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CONSULIER ENGINEERING INC
Form 10KSB
April 15, 2005

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

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

COMMISSION FILE NUMBER 0-17756

CONSULIER ENGINEERING, INC.

(Name of small business issuer in its charter)

Florida 59-2556878

(State or other jurisdiction of (I.R.S Employer Identification No.)
incorporation or organization)

2391 Old Dixie Highway
Riviera Beach, FL 33404-5456

(Address of principal executive offices) (Zip Code)

(561) 842-2492

(Issuer's Telephone Number)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class -----	Name of each exchange on which registered -----
None	None

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK AND REDEEMABLE WARRANTS

(Title of Class)

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 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.

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The Issuer's revenues for the fiscal year ended December 31, 2004 totaled \$48,626.

As of March 31, 2005, there were 5,243,105 outstanding shares of common stock, par value \$0.01 per share. The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on March 31, 2005 based on the average bid and asked price on such date was \$3.40.

CONSULIER ENGINEERING, INC.

2004 FORM 10-KSB ANNUAL REPORT

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

In June 1985, Consulier Engineering, Inc. ("Consulier" or the "Company") was incorporated in Florida. Its principal businesses are the development of household and tool products, and corporate and investment activities. In 2002, the Company was also in the distribution of automobile parts in the automotive after market. Consulier conducted its automobile parts distribution business through a wholly owned subsidiary, Southeast Automotive Acquisition Corporation (Southeast), which is based in Miami, Florida. Effective December 31, 2002, Consulier sold 70% of its interest in Southeast to Southeast's executive officers. In the 2nd Quarter of 2003, the Company sold its remaining interest in Southeast to Southeast's executive officers. Consulier's corporate office is located in Riviera Beach, Florida.

DESCRIPTION OF BUSINESS SEGMENTS

(1) INVESTMENTS SEGMENT

INVESTMENT IN AVM, L.P.

Consulier owns a 10% equity interest in AVM, L.P. ("AVM"), a broker/dealer in U.S. Government securities formed in October 1983 as an Illinois limited partnership and located in West Palm Beach, Florida. AVM is registered with the Commodity Futures Trading Commission as an Introducing Broker (IB) and conducts its IB business with other broker/dealers on a fully disclosed basis. AVM is also registered as a broker/dealer with the Securities and Exchange Commission, and is a member of the National Association of Securities Dealers, Inc. The firm is generally engaged in the brokerage of U.S. Government securities, other fixed income instruments, and arbitrage transactions and presently employs 59 people in addition to the four members of its general partner. Warren B. Mosler ("Mosler"), Consulier's Chairman and majority shareholder is one of the founders of AVM and is a member of the general partner of AVM.

As of December 31, 2004 and 2003, Consulier's limited partnership interest represented approximately 10% of AVM's total partnership capital. Allocation of the partnership's income to its partners varies based on amounts of appreciation of the partnership's assets and operating profits of the partnership. Based on earnings distributions provided in the partnership agreement, Consulier was allocated approximately 8% of AVM's earning in 2004 and 8 1/2 % in 2003, amounting to \$2,327,869 and \$3,095,475 for 2004 and 2003, respectively.

Under the partnership agreement, Consulier may withdraw all or any portion of its capital upon 30 days written notice. AVM's general partner may also expel Consulier from the partnership, on 30 days written notice, through return of the balance of Consulier's capital.

BIOSAFE SYSTEMS, LLC

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Consulier owns a 40% equity interest in BioSafe Systems, LLC. ("BioSafe"), a Connecticut limited liability corporation. BioSafe develops and markets environmentally safe products, alternatives to traditionally toxic pesticides. Consulier is entitled to representation on BioSafe's Board of Managers. BioSafe had revenues of approximately \$6,388,772 and \$5,826,000 for fiscal 2004 and fiscal 2003, respectively. Steady and consistent progress has been made with respect to establishing an algaecide/fungicide product into the commercial greenhouse/nursery market. Sales in the 4th Quarter were negatively effected by hurricane damage sustained by its customers.

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SYSTEMS TECHNOLOGIES, LLC

During August 2002 the Company purchased a 14.25% interest in Systems Technologies, LLC ("ST, LLC"), a Nevada limited liability company. During the year ended December 31, 2004, the Company made additional contributions of \$5,180,000 to increase its investment in ST, LLC. As of December 31, 2004, the Company's interest in ST, LLC totaled 34%. ST, LLC is a member of Patient Care Technology Systems, LLC, a California limited liability company ("PCTS"). At December 31, 2004 ST, LLC's primary asset was its 75% investment in PCTS. The original ST, LLC agreement provided that the losses from ST, LLC be allocated to ST, LLC's principal members. Effective April 1, 2003, the agreement was amended and stipulates that the Company receives allocated losses to the extent that the Company has made capital contributions during the current year or since inception. Consequently, the loss allocated to the Company is greater than 34%. The Company's majority shareholder owns approximately 51% of ST, LLC, and together with the Company's 34%, the ownership aggregates 85%. The Company can require the Company's majority shareholder to purchase its interest in ST, LLC for cash equal to the Company's total capital contributions in ST, LLC at any time with 60 days written notice. Management has evaluated ST, LLC's (primarily PCTS') projections and related assumptions regarding their operations. In this regard, management periodically compares actual results to these projections. Should actual results be significantly less than the projection, a write down might be necessary. Following is a summary of the results of operations of PCTS and the losses allocated to the Company:

	(UNAUDITED)	
	(IN THOUSANDS)	
	2004	2003
	-----	-----
Revenue	\$ 672	\$ 387
Costs and expenses	8,030	4,953
	-----	-----
Net loss	\$ (7,358)	\$ (4,566)
	=====	=====
Consulier's share of loss	\$ (6,029)	\$ (4,566)
	=====	=====

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PCTS markets the Amelior(TM) patient care systems which are data based integrated emergency room information systems. During 2004, PCTS focused on acquiring new products and marketing and selling its Amelior(TM) systems, greatly expanded and upgraded their sales force and by year end had fully operational installations in 42 facilities which can serve approximately 1,200,000 patients annually.

FIN 46(R) 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 owns a 34% equity interest in ST, LLC, however, as stipulated in the amended operating agreement, losses are allocated first to the Company subject to its contributions from inception. Consequently, the loss allocated to the Company was greater than 34%. This entity qualifies as a VIE under FIN 46(R), and we are the primary beneficiary. We began consolidating the balance sheet of ST, LLC in accordance with FIN 46(R), as of December 31, 2004. Previously the Company carried the investment under the equity method. A cumulative effect adjustment was not recorded upon initial consolidation because the Company had previously recognized its allocated share of losses and our investment had been written down to zero at December 31, 2004. ST, LLC's surplus in stockholders' equity at the December 31, 2004 (adoption date), is reflected as a minority interest liability in the consolidated balance sheet.

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(2) CORPORATE SEGMENT

GENERAL

Consulier's Corporate Segment includes management and finance activities as well as consulting, engineering, new product development and business management. Since C-6 Products, Inc. was merged into the Company during the 3rd Quarter of 2004, the Company's only wholly owned subsidiary is Consulier International, Inc.

(3) HOUSEHOLD AND TOOL PRODUCTS

In April 1997, C-6 Products, Inc. purchased six patents for tool and ladder related products. The patents are for work platform and tool holding attachments to ladders. Initial development was launched in April 1997 of a product that attached to a standard stepladder, converting it into a handy work platform for standard household chores, which is the present day Tool Topper(TM) Workstation and related accessories. The design and development was completed in 1998. On June 30, 2000, Tool Topper(TM) inventory and tooling were written down based on the unit's failure to meet expected sales and income goals.

During the third Quarter of 2003 Consulier International, Inc. took over the marketing of Tool Topper(TM) products. During the fourth Quarter of 2003, the Company was successful in selling substantially all of its Tool Topper(TM) inventory to an independent marketing company who resold the Tool Topper(TM)'s on QVC. The Company is in negotiations concerning possible licensing of its Tool Topper(TM) patents and molds. During the fourth Quarter of 2004 C-6 Products,

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Inc. was merged into Consulier Engineering, Inc.

(4) AUTOMOTIVE PARTS DISTRIBUTION (DISCONTINUED OPERATIONS)

BACKGROUND

Southeast Automotive Acquisition Corporation (a former subsidiary) ("Southeast") is located in Miami, Florida. It is engaged in research, development and distribution to the automotive wholesale market. It celebrated its 21st year of existence in the automotive transmission industry, as a significant contributor of OEM Quality Aftermarket Products, distributing automotive flywheels, flex plates, transmission and engine mounts, torque struts, nylon gears, plastic components, grommets, cables and repair kits.

DIVESTITURE

Effective December 31, 2002, the Company sold seventy percent of the common stock of its wholly-owned subsidiary, Southeast, to executive officers of Southeast, in exchange for the return of 45,000 shares of the Company's common stock, and a promissory note of approximately \$1,600,000 payable to the Company by Southeast for its pre-existing debt to the Company, secured by Southeast's assets, the common stock in Southeast and the purchasers' personal guarantees, limited to the cash in Southeast at December 31, 2002 of approximately \$228,000. The note bore interest at 6% and was payable in monthly installments of principal and interest of approximately \$9,600 beginning February 20, 2003 through January 20, 2033.

On June 29, 2003, the Company transferred its remaining thirty percent of the common stock of Southeast to executive officers of Southeast in consideration of their agreement to change the method of calculating the purchase price of the seventy percent of common stock of Southeast and their agreement to amend the original promissory note to reflect an original principal balance of \$1,764,581 with a term of 40 years from June 20, 2003, with a balloon payment of \$206,916 due on May 20, 2043; the remaining terms of the Note were unchanged. On June 30, 2003 the Company sold and assigned the Note to the Company's majority shareholder, together with its security interest for the consideration of \$1,762,575, the then

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current unpaid principal balance and accrued interest due on the Note which was received by the Company in collected funds on June 30, 2003.

(5) HEALTHCARE INFORMATION AND TRACKING SYSTEM

PCTS markets the Amelior(TM) patient care systems which are data based integrated emergency room information systems. During the last Quarter of 2004, PCTS purchased Healthcare IT for \$1,240,000. Healthcare IT, Inc. is a provider of passive tracking technology for Emergency Departments and Operating Rooms. The system tracks the real time status and location of patients and assets through wireless technology. PCTS offers advanced clinical information systems to hospitals Emergency Department and will cross market the passive tracking technology of Healthcare IT.

ITEM 2. DESCRIPTION OF PROPERTY

In May 2000, Consulier moved its headquarters to Riviera Beach, Florida, occupying approximately 500 square feet of office space in a building owned by Warren Mosler, the Company's majority shareholder.

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Consulier owns a 47,000 square foot industrial warehouse in Medley, Florida, which is leased to Southeast Automotive Acquisition Company, its former subsidiary for a five (5) year term which commenced on July 1, 2002 with an initial base rent of \$10,000 per month; the lease contains provisions for annual CPI rental increases and two (2) options to renew for additional terms of five (5) years each.

ITEM 3. LEGAL PROCEEDINGS

The Company, from time to time, is involved in routine litigation arising in the ordinary course of business. While the outcome of litigation can never be predicted with certainty, the Company does not believe that any existing litigation, individually or in aggregate, will have a material adverse effect upon the Company.

As of December 31, 2004, 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), which was filed on May 16, 2003. 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The election of five directors and the approval of independent auditors were submitted to a vote of shareholders at the Company's Annual Meeting held February 5, 2004. Warren B. Mosler, Alan R. Simon, Burck E. Grosse and Skender Fani were elected upon receipt of the following votes: for 4,446,226, against 0, and 600 shares abstaining. Goldstein Lewin & Co. was approved as independent auditors by a vote for of 4,446,226, against 0, and 600 shares abstaining.

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PART II

ITEM 5. MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

MARKET PRICE AND DIVIDENDS

The following table sets forth, for the periods indicated, the high and low bid prices for Consulier's common stock, as reported by NASDAQ.

YEAR ENDED DECEMBER 31, 2003 -----	HIGH -----	LOW -----
First quarter	\$ 2.60	\$ 2.05
Second quarter	3.00	2.20
Third quarter	2.65	2.20
Fourth quarter	3.00	2.00

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YEAR ENDED DECEMBER 31, 2004 -----	HIGH -----	LOW -----
First quarter	\$ 5.25	\$ 2.50
Second quarter	4.00	2.75
Third quarter	3.40	2.25
Fourth quarter	5.50	2.75

As of March 31, 2005, there were approximately 342 record holders of Consulier's common stock. To date, Consulier has not paid any dividends on its common stock. Because of the financial requirements of the Company, the Board of Directors has no current intention to commence paying dividends. Future dividend policy will depend upon Consulier's profitability, capital requirements and other factors.

NASDAQ LISTING

Consulier's common stock (Symbol: CSLR) is listed on the NASDAQ SmallCap Market and has been traded thereon since Consulier's initial public offering in May 1989.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD LOOKING STATEMENTS

Statements made in this Management's Discussion and Analysis and elsewhere in this Annual Report that state Consulier's or management's intentions, hopes, beliefs, expectations or predictions of the future contain forward looking statements. Such forward looking statements include, without limitation, statements regarding Consulier's 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 that 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 BioSafe, AVM and ST, LLC, and the marketing of Consulier's Tool Topper(TM) and Cra-Z Soap products, manufacturing and supply risks, risks concerning the protection of Consulier's patents, reliance upon distributors, regulatory risks, risks of expansion, product liability and other risks described herein.

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CRITICAL ACCOUNTING POLICIES

The FASB issued Interpretation No. 46(R), Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (FIN 46(R)) describes variable interest entities. The Company's consolidated balance sheet includes the assets of ST, LLC, as of December 31, 2004, which is a variable interest entity. The statement of operations reflects the allocated loss from ST, LLC.

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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.

Financial Reporting Release No. 60, which was recently released by the U.S. Securities and Exchange Commission, encourages all companies to include a discussion of critical accounting policies or methods used in the preparation of consolidated financial statements. Note 1 to the Company's consolidated financial statements includes a summary of the significant accounting policies and methods used in the preparation of Consulier's consolidated financial statements.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the consolidated financial statements:

PARTNERSHIP AND LIMITED LIABILITY COMPANY INVESTMENTS

The Company's Partnership and Limited Liability Company investments, all of which are less than 50% interests, are accounted for using the equity method or under the provisions of FIN 46(R). Income or loss is allocated by the investee to Consulier based on the partnership and LLC agreements.

REVENUE RECOGNITION

Sales are recorded upon shipment of goods to customers.

Shipping and handling costs billed to customers are included in sales and recorded when goods are shipped to customers. Shipping costs of the Company are classified as a selling expense.

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 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 contract receivables.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RESULTS OF OPERATIONS

CONSOLIDATED OPERATING RESULTS FROM CONTINUING OPERATIONS - During the twelve months ended December 31, 2004, sales decreased \$145,340, to \$48,626, from the prior twelve months. Cost of goods sold increased \$7,854, to \$26,472, from the comparable amounts recorded during the twelve months ended December 31, 2003. Gross profit for the twelve months ended December 31, 2004 decreased \$153,194 from the year ended December 31, 2003, primarily due to the sale, during 2003, of previously written off inventory of Tool Topper(TM) and Cra-Z Soap (prior formula) of approximately \$158,000. The decrease in selling, general and administrative costs were as a result of decreased accounting and auditing fees associated with the divestiture of Southeast Automotive. When these factors are combined they resulted in a \$95,856 increase in operating loss, from \$457,202 in 2003 to \$553,058 in 2004.

Other income, consisting primarily of investment income, less net undistributed loss of equity investees reflects a total loss from other income of \$3,326,815 in 2004, compared to total loss from other income of \$1,130,701 during 2003. The primary reason for the decrease in net income was due to the increase in loss allocated from the Company's investment in ST, LLC (as discussed below) coupled with the following:

HOUSEHOLD AND TOOL PRODUCTS - During the third Quarter of 2003 Consulier International, Inc. began implementing marketing plans for the Captain Cra-Z Hand and All Purpose Cleaner to retail distribution outlets. During the fourth Quarter of 2003, the Company was successful in selling substantially all of its Tool Topper(TM) and Cra-Z Soap (prior formula) inventory to two independent marketing companies for approximately \$158,000. This inventory had previously been written off in 2000.

INVESTMENT IN AVM - Investment income from Consulier's AVM limited partnership interest was \$2,327,869 in 2004, a 24.8% decrease from 2003 income of \$3,095,475. This represents annualized returns of 126% and 167% on Consulier's average investment during the years ended December 31, 2004 and 2003, respectively.

INVESTMENT IN BIOSAFE - Equity in income of BioSafe was \$286,953 in 2004, a 8% increase over 2003 income of \$265,148. This represents the Company's 40% interest in BioSafe's net income of approximately \$717,000 in 2004, compared to approximately \$663,000 in 2003. The Company received distributions from BioSafe of \$720,439 of which \$612,000 was a distribution of prior year's earnings.

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INVESTMENT IN ST, LLC - Equity in the loss of ST, LLC was \$6,029,544 for 2004 and \$4,566,126 in 2003. The increase in losses allocated to the Company was mainly due to the increase in salary and outside services in the continuing installation effort of PCTS.

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OUTLOOK FOR 2005

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 investment. However, there is no guarantee that the returns of 126% and 167% in 2004 and 2003, respectively, 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 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.

BioSafe Systems, LLC will be introducing a new product in the second half of 2005, specifically designed for use in the membrane filtration market. Trade named Sanidate, the product safely and efficiently cleans and sanitizes membrane filters used in numerous industries, notably power generation facilities. The necessary regulatory approvals and registrations are anticipated in the second Quarter of 2005. Additionally, BioSafe will introduce a Retail version of its popular TerraCyte Moss and Algaecide product for residential use. Also scheduled for a second half introduction, the product will be offered in 13 pound, shaker top containers, designed for ease of use. Gross Margins in 2005 continue to be pressured by significant freight cost factors, as well as increased petroleum based packaging costs. No significant Operating Cost factor increases are projected in 2005.

The Company intends to substantially 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 will be between \$5 million and \$7 million. The exact amount will be based upon market acceptance of PCTS's Amelior products and the need for investment funds. PCTS currently has contracts for 10 additional installations which are scheduled to be in place during the 2nd, 3rd and 4th quarters of 2005. The new installations which should serve approximately 340,000 patients would bring the estimated number of patients to approximately 1,500,000 annually. During 2005 PCTS plans to expand its product scope to incorporate solutions for departments in addition to Emergency Room, such as Operating Room, ICU and Labor & Delivery. PCTS plans to concentrate on selling and marketing their newly acquired Passive Tracking solutions and further developing their product offerings by developing strategic partnerships with vendors that offer unique technologies and augment their core emergency department information system.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2004, Consulier's cash totaled \$117,124 as compared to \$1,002,613 at December 31, 2003, a decrease of \$885,489. Net cash provided by operations was \$483,788 in 2004, compared to net cash used in \$840,873 in 2003. Net cash provided by operations increased mainly due to a decrease in an estimated receivable for an overpayment of estimated income taxes offset by changes in undistributed income (losses) and investment income from equity

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investees.

Net cash used in investing activities was \$1,282,666 in 2004, compared to net cash provided by investing activities of \$1,563,394 in 2003. The net decrease is the result of the additional contributions made in the continued investment in ST, LLC, of \$5,180,000. The amounts were offset by distributions from investments in AVM and BioSafe of \$3,048,308.

The ability of Consulier to continue to generate cash flow in excess of its operating requirements depends in the short-term almost entirely on the performance of its limited partnership investment in AVM. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return experienced in the period the AVM limited partnership interest has been owned. 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

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redeem the partnership interest, there can be no assurance that AVM will not do so in the future. Consulier is planning to continue to invest in ST, LLC and estimates an additional investment of \$5 million to \$7 million, at which time the goal is for ST, LLC to be at the break-even point for its operations.

The Company does not trade derivative instruments. The Company is invested in AVM, which enters various transactions involving derivatives and other off-balance sheet financial instruments. These derivatives and off-balance sheet instruments are subject to varying degrees of market and credit risk.

IMPACT OF INFLATION AND CHANGING PRICES

Management does not consider the impact of inflation on Consulier's operations to be material. The operating segments of its businesses had inventories of \$76,419 as of December 31, 2004. Considering the dollar value of inventory and the gross profit margins generated by sales, moderate rates of inflation should have little, if any, effect on the business. Product development expenditures will be significantly reduced, but such expenditures should not be significantly affected by inflation.

ITEM 7. FINANCIAL STATEMENTS

See table of contents to Financial Statements on page F-1.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

CHANGES IN CERTIFYING ACCOUNTANTS

Effective June 11, 2003, the accounting firm of BDO Seidman, LLP of West Palm Beach, Florida was dismissed as Consulier's auditor. Effective June 11, 2003,

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Goldstein Lewin & Co. of Boca Raton, Florida was appointed and retained by the Company as its auditor.

On June 13, 2003, the Company filed a Form 8-K per Regulation S-K, Item 304 (a) (I) and submitted the following:

- (a) (i) the former accountant was dismissed.
- (ii) the accountant's report on the consolidated financial statements for the past two years contained no adverse opinions or disclaimers of opinions, nor was it modified as to uncertainty, audit scope, or accounting principles.
- (iii) the change of accountant was not recommended by anyone but precipitated by the Board of Directors and the Company's Audit Committee's desire to engage new accountants. The Board of Directors, Chairman of the Audit Committee and the outside Director members of the Audit Committee recommended and approved the accountant change.
- (iv) (A) during the registrant's two most recent fiscal years and the subsequent interim period through June 11, 2003, there were no disagreements, exceptions noted below, or "reportable events" with the former accountant as described in Item 304(a) (I) (iv) and (v) of Regulation S-K.

As of March 31, 2003 there was a disagreement as to the propriety of consolidating the financial statements of a subsidiary that was partially sold effective December 31, 2002. The disagreement was ultimately resolved. Reference is made to Note 1 to the consolidated financial statements included in the Company's Form 10-QSB for the quarter ended March 31, 2003 for a discussion of this matter.

(b) no added disagreements, requests or events that could effect the financial statements were made by the accountant.

ITEM 8A. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by the annual report, being December 31, 2004, we have carried out an evaluation of the effectiveness of the design and operation of our Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our Company's management including our Company's President along with our company's Chief Financial Officer. Based upon that evaluation, our Company's President along with our Company's Chief Financial Officer concluded that our Company's disclosure controls and procedures are effective. Based upon that evaluation, no change in our Company's internal controls over financial reporting has occurred during the quarter then ended, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure the information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management including our President and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

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PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS

DIRECTOR NAME	AGE	SINCE	POSITIONS AND OFFICES HELD AND PRINCIPAL EMPLOYMENT DURING THE PAST FIVE YEARS
Warren B. Mosler	55	1985	Chairman of the Board, 1985 to present. President and Chief Executive Officer, June 1985 to May 1994. Mosler reassumed the positions of President and Chief Executive Officer. Principal in AVM, L.P., a broker/dealer in arbitrage and government securities trading.
Alan R. Simon, Esq.	54	1985	General Counsel, Treasurer and Secretary since November 2001 to present, private practice of law in Palm Beach, Florida. President of Consulier International, Inc.
Burck E. Grosse	75	1992	1991 to present, President, BG Consulting Group, Inc. 1991, Senior Vice President, Lear Group, Inc. 1989 to 1991, General Motors Corporation. 1948 to 1987, General Motors Corporation. General Director, Technical Service; responsible for all technical service functions for GM Corporation.
Dr. Skender Fani	65	1999	Dr. Fani is the Chairman of the Board of Directors of Consulier International, Inc. Dr. Fani is a corporate lawyer in Austria, with expertise in sports and entertainment law. For the past several years, he has represented top sports and entertainment personalities in Europe.

No family relationships exist among the directors and officers of Consulier. Messrs. Mosler and Simon have been directors since the inception.

EXECUTIVE OFFICERS

The principal occupation of each executive officer of Consulier is set forth below. All of the executive officers are elected annually, or until their successors have been duly elected.

Warren B. Mosler, 55, is the Chairman of the Board of Directors. Mr. Mosler has served as Chairman since the inception of Consulier and as Chief Executive Officer from inception to March 1989 and from August 1989 to May 1994. In February 1999 Mr. Mosler reassumed the positions of President and Chief Executive Officer. From 1983 to the present, Mr. Mosler has been a principal in AVM, LP, a broker/dealer engaged in arbitrage and government securities trading in West Palm Beach, Florida.

Alan R. Simon, 54, is a director, and has served as the Corporation's General Counsel and its Secretary-Treasurer since November 2001. He has been in the private practice of law in Boca Raton, Florida since 1982, and has relocated his practice to Palm Beach Gardens, Florida in 2001. He is also President of Consulier International, Inc.

Clark T. Feezel has served as President and CEO of Consulier International since its inception in 2003 when it was founded as a wholly owned subsidiary of the Company. Previously, Mr. Feezel was a Regional Manager of Ferguson Enterprise, Inc. a division of Wosley, PLC for thirteen years.

IDENTIFICATION OF AUDIT COMMITTEE

The Audit Committee of the Company is currently composed of three directors (Alan R. Simon, Burck E. Grosse and Skender Fani) and operates under a written charter adopted by the Board of Directors. The Company's audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditor and any outside advisors engagement by the audit committee.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's board of directors does not have an "audit committee financial expert," within the meaning of such phrase under applicable regulations of the Securities and Exchange Commission, serving on its audit committee. The board of directors believes that all members of its audit committee are financially literate and experienced in business matters, and that one or more members of the audit committee are capable of (i) understanding generally accepted accounting principles ("GAAP") and financial statements, (ii) assessing the general application of GAAP principles in connection with our accounting for estimates, accruals and reserves, (iii) analyzing and evaluating our financial statements, (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert. However, the board of directors believes that there is not any audit committee member who has obtained these attributes through the experience specified in the SEC's definition of "audit committee financial expert." Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as "audit committee financial experts," and competition for these individuals is significant. The board believes that its current audit commi