE 2. ACCOUNTING FOR VARIABLE INTEREST ENTITY (VIE)**

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51* (FIN 46R). In December 2003, the FASB modified FIN 46R to make certain technical corrections and address certain implementation issues that had arisen. FIN 46R provides a new framework for identifying VIEs and determining when a company should include the assets, liabilities, noncontrolling interests and results of activities of a VIE in its financial statements and deferred the effective date for us until December 31, 2004.

In general, a VIE is an entity used to conduct activities or hold assets that either (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that are unable to make significant decisions about its activities, or (3) has a group of equity owners that do not have the obligation to absorb losses or the right to receive returns generated by its operations.

FIN 46R requires a VIE to be consolidated if a party with an ownership, contractual or other financial interest in the VIE is obligated to absorb a majority of the risk of loss from the VIEs activities, is entitled to receive a majority of the VIEs residual returns (if no party absorbs a majority of the VIEs losses), or both. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIEs assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated based on majority voting interest.

The Company began consolidating the balance sheet and operations of ST, LLC in accordance with FIN 46R as of December 31, 2004. This entity qualified as a VIE under FIN 46R during that period, and we were the primary beneficiary. Previously the Company carried the investment under the equity method.



**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**NOTE 2. ACCOUNTING**  
**FOR**  
**VARIABLE**  
**INTEREST**  
**ENTITY (VIE)**  
**(CONTINUED)**

On April 1, 2005 (date of the amendment to the operating agreement), the Company's ownership in ST, LLC increased to 54%, thereby requiring consolidation.

Consulier can require Consulier's principal stockholder to purchase its interest in ST, LLC for cash equal to Consulier's capital account as of the closing date. Consulier has contributed to ST, LLC approximately \$13 million since inception and has no remaining net investment at September 30, 2005. ST, LLC's surplus in stockholders' equity at September 30, 2005, is reflected as a minority interest liability in the unaudited condensed interim consolidated balance sheet.

As of September 30, 2005, total assets and liabilities of ST, LLC are as follows:

|  |                     |
|--|---------------------|
| Cash                                       | \$ 126,898          |
| Accounts Receivable                        | 363,179             |
| Assets Held for Sale                       | 139,382             |
| Fixed Assets                               | 1,675,023           |
| Capitalized Software Costs                 | 387,501             |
| Customer Lists and Other Intangible Assets | 1,210,333           |
| Other Assets Including Employee Advances   | 240,162             |
| Accounts Payable and Accrued Liabilities   | (925,536)           |
|  | <b>\$ 3,216,942</b> |
| <br>Minority Interest                      | <br>\$ 3,216,942    |

The following table sets forth the unaudited pro-forma consolidated results of operations for the three and nine months ended September 30, 2005 and 2004 giving effect to the consolidation of ST, LLC, as if the Company had consolidated this entity as of the beginning of the periods presented:

|   | <b>Three Months</b>   |             | <b>Nine Months</b>    |             |
|---|-----------------------|-------------|-----------------------|-------------|
|   | <b>Ended</b>          |             | <b>Ended</b>          |             |
|   | <b>September 30,</b>  |             | <b>September 30,</b>  |             |
|   | <b>(in thousands)</b> |             | <b>(in thousands)</b> |             |
|   | <b>2005</b>           | <b>2004</b> | <b>2005</b>           | <b>2004</b> |
| Revenues  | \$ 455                | \$ 207      | \$ 807                | \$ 483      |
| Net Income (Loss)                               | \$ (945)              | \$ (2,319)  | \$ (2,524)            | \$ (5,001)  |
| Net Income (Loss) per Share - Basic and Diluted | \$ (.18)              | \$ (.47)    | \$ (.48)              | \$ (1.01)   |



**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 3. ASSETS HELD FOR SALE**

Assets held for sale as of September 30, 2005 totaled \$139,382 and represented computer equipment and furniture that are sold to customers who license software from the Company. Assets held for sale are stated at the lower of cost or market.

**NOTE 4. ACQUISITION**

On July 15, 2005, PCTS, LLC entered into an asset purchase agreement to acquire certain assets of nuMedica, a California corporation, for \$592,223. The purchase price included registered and unregistered copyrights, trade secrets, customer lists and non-compete agreements to be paid upon execution of all non-compete agreements. nuMedica is engaged in the design, customization, marketing, sale and distribution of paper templates used for diagnostic purposes in emergency medical departments. The Company has determined that the purchase is not a significant transaction under Regulation S-B. Allocation of the purchase price is as follows:

|                        |            |
|------------------------|------------|
| FormED Software        | \$ 252,223 |
| Customer List          | 140,000    |
| Non-Compete Agreements | 200,000    |
| <br>                   |            |
| Total Purchase Price   | \$ 592,223 |

**NOTE 5. PARTNERSHIP AND LIMITED LIABILITY COMPANY**

The limited partnership and limited company interests consist of Consulier's investments in AVM, L.P. and BioSafe Systems, LLC, respectively.

**AVM, L.P.**

Consulier owns approximately 6% of AVM L.P.'s (AVM) capital as of September 30, 2005 and approximately 10% at September 30, 2004. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 5.7% and 8.5% of AVM's earnings during the nine-month periods ended September 30, 2005 and 2004, respectively. Under the partnership agreement, Consulier may withdraw all or any portion of its capital account upon 30 days written notice. AVM's general partner may also expel Consulier from the partnership through payment of the balance of Consulier's capital account.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 5. PARTNERSHIP  
AND LIMITED  
LIABILITY  
COMPANY  
(CONTINUED)**

Following is a summary of the result of operations (unaudited) of AVM and the income allocated to the Company:

|                               | <b>Three Months<br/>Ended<br/>September 30,<br/>(In Thousands)<br/>(Unaudited)</b> |             | <b>Nine Months Ended<br/>September 30,<br/>(In Thousands)<br/>(Unaudited)</b> |             |
|-------------------------------|--|-------------|---|-------------|
|                               | <b>2005</b>  | <b>2004</b> | <b>2005</b>   | <b>2004</b> |
| Revenues                      | \$ 11,806  | \$ 15,803   | \$ 51,539   | \$ 61,232   |
| Cost and Expenses             | 6,347  | 11,173      | 22,297  | 39,647      |
| Net Income                    | \$ 5,459   | \$ 4,630    | \$ 29,242   | \$ 21,585   |
| Consulier s Share of Earnings | \$ 309   | \$ 395      | \$ 1,668  | \$ 1,836    |

Net investment in AVM, L.P. at September 30, 2005 was \$1,852,000.

**BIOSAFE SYSTEMS, LLC**

Consulier owns a 40% interest in BioSafe Systems, LLC ( BioSafe ). Following is a summary of the results of operations of BioSafe and the income allocated to Consulier:

|                               | <b>Three Months<br/>Ended<br/>September 30,<br/>(In Thousands)<br/>(Unaudited)</b> |             | <b>Nine Months<br/>Ended<br/>September 30,<br/>(In Thousands)<br/>(Unaudited)</b> |             |
|-------------------------------|--|-------------|---|-------------|
|                               | <b>2005</b>  | <b>2004</b> | <b>2005</b>   | <b>2004</b> |
| Revenues                      | \$ 2,453   | \$ 2,378    | \$ 5,400  | \$ 5,319    |
| Cost and Expenses             | 1,745  | 1,668       | 4,499   | 4,431       |
| Net Income                    | \$ 708   | \$ 710      | \$ 901  | \$ 888      |
| Consulier s Share of Earnings | \$ 283   | \$ 284      | \$ 360  | \$ 355      |

Net investment in BioSafe Systems, LLC at September 30, 2005 was approximately \$980,000.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
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**NOTE 6. EARNINGS PER SHARE**

Basic and diluted earnings per share for the three and nine months ended September 30, 2005 and 2004 were as follows:

|   | <b>Three Months Ended</b> |                | <b>Nine Months Ended</b> |                |
|---|---------------------------|----------------|--------------------------|----------------|
|   | <b>September 30</b>       |                | <b>September 30,</b>     |                |
|   | <b>2005</b>               | <b>2004</b>    | <b>2005</b>              | <b>2004</b>    |
| BASIC AND DILUTED<br>EARNINGS PER SHARE<br>COMPUTATION: |                           |                |                          |                |
| NUMERATOR:  |                           |                |                          |                |
| Net (Loss)  | \$ (270,817)              | \$ (1,005,776) | \$ (486,700)             | \$ (1,978,032) |
| DENOMINATOR:  |                           |                |                          |                |
| Average number of<br>common shares outstanding          | 5,243,105                 | 4,942,414      | 5,243,105                | 4,942,414      |

Common stock equivalents were not included in the calculation of diluted loss per common share for the three and nine months ended September 30, 2005 and 2004, as their effect would be anti-dilutive.

**NOTE 7. SEGMENT INFORMATION**

The Company's continuing operations are currently comprised of four segments; distribution, investing, corporate activities and medical software activities. These operating units are managed from the Company's Riviera Beach, Florida and Aliso Viejo, California facilities.

Detailed below are the results of operations by segment for the three and nine months ended September 30, 2005 and 2004.

|                              | <b>Three Months Ended September 30, 2005</b>  |                           |                   |                                |              |
|------------------------------|---|---------------------------|-------------------|--------------------------------|--------------|
|                              | <b>Income<br/>(Loss)<br/>Derived<br/>From</b> |                           |                   |                                |              |
|                              | <b>Distribution</b>                           | <b>Ownership</b>          | <b>Corporate</b>  | <b>Medical</b>                 |              |
|                              | <b>Activities</b>                             | <b>of<br/>Investments</b> | <b>Activities</b> | <b>Software<br/>Activities</b> | <b>Total</b> |
| Revenue (b)                  | \$ 20,485                                     | \$                        | \$                | \$ 455,443                     | \$ 475,928   |
| Operating Income (Loss)      | 4,429   |                           | (109,910)         | (1,963,668)                    | (2,069,149)  |
| Other Income (Loss)          |   | 592,752                   | 20,245            | (95,746)                       | 517,251      |
| Minority Interest Loss       |   |                           |                   | 1,104,768                      | 1,104,768    |
| Income Tax Benefit (Expense) | 4,665   | (243,037)                 | 37,194            | 377,491                        | 176,313      |
| Net Income (Loss) (a)        | 9,094   | 349,715                   | (52,471)          | (577,155)                      | (270,817)    |
| Total Assets                 | 86,916  | 2,832,480                 | 3,405,596         | 4,142,478                      | 10,467,470   |

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**NOTE 7. SEGMENT**  
**INFORMATION**  
**(CONTINUED)**

|                        | <b>Three Months Ended September 30, 2004</b> |                     |                   |                   |              |
|------------------------|--|---------------------|-------------------|-------------------|--------------|
|                        | <b>Income</b>                                |                     |                   |                   |              |
|                        | <b>(Loss)</b>                                |                     |                   |                   |              |
|                        | <b>Derived</b>                               |                     |                   |                   |              |
|                        | <b>From</b>                                  |                     |                   |                   |              |
|                        | <b>Distribution</b>                          | <b>Ownership of</b> | <b>Corporate</b>  | <b>Medical</b>    |              |
|                        | <b>Activities</b>                            | <b>Investments</b>  | <b>Activities</b> | <b>Software</b>   | <b>Total</b> |
|                        |  |                     |                   | <b>Activities</b> |              |
| Revenue (b)            | \$ 4,403                                     | \$                  | \$                | \$                | \$ 4,403     |
| Operating (Loss)       | (83,170)                                     | (4,963)             | (37,353)          |                   | (125,486)    |
| Other Income (Loss)    |  | (1,459,274)         | 28,754            |                   | (1,430,520)  |
| Minority Interest Loss |  |                     |                   |                   |              |
| Income Tax Provision   | 31,394                                       | 625,031             | (106,195)         |                   | 550,230      |
| Net Income (Loss) (a)  | (51,776)                                     | (839,206)           | (114,794)         |                   | (1,005,776)  |
| Total Assets           | 158,379                                      | 5,070,604           | 1,122,771         |                   | 6,351,754    |

|                              | <b>Nine Months Ended September 30, 2005</b> |                    |                   |                   |              |
|------------------------------|---|--------------------|-------------------|-------------------|--------------|
|                              | <b>Income</b>                               |                    |                   |                   |              |
|                              | <b>(Loss)</b>                               |                    |                   |                   |              |
|                              | <b>Derived</b>                              |                    |                   |                   |              |
|                              | <b>From</b>                                 |                    |                   |                   |              |
|                              | <b>Distribution</b>                         | <b>Ownership</b>   | <b>Corporate</b>  | <b>Medical</b>    |              |
|                              | <b>Activities</b>                           | <b>of</b>          | <b>Activities</b> | <b>Software</b>   | <b>Total</b> |
|                              |   | <b>Investments</b> |                   | <b>Activities</b> |              |
| Revenue (b)                  | \$ 29,680                                   | \$                 | \$                | \$ 807,416        | \$ 837,096   |
| Operating (Loss)             | (11,550)                                    |                    | (408,262)         | (5,578,253)       | (5,998,065)  |
| Other Income (Loss)          |   | 2,028,500          | 108,879           | (95,746)          | 2,041,633    |
| Minority Interest Loss       |   |                    |                   | 3,141,779         | 3,141,779    |
| Income Tax Benefit (Expense) | 4,665                                       | (816,607)          | 120,505           | 1,019,390         | 327,953      |
| Net Income (Loss) (a)        | (6,885)                                     | 1,211,893          | (178,878)         | (1,512,830)       | (486,700)    |
| Total Assets                 | 86,916                                      | 2,832,480          | 3,405,596         | 4,142,478         | 10,467,470   |

|                        | <b>Nine Months Ended September 30, 2004</b> |                     |                   |                   |              |
|------------------------|---|---------------------|-------------------|-------------------|--------------|
|                        | <b>Income</b>                               |                     |                   |                   |              |
|                        | <b>(Loss)</b>                               |                     |                   |                   |              |
|                        | <b>Derived</b>                              |                     |                   |                   |              |
|                        | <b>From</b>                                 |                     |                   |                   |              |
|                        | <b>Distribution</b>                         | <b>Ownership of</b> | <b>Corporate</b>  | <b>Medical</b>    |              |
|                        | <b>Activities</b>                           | <b>Investments</b>  | <b>Activities</b> | <b>Software</b>   | <b>Total</b> |
|                        |   |                     |                   | <b>Activities</b> |              |
| Revenue (b)            | \$ 43,480                                   | \$                  | \$                | \$                | \$ 43,480    |
| Operating (Loss)       | (137,724)                                   | (14,888)            | (194,595)         |                   | (347,207)    |
| Other Income (Loss)    |   | (2,809,744)         | 74,404            |                   | (2,735,340)  |
| Minority Interest Loss |   |                     |                   |                   |              |

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|                       |          |             |           |             |
|-----------------------|----------|-------------|-----------|-------------|
| Income Tax Benefit    | 48,203   | 1,159,835   | (103,523) | 1,104,515   |
| Net Income (Loss) (a) | (89,521) | (1,664,797) | (223,714) | (1,978,032) |
| Total Assets          | 158,379  | 5,070,604   | 1,122,771 | 6,351,754   |

(a) All interest expense incurred by the Company was allocated to the Corporate Activities Segment.

(b) There was no inter-segment revenue during the period.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**NOTE 8. INCOME TAXES**

Provisions (benefits) for federal and state income tax in the interim condensed consolidated statements of operations consist of the following:

|                            | <b>For the Three Months<br/>Ended September 30,</b> |              | <b>For the Nine Months<br/>Ended September 30,</b> |                |
|----------------------------|---|--------------|--|----------------|
|                            | <b>2005</b>   | <b>2004</b>  | <b>2005</b>  | <b>2004</b>    |
| Current:                   |   |              |  |                |
| Federal                    | \$  | \$           | \$   | \$             |
| State                      |   |              |  |                |
| Deferred:                  |   |              |  |                |
| Federal                    | (168,343)   | (464,650)    | (299,100)  | (934,978)      |
| State                      | (7,970)   | (85,580)     | (28,853)   | (169,537)      |
| Total income tax (benefit) | \$ (176,313)  | \$ (550,230) | \$ (327,953)                                       | \$ (1,104,515) |

Applicable income taxes (benefit) for financial reporting purposes differ from the amount computed by applying the statutory federal income tax rate as follows:

|  | <b>For the Three Months<br/>Ended September 30,</b> |              | <b>For the Nine Months<br/>Ended<br/>September 30,</b> |                |
|--|---|--------------|--|----------------|
|  | <b>2005</b>   | <b>2004</b>  | <b>2005</b>  | <b>2004</b>    |
| Tax expense (benefit) at statutory rate                      | \$ (152,024)  | \$ (529,042) | \$ (276,982)   | \$ (1,048,066) |
| State income tax expense (benefit) net of federal tax effect | (24,592)  | (55,627)     | (44,806)   | (111,039)      |
| Other  | 303   | 34,439       | (6,165)  | 54,590         |
| Income tax (benefit)   | \$ (176,313)  | \$ (550,230) | \$ (327,953)   | \$ (1,104,515) |

As of September 30, 2005, the Company had Federal and state tax loss carry-forwards totaling approximately \$2,723,000 and \$6,230,000, respectively, available to reduce future years' income through 2023.



**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**NOTE 8. INCOME TAXES (CONTINUED)**

The approximate tax effects of temporary differences that give rise to deferred tax assets (liabilities) as of September 30, 2005 are as follows:

|                                 | <b>2005</b>  |
|---------------------------------|--------------|
| Depreciation                    | \$ 17,653    |
| Allowance for doubtful accounts | 30,453       |
| Tax loss carry forward          | 1,250,654    |
| Other                           | 16,495       |
| Accrued Wages                   | 48,919       |
| <br>                            |              |
| Total Net Deferred Tax Asset    | \$ 1,364,174 |

Deferred tax assets and liabilities are reflected on the interim condensed consolidated balance sheet as of September 30, 2005:

|                                    |              |
|------------------------------------|--------------|
| Net Short-Term Deferred Tax Assets | \$ 87,883    |
| Net Long-Term Deferred Tax Assets  | 1,276,291    |
| <br>                               |              |
| Net Deferred Tax Assets            | \$ 1,364,174 |

**NOTE 9. SUBSEQUENT EVENTS**

On November 10, 2005, the Company's subsidiary, PCTS, entered into an asset purchase agreement with nuMedica, providing for the acquisition of certain additional assets of nuMedica's patient tracking division. The purchase price specified in the agreement was \$150,000, payable in cash upon the completion of certain terms of the asset purchase agreement. Pursuant to the asset purchase agreement, PCTS will not assume any debt, obligations, or other liabilities arising out of the seller's business or operations as of November 10, 2005. With this acquisition, the Company expects to integrate the patient tracking software with software technologies acquired from HIT and increase its customer base in the passive tracking technologies for emergency departments and operating rooms.

The Company is still in the process of obtaining valuations of certain intangible assets and accordingly, allocation of the purchase price is subject to modification in the future. Any such modification is not expected to be significant.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**

**ITEM 2. MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
OR PLAN OF  
OPERATION**

**RESULTS OF OPERATIONS**

The following analyzes the results of operations for the three months ended September 30, 2005 and the nine months ended September 30, 2005:

During the quarter ended September 30, 2005, sales increased approximately \$472,000 from the comparable amounts recorded during the quarter ended September 30, 2004. However, approximately \$455,000 was due to the consolidation of ST, LLC. Loss from operations for the third quarter of 2005 was approximately \$2,069,149, compared to a loss of approximately \$125,486 for the third quarter of 2004.

During the nine months ended September 30, 2005, sales increased approximately \$794,000 from the comparable amounts recorded during the nine months ended September 30, 2004. However, approximately \$807,000 was due to the consolidation of ST, LLC. Loss from operations for the nine months ended September 30, 2005 was approximately \$5,998,000, compared to a loss of approximately \$347,000 for the nine months ended September 30, 2004.

During the quarter ended September 30, 2005, other income (loss)/(expense) increased from a loss to income by approximately \$1,948,000 from the comparable amounts for the quarter ended September 30, 2004. This was primarily a result of the decrease in the undistributed loss of equity investees - related party of approximately \$2,138,000, due to the consolidation of ST, LLC in accordance with FIN 46(R).

During the nine months ended September 30, 2005, other income (loss)/(expense) increased from a loss to income by approximately \$4,777,000 from the comparable amounts for the nine months ended September 30, 2004. This was primarily a result of the decrease in the undistributed loss of equity investees - related party of approximately \$5,006,000, due to the consolidation of ST, LLC in accordance with FIN 46(R).

Investment in BioSafe Systems, LLC ( BioSafe ) Equity in the income of BioSafe was approximately \$283,000 in the third quarter of 2005, compared to income of approximately \$284,000 for the quarter ended September 30, 2004. This represents the Company's 40% interest in BioSafe's net income of approximately \$708,000 in the nine months ended September 30, 2005, compared to income of approximately \$715,000 in the nine months ended September 30, 2004.

**ITEM 2. MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
OR PLAN OF  
OPERATION  
(CONTINUED)**

Management continues to monitor these activities as it relates to budget amounts. See Liquidity and Capital Resources and Future Outlook sections below. The Company maintains an open option to sell its interest in ST, LLC to the primary stockholder of the Company for its total investment as noted in the accompanying financial statements. Investment in AVM, L.P. (AVM) Equity in the income of AVM was approximately \$309,000 in the third quarter of 2005, compared to income of approximately \$395,000 for the quarter ended September 30, 2004. This represents the Company's 5.7% interest in AVM's net income of approximately \$5,459,000 in the third quarter of 2005, compared to income of approximately \$4,680,000 in the third quarter of 2004.

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2005, Consulier's cash totaled approximately \$386,000 as compared to approximately \$117,000 at December 31, 2004. Net cash used in operations was approximately \$4,871,000 for the nine months ended September 30, 2005 compared to approximately \$384,000 of net cash provided in the nine months ended September 30, 2004. Net cash provided by investing activities was primarily due to the receipt of approximately \$1,668,000 from AVM during the nine months ended September 30, 2005 offset by acquisition of property and equipment and intangible assets totaling approximately \$1,589,000.

Consulier can require Consulier's principal stockholder to purchase its interest in ST, LLC for cash equal to Consulier's capital account as of the closing date. Consulier has contributed to ST, LLC approximately \$13,000,000 since inception and has no remaining net investment at September 30, 2005.

The ability of Consulier to continue to generate cash flow in excess of its normal operating requirements depends almost entirely on the performance of its limited partnership investment in AVM, as well as obtaining additional financings. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return experienced in the period from AVM limited partnership. However, Consulier does not expect that the rate of return will decline to the point where Consulier has negative cash flow. Furthermore, although AVM has given Consulier no indication of any intention on its part to redeem the partnership interest, there can be no assurance that AVM will not do so in the future.

The Company has a \$2,000,000 line of credit from a bank available, of which \$1,382,000 has been used. It is anticipated that the cash requirements for ST, LLC will reduce in the future as the sales increase within that limited liability company.

**ITEM 2. MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
OR PLAN OF  
OPERATION  
(CONTINUED)**

**FUTURE OUTLOOK**

Based on AVM's recent operations and operating results over the past five years, management expects continued annualized returns in 2005 on Consulier's limited partnership investments. However, there is no guarantee that the annualized return in the third quarter of 2005 will be maintained.

Consulier International, Inc. has been developing new retail and distribution outlets locally, nationally and internationally. There are several trade shows scheduled for marketing the Captain Cra-Z Hand and All Purpose Cleaner throughout 2005 and the internet web site continues to be a good lead generator with applications for distribution being received through the site from countries all over the world and new marketing materials are being developed.

Strong performances in BioSafe's Agricultural market segment accounted for the sales growth experienced in the Quarter. The timing of the rebound in the Agriculture market brought this segment to a positive 16.6% over the first half of 2004, while our achievement of the projected growth in Aquatics' product sales produced an almost 38% sales increase for the quarter. The Post Harvest market, adversely affected temporarily by tighter inventory purchasing trends, offset some of the gains in Agriculture and Horticulture.

The Company intends to increase its investment in ST, LLC over the next three to five years. While the exact amount of the Company's future investment has not been quantified at this time, it is expected that the investment is to be between \$5 million and \$7 million. The exact amount will be based upon market acceptance of Patient Care Technology Systems, LLC's (PCTS, LLC) Amelior<sup>TM</sup> products and the need for investment funds.

The acquisition of HealthcareIT, the nation's leading passive tracking solution provider's Passive Tracking Division, products and customer base during the 4<sup>th</sup> quarter of 2004 has proven positive. The Amelior ED Tracker eliminates confusion over patient location, personnel location, equipment location and order status, facilitates maximum utilization of beds, decreases follow-up calls to ancillaries, reduces length of stay and patient walkouts, improves patient flow, increases ward security, reduces patient dissatisfaction with their emergency room experience and provides record keeping essential for emergency room management and regulatory compliance. The Company is successfully cross marketing the Amelior ED Tracker with other Amelior products.

In the third quarter of 2005, the Company acquired the products and customer base of the paper charting division of nuMedica, Inc. Marketed as *formED*, the products comprise a set of paper charting templates used by physicians in emergency departments who have not yet adopted computer-based charting systems such as the Company's comprehensive *Amelior ED* system. With this acquisition, the Company is now able to compete in the significant paper charting market segment which today accounts for over a third of the emergency

**ITEM 2. MANAGEMENT'S  
DISCUSSION  
AND ANALYSIS  
OR PLAN OF  
OPERATION  
(CONTINUED)**

department market. This provides the Company with the future opportunity to migrate paper customers to the Company's *Amelior* suite of emergency department software in order to realize the enhanced communication, management and safety benefits possible from adopting computer-based systems. Since acquiring the products and customer base of the paper charting division of nuMedica, Inc., the Company has rebranded the product as *EDT Template* and organized Sales and Marketing support to pursue further market penetration. In addition, the Company has completed an initial upgrade of the product technology to improve usability. Development is underway to integrate the paper template product with the Company's tracking system to improve its competitive position with emergency departments seeking to introduce automation incrementally.

During the fourth quarter of 2005, the Company will be launching *Amelior ED Tracker* passive tracking software with their computer-based clinical documentation, order management and decision support products.

**ITEM 3. CONTROLS  
AND  
PROCEDURES**

Our management have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15e and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended), as of the end of the fiscal quarter covered by this report. Based upon that evaluation, our management has concluded that our disclosure controls and procedures are effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed under the Securities and Exchange Act of 1934, as amended. There have been no significant changes made in our internal controls or in other factors that could significantly affect our internal controls during the fiscal quarter covered by this report.

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

As of September 30, 2005, there were no legal proceedings pending against the Company or its subsidiaries nor did the Company have any knowledge of any proceedings which were being contemplated, except a personal injury claim concerning a fall from a lifeguard stand manufactured by the Company (prior to 2000 in a previous line of business). Although the outcome of any litigation cannot be guaranteed with certainty and the Company maintains insurance coverage for this type of claim, there is a good likelihood that the Company will succeed in its defense of this claim.

**ITEM 2. CHANGES IN  
SECURITIES  
AND SMALL  
BUSINESS  
ISSUER  
PURCHASES  
OF EQUITY  
SECURITIES**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

The Company is a Controlled Company as defined in Marketplace 4350 (c) (5) and is therefore exempt from the requirements of Marketplace Rule (c) (4) (B).

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

(a) EXHIBITS REQUIRED BY ITEM 601 OF REGULATION S-B

None

(b) CURRENT REPORTS ON FORM 8-K

None

(c) 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

(d) 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

**CONSULIER ENGINEERING, INC. AND SUBSIDIARIES**  
**PART II. OTHER INFORMATION (CONTINUED)**

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

- (e) 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
- (f) 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

The Company has attached Exhibits 31.1, 31.2, 32.1 and 32.2 to this filing to comply with the requirements of the Sarbanes-Oxley Act of 2002.

**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.

CONSULIER ENGINEERING, INC.  
(Registrant)

Date: November 21, 2005

By: /s/ Alan R Simon  
Alan R. Simon, Esq.  
Secretary and Treasurer (Principal  
Financial and Accounting Officer)

Date: November 21, 2005

By: /s/ Warren B. Mosler  
Warren B. Mosler  
Chairman of the Board, President  
& Chief Executive Officer (Principal  
Executive Officer)