CONSULIER ENGINEERING INC
Form 10-Q
November 14, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

o **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 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

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 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 x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

Table of Contents

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date:

As of November 5, 2008, there were 5,294,748 outstanding shares of common stock, par value $0.01 per share.

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q contains forward-looking statements within the meanings of the Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, estimate, intend, or similar expressions. The statements include, among others, statements regarding our prospects, opportunities, outlook, plans, intentions, anticipated financial and operating results, our business strategy and means to implement the strategy, and objectives.

Forward-looking statements are only estimates or predictions and are not guarantees of performance. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products and services, competition from existing and new competitors, our ability to introduce new products, expected pricing levels, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Among other things, continued unfavorable economic conditions may impact market growth trends or otherwise impact the demand for our products and services, and competition from existing and new competitors and producers of alternative products will impact our ability to penetrate or expand our presence in new or growing markets. Uncertainties relating to our ability to develop and distribute new proprietary products to respond to market needs in a timely manner may impact our ability to exploit new or growing markets**.** Our ability to successfully identify and implement productivity improvements and cost reduction initiatives may impact profitability.

In addition, unless otherwise specifically provided herein, the statements in this Report are made as of end of the period for which the Report is filed. We expect that subsequent events or developments will cause our views to change. We undertake no obligation to update any of the forward-looking statements made herein, whether as a result of new information, future events, changes in expectations or otherwise. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the end of the period for which the Report is filed.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
INDEX

	Page
PART-I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets at September 30, 2008 (Unaudited) and December 31, 2007	5
Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2008 and 2007 (Unaudited)	6
Condensed Consolidated Statement of Stockholders Equity for the nine months ended September 30, 2008 (Unaudited)	7
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007 (Unaudited)	8
Notes to the Unaudited Condensed Consolidated Financial Statements	9
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4T. Controls and Procedures	33
PART-II. OTHER INFORMATION	
Item 1. Legal Proceedings	34
Item 1A. Risk Factors	34
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3. Defaults Upon Senior Securities	36
Item 4. Submission of Matters to a Vote of Security Holders	36
Item 5. Other Information	36
Item 6. Exhibits	36
SIGNATURES	37
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	

Table of Contents

PART-I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (UNAUDITED)	December 31, 2007
ASSETS		
CURRENT ASSETS Cash and Cash Equivalents	$ 345,732	$ 333,024
Receivables	659,416	927,574
Inventories	42,572	40,987
Deferred Implementation Costs	2,167,975	2,024,785
Other Current Assets	58,507	89,663
Income Tax Receivable	94,287	
Deferred Income Taxes	357,514	291,208
Total Current Assets	3,726,003	3,707,241
PROPERTY AND EQUIPMENT, Net	1,328,091	1,473,287
CAPITALIZED SOFTWARE DEVELOPMENT COSTS	81,752	215,204
PARTNERSHIP AND LIMITED LIABILITY COMPANIES INVESTMENTS	3,143,509	3,091,930
DEFERRED INCOME TAXES	604,956	541,988
INTANGIBLE ASSET	481,411	847,339
OTHER ASSETS	30,693	30,693
Total Assets	$ 9,396,415	$ 9,907,682
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 1,520,413	$ 1,340,484
Unearned Revenue	1,116,946	822,659
Related Party Payable	229,536	773,646
Income Tax Payable		79,932
Total Current Liabilities	2,866,895	3,016,721
NOTES PAYABLE RELATED PARTY	915,541	3,405,062

COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	2,775,010	232,000
STOCKHOLDERS EQUITY:		
Common Stock $.01 Par Value:		
Authorized 25,000,000 Shares; Issued 5,485,122 Shares	54,851	54,851
Additional Paid-in Capital	4,117,221	4,117,221
Accumulated Deficit	(737,425)	(461,135)
	3,434,647	3,710,937
Less:		
Treasury Stock, Cost - 190,374 and 145,262 Shares, respectively	(589,027)	(427,891)
Notes Receivable for Common Stock	(6,651)	(29,147)
Total Stockholders Equity	2,838,969	3,253,899
Total Liabilities & Stockholders Equity	$ 9,396,415	$ 9,907,682

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

Table of Contents

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Revenue:				
Software Licensing Fees	$ 585,117	$ 503,029	$ 1,976,447	$ 1,267,982
Other Revenue	4,447	7,677	13,966	16,193
Total Revenue	589,564	510,706	1,990,413	1,284,175
Operating Costs and Expenses:				
Cost of Revenue	154,746	289,078	912,686	482,023
Payroll and Related Expense	907,099	1,032,168	3,014,569	3,124,554
Selling, General and Administrative	566,181	645,853	1,756,300	1,975,404
Professional Services	270,384	74,636	848,659	898,983
Depreciation and Amortization	269,317	227,868	836,261	731,947
Total Operating Costs and Expenses	2,167,727	2,269,603	7,368,475	7,212,911
Operating (Loss)	(1,578,163)	(1,758,897)	(5,378,062)	(5,928,736)
Other Income (Expense):				
Investment Income Related Parties	538,944	692,752	2,437,336	1,728,113
Net Undistributed Income of Equity Investees	373,707	146,075	496,496	418,910
Interest Expense	(36,523)	(84,618)	(176,431)	(267,676)
Other Income	14,365	48,839	130,750	127,985
Total Other Income (Expense)	890,493	803,048	2,888,151	2,007,332
(Loss) from Operations Before Minority Interest and Income Taxes	(687,670)	(955,849)	(2,489,911)	(3,921,404)
Minority Interest in Consolidated Subsidiary Losses	685,774	882,001	2,087,715	4,815,394
Income (Loss) from Operations Before Income Taxes	(1,896)	(73,848)	(402,196)	893,990
Benefit (Provision) for Income Taxes	(12,259)	104,862	125,906	(290,659)
Net Income (Loss)	$ (14,155)	$ 31,014	$ (276,290)	$ 603,331

Income (Loss) Per Share	Basic and Diluted:	$	0.00	$	0.01	$	(0.05)	$	0.11

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

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2008
(UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in	(Accumulated	Notes Receivable for Common	Total Stockholders
	Shares	Amount	Shares	Amount	Capital	Deficit)	Stock	Equity
Balance, December 31, 2007	5,485,122	$ 54,851	145,262	$ (427,891)	$ 4,117,221	$ (461,135)	$ (29,147)	$ 3,253,899
Net Loss						(276,290)		(276,290)
Purchase of Treasury Stock			45,112	(161,136)				(161,136)
Collection of Notes Receivable for Common Stock							22,496	22,496
Balance, September 30, 2008	5,485,122	$ 54,851	190,374	$ (589,027)	$ 4,117,221	$ (737,425)	$ (6,651)	$ 2,838,969

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

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007
Cash Flow (Used in) Operating Activities	$ (3,951,712)	$ (4,916,851)
Investing Activities:		
Acquisition of Software Upgrades	(64,471)	(133,494)
Distributions from Partnership Interest	2,697,649	1,728,113
Purchase Price Adjustment to Intangible Asset		(232,000)
Net Acquisition of Property and Equipment	(127,212)	(46,180)
Increase in Related Party Receivables		(6,557)
Net Cash Provided by Investing Activities	2,505,966	1,309,882
Financing Activities:		
Proceeds from Minority Shareholder in ST, LLC	1,225,663	4,815,394
Increase in Related Party Payables	371,431	255,411
Proceeds from Subscription Receivable	22,496	
Purchase of Treasury Stock	(161,136)	(94,367)
Repayments of Notes Payable-Related Party		(96,649)
Repayments on Line of Credit		(800,000)
Net Cash Provided by Financing Activities	1,458,454	4,079,789
Increase (Decrease) in Cash and Cash Equivalents	12,708	472,820
Cash and Cash Equivalents Beginning of Period	333,024	241,428
Cash and Cash Equivalents End of Period	$ 345,732	$ 714,248
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$	$ 16,852
Assignment of Membership Interest to Minority Shareholder	$	$ 232,000

Conversion of Note Payable-Related Party to Class A Stock	$ 3,405,062	$
Conversion of Related Party Payable to Note Payable	$ 915,541	$

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

Table of Contents

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

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

Description of Business

Consulier Engineering, Inc., and its subsidiaries (collectively called Consulier or the Company) are engaged in three primary business lines: ownership in medical software activities, distribution of Captain Cra-Z Soap and minority ownership of other business entities.

Consulier International, Inc. (a wholly owned subsidiary) markets and distributes Captain Cra-Z Soap . Consulier s income is also derived from ownership of interests (Note 4) in BioSafe Systems, LLC (BioSafe), 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, a majority-owned (51%) limited liability company, is a majority member (75%) of Patient Care Technology Systems, LLC (PCTS), which develops and licenses data-based integrated emergency room information systems marketed as Amelior ED . PCTS is also a provider of passive tracking technologies for emergency departments and operating rooms. Its software technologies track the status and location of patients and assets through wireless badges worn by people or attached to equipment in the emergency department and ancillary areas. PCTS also designs, customizes, markets, sells and distributes paper templates used for diagnostic purposes in emergency medical departments. Mosler s ownership in ST, LLC was approximately 24% as the Class A member and Consulier s ownership was approximately 51% as of September 30, 2008.

Basis of Consolidation

The accompanying condensed consolidated financial statements include Consulier and its wholly-owned subsidiary, Consulier International, Inc., and ST, LLC, with its majority- owned subsidiary, PCTS. 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% (Note 4).

Table of Contents

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

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

Interim Financial Data

The accompanying unaudited condensed 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-Q and Regulation S-X. 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 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 as of September 30, 2008, and the results of their operations and cash flows for the three and nine months ended September 30, 2008 and 2007. 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, 2008. 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, 2007.

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, software and service revenue, revenue reserves, inventory reserves, depreciation and amortization, taxes, contingencies and impairment allowances, if any. Such estimates are reviewed on an ongoing basis. Actual results could differ from these estimates and those differences may be material.

Table of Contents

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

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

Concentrations

Financial instruments, which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards (SFAS) 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. Although, ST, LLC s customers typically have been well-established hospitals or medical facilities, 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, PCTS 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 the reduction in revenues from existing customers could materially and adversely affect the Company s operating results.

PCTS currently buys all of its hardware and some major software components of its emergency room information systems from third-party and related-party vendors (Note 10). 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 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.

Table of Contents

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

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

Capitalized Software Development Costs (Continued)

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. Amortization expense on capitalized software development costs totaled $76,191 and $47,598 for the three months September 30, 2008 and 2007, respectively, and $197,923 and $126,319 for the nine months ended September 30, 2008 and 2007, respectively. Accumulated amortization totaled $1,359,140 at September 30, 2008.

The Company required third party expertise for the development of a new data-based integrated emergency room information system to enhance the functionality, reliability and flexibility of the Company s existing products, which has not achieved the criteria for capitalization. For the three months ended September 30, 2008 and 2007, research and development costs totaled $109,825 and $40,232, respectively, and $405,167 and $662,500 for the nine months ended September 30, 2008 and 2007, respectively. These expenses are included with professional services in the accompanying condensed interim consolidated statements of operations.

Partnership and Limited Liability Company Investments

The Company s interests in AVM and Biosafe constitute less than 50% of the ownership of each entity and are accordingly accounted for using the equity method. The Company owns in excess of 50% of ST, LLC, thereby requiring consolidation. The Company owns less than 7% of AVM; however, the Company has the ability to significantly influence AVM under the terms of AVM s partnership agreement and therefore accounts for the investment using the equity method of accounting. Income or loss is allocated to Consulier based on the partnership or LLC agreements of AVM, BioSafe and ST, LLC. The Company reviews its interest in each of these companies for other than temporary declines in value on a monthly basis by analyzing actual revenue, earnings capacity and estimated future undiscounted cash flows.

Table of Contents

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

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

Partnership and Limited Liability Company Investments (Continued)

Effective April 1, 2005, the operating agreement of ST, LLC was amended to reallocate membership interests in this LLC 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.

As a result of consolidating ST, LLC, a minority interest was created representing the other member. As of September 30, 2008, there was approximately $2,775,000 related to this minority interest available to offset future losses.

Effective April 1, 2006, ST, LLC s operating agreement was amended to create a Class A membership interest. The Class A members are entitled to a cumulative annual priority return of 10% on their investment, and cash available for distribution after payment of that return is distributable to all of the members in accordance with their percentage membership interests. In accordance with this amendment to the operating agreement, allocations of losses are based upon historical annual contributions. As of September 30, 2008, the Class A member had invested $22,124,494, which included an investment of $859,000 during the three months ended September 30, 2008. Unpaid cumulative priority returns on the Class A membership interest totaled approximately $2,394,500 as of September 30, 2008, and $1,492,000 as of December 31, 2007.

Consulier can require its 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 $8,570,000 since inception. As of September 30, 2008, Consulier s capital account was $0.

Stock-Based Compensation

On January 1, 2006, the Company adopted the fair value recognition provisions of Financial Accounting Standards Board (FASB) Statement No. 123(R), Share-Based Payment, (SFAS 123(R)).

Table of Contents

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

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

Stock-Based Compensation (Continued)

The Company adopted SFAS 123(R) using the modified-prospective-transition method. Under this method, compensation cost recognized includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). In addition, deferred stock compensation related to non-vested options is required to be eliminated against additional paid-in capital upon adoption of SFAS 123(R).

During the nine months ended September 30, 2008, there were no stock options granted to employees.

Revenue Recognition

The Company derives revenue from the following sources: (1) licensing and sale of data- based integrated emergency room information systems and passive tracking technologies, which include new software license and software license updates and product support revenues and (2) services, which include consulting, advanced product services and education revenues. The following generally describes the revenue accounting followed by the Company.

New software license revenues represent all fees earned from granting customers licenses to use the Company s database and tracking technology as well as applications software, and exclude revenue derived from software license updates, which is included in software license updates and product support. While the basis for software license revenue recognition is substantially governed by the provisions of Statement of Position (SOP) No. 97-2, *Software Revenue Recognition*, issued by the American Institute of Certified Public Accountants, the Company exercises judgment and uses estimates in connection with the determination of the amount of software and services revenues to be recognized in each accounting period.

Table of Contents

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

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

Revenue Recognition (Continued)

For software license arrangements that do not require significant modification or customization of the underlying software, the Company recognizes new software license revenue when: (1) the Company enters into a legally binding arrangement with a customer for the license of software; (2) the Company delivers the products; (3) a customer payment is deemed fixed or determinable and free of contingencies or significant uncertainties; and (4) collection is probable. Substantially all new software license revenues are recognized in this manner. The vast majority of software license arrangements include software license updates and product support, which are recognized ratably over the term of the arrangement, typically one year. Software license updates provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period. Product support includes internet access to technical content, as well as internet and telephone access to technical support personnel. Software license updates and product support are generally priced as a percentage of the net new software license fees. Many of PCTS s software arrangements include consulting implementation services sold separately under consulting engagement contracts. Consulting revenue from these arrangements is generally accounted for separately from new software license revenue because the arrangements qualify as service transactions as defined in SOP No. 97-2. The more significant factors considered in determining whether the revenue should be accounted for separately include the nature of services (i.e. consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments and impact of milestones or acceptance criteria on the realizability of the software license fee.

Revenue for consulting services is generally recognized as the services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenue is deferred until the uncertainty is sufficiently resolved. Contracts with fixed or not to exceed fees are recognized on a proportional performance basis.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using either the percentage-of-completion or completed-contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services.

Table of Contents

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

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

Revenue Recognition (Continued)

Advanced product services revenue is recognized over the term of the service contract, which is generally one year. Education revenue is recognized as the classes or other education offerings are delivered.

For arrangements with multiple elements, the Company allocates revenue to each element of a transaction based upon its fair value as determined by vendor specific objective evidence. Vendor specific objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately, and for software license updates and product support services, is additionally measured by the renewal rate offered to the customer.

The Company defers revenue for any undelivered elements, and recognizes revenue when the product is delivered or over the period in which the service is performed, in accordance with the revenue recognition policy for such element. If the Company cannot objectively determine the fair value of any undelivered element included in bundle software and service arrangements, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, the residual method is used to record revenue if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Sales of the Company s soap products 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.

Advertising and Marketing Costs

Advertising costs are expensed as incurred and amounted to approximately $67,000 and $39,000 for the three months ended September 30, 2008 and 2007, respectively, and $205,000 and $161,000 for the nine months ended September 30, 2008 and 2007, respectively.

Table of Contents

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

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

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

As part of the process of preparing our consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. This process involves estimating current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company s consolidated balance sheet. The Company then assesses the likelihood that the deferred tax assets will be recovered from future taxable income and to the extent it believes that recovery is not likely, it establishes a valuation allowance. To the extent the Company establishes a valuation allowance or changes this allowance in a period, it includes an expense or a benefit within the tax provision in the Company s statement of operations.

In June 2006, the Financial Accounting Standards Board published FASB Interpretation No. 48 (FIN No. 48). Accounting for Uncertainty in Income Taxes, to address the non-comparability in reporting tax assets and liabilities resulting from a lack of specific guidance in FASB Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes, on the uncertainty in income taxes recognized in an enterprise s financial statements. Specifically, FIN No. 48 prescribes (a) a consistent recognition threshold and (b) a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides related guidance on derecognition, classification, interest and penalties, accounting interim periods, disclosure and transition. FIN 48 requires companies to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. For those tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit is recognized. Where applicable, associated interest and penalties are also recorded in the accompanying consolidated financial statements as selling, general and administrative expenses.

The Company adopted the provisions of FIN 48 on January 1, 2007. Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements. Our evaluation was performed for the tax years ended December 31, 2005, 2006, and 2007, the tax years which remain subject to examination by major tax jurisdictions as of September 30, 2008.

Table of Contents

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

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

Newly Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. For all of our financial assets and liabilities that are recognized and disclosed at fair value on a recurring basis, we adopted the provisions of SFAS 157 effective January 1, 2008. The implementation of SFAS No. 157 did not have a material effect on the Company s consolidated financial statements. For all assets and liabilities that are non-financial that are recognized or disclosed at fair value in the financial statements on a non-recurring basis we plan to adopt the provisions of SFAS 157 effective January 1, 2009. This partial deferral was a result of Staff Position 157-2 Effective Date of FASB Statement No. 157 (FSP 157-2) issued on February 12, 2008, which delayed the adoption of SFAS 157 for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. We are currently evaluating the impact of SFAS 157-2 on our financial statements relative to non-financial assets and liabilities.

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159). Under SFAS No. 159, the Company may elect to report financial instruments and certain other items at fair value on a contract-by-contract basis with changes in value reported in earnings. This election is irrevocable. SFAS No. 159 provides an opportunity to mitigate volatility in reported earnings that is caused by measuring hedged assets and liabilities that were previously required to use a different accounting method than the related hedging contracts when the complex provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* (SFAS 133) applicable to hedge accounting are not met. The Company adopted SFAS No. 159 on January 1, 2008. The Company chose not to elect the fair value option for its financial assets and liabilities existing at January 1, 2008 and did not elect the fair value option on financial assets and liabilities transacted in the nine months ended September 30, 2008. Therefore, the adoption of SFAS No. 159 had no impact on the Company s interim condensed consolidated financial statements.

Table of Contents

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

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

Newly Issued Accounting Pronouncements (Continued)

In March 2008, the FASB issued SFAS 161 *Disclosures about Derivative Instruments and Hedging Activities*, an amendment of FASB Statement No. 133 (SFAS 161), which is effective for fiscal years and interim periods beginning after November 15, 2008, with earlier adoption encouraged. This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity s derivative instruments and hedging activities and their effects on the entity s financial position, financial performance, and cash flows. SFAS 161 applies to all derivative instruments within the scope of SFAS 133, as well as related hedged items, bifurcated derivatives, and non-derivative instruments that are designated and qualify as hedging instruments. We do not expect SFAS 161 to have a material impact on our consolidated financial statements and plan to adopt it effective January 1, 2009.

In December 2007, the FASB issued SFAS 141R Business Combinations (SFAS 141R), which is effective prospectively for all business combinations with acquisition dates on or after the beginning of the first fiscal year beginning after December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141R replaces SFAS 141 Business Combinations (SFAS 141), but it retains the underlying concepts of SFAS 141 in that all business combinations are required to be accounted for at fair value under the acquisition method of accounting. However, SFAS 141R changed the method of applying the acquisition method in a number of significant ways. Acquisition costs will generally be expensed as incurred; noncontrolling interest will be valued at fair value at the acquisition date; in-process research and development will be recorded at fair value at the acquisition date as an indefinite-lived intangible asset; restructuring cost associated with a business combination will generally be expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. We do not expect SFAS 141R to have a material impact on our consolidated financial statements and plan to adopt it effective January 1, 2009.

In April 2008, the FASB issued FSP No. FAS 142-3, Determination of the Useful Life of Intangible Assets. This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). The objective of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141(R), and other principles of GAAP. This FSP applies to all intangible assets, whether acquired in a business combination or otherwise, and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited.

Table of Contents

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

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

Newly Issued Accounting Pronouncements (Continued)

We have evaluated the new statement and have determined that it will not have a significant impact on the determination or reporting of our consolidated financial results.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. This statement is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. We have evaluated the new statement and have determined that it will not have a significant impact on the determination or reporting of our consolidated financial results.

In December 2007, the FASB issued SFAS 160 Non-controlling Interests in Consolidated Financial Statements (SFAS160), which amends Accounting Research Bulletin (ARB) 51, Consolidated Financial Statements (ARB 51) SFAS 160 is effective for quarterly and annual reporting periods that begin after December 15, 2008. SFAS 160 establishes accounting and reporting standards with respect to non-controlling interests (also called minority interests) in an effort to improve the relevance, comparability and transparency of financial information that a company provides with respect to its non-controlling interests. The significant requirements under SFAS 160 are the reporting of the non-controlling interests separately in the equity section of the balance sheet and the reporting of the net income or loss of the controlling and non-controlling interests separately on the face of the statement of operations. We do not expect SFAS 160 to have a material impact on our consolidated financial statements and plan to adopt it effective January 1, 2009.

Table of Contents

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

NOTE 2. DEFERRED IMPLEMENTATION COSTS

Deferred implementation costs as of September 30, 2008, totaled $2,167,975 and $2,024,785 as of December 31, 2007, represented equipment purchased for customers, payroll and payroll related expenses for customer contracts which have not met certain milestones, customer acceptance or go-live dates. Implementation costs are deferred and recognized ratably over the initial licensing term or upon reaching certain milestones, acceptance criteria or go-live dates, depending on the applicable revenue stream. Deferred implementation costs are stated at the lower of cost or market.

NOTE 3. CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company places its cash with high credit quality financial institutions. Cash held by these financial institutions in excess of FDIC limits amounted to approximately $135,000 at September 30, 2008.

The Company grants credit to customers, substantially all of which are businesses located in the United States and Canada. The Company typically does not require collateral from customers. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary in the circumstances. Approximately 46% of the Company s software licensing fees were derived from three customers for the nine months ended September 30, 2008. Customers A and B represented approximately 22% and 13%, respectively, of total software licensing fees for the nine months ended September 30, 2008. Accounts receivable from Customers A and B at September 30, 2008 represented approximately 53% of total accounts receivable at September 30, 2008.

Approximately 31% of the Company s software licensing fees were derived from two customers for the nine months ended September 30, 2007. Customers A and B represented approximately 15% and 16%, respectively, of total software licensing fees for the nine months ended September 30, 2007. Accounts receivable from Customers A and B at September 30, 2007 represented approximately 28% of total accounts receivable at September 30, 2007.

Approximately 62% of the Company s software licensing fees were derived from three customers for the three months ended September 30, 2008. Customers A and B represented approximately 27% and 25%, respectively, of total software licensing fees for the three months ended September 30, 2008. Accounts receivable from Customers A and B at September 30, 2008 represented approximately 12% of total accounts receivable at September 30, 2008.

Table of Contents

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

NOTE 4. INVESTMENTS PARTNERSHIP AND LIMITED LIABILITY COMPANY

The Company s limited partnership and limited liability company interests consist of its investments in AVM and BioSafe, respectively.

AVM, L.P.

Consulier owned an approximate 6.63% and 7.5% limited partnership interest in AVM as of September 30, 2008 and 2007, respectively. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 5.1% and 5.5% of AVM s earnings during the nine months ended September 30, 2008 and 2007, respectively. Under the partnership agreement, Consulier may withdraw from AVM upon 90 days written notice.

The following is a summary of the results of operations (unaudited) of AVM and the income allocated to the Company:

	Three Months Ended September 30, (In Thousands) (Unaudited)		Nine Months Ended September 30, (In Thousands) (Unaudited)	
	2008	2007	2008	2007
Revenues	$ 24,603	$ 26,145	$ 86,756	$ 67,666
Cost and Expenses	12,541	13,602	38,145	36,023
Net Income	$ 12,062	$ 12,543	$ 48,611	$ 31,643
Consulier s Share of Earnings	$ 539	$ 693	$ 2,438	$ 1,728

The carrying value of the Company s investment in AVM, at September 30, 2008 and December 31, 2007, was $1,552,893 and $1,997,810, respectively.

Table of Contents

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

NOTE 4. INVESTMENTS PARTNERSHIP AND LIMITED LIABILITY COMPANY (CONTINUED)

BIOSAFE SYSTEMS, LLC

Consulier owned a 40% interest in BioSafe Systems as of September 30, 2008 and 2007. The following is a summary of the results of operations of BioSafe and the income allocated to Consulier:

	Three Months Ended September 30, (In Thousands) (Unaudited)		Nine Months Ended September 30, (In Thousands) (Unaudited)	
	2008	**2007**	**2008**	**2007**
Revenues	$ 2,783	$ 2,342	$ 6,611	$ 6,391
Cost and Expenses	1,817	1,977	5,385	5,344
Net Income	$ 967	$ 365	$ 1,226	$ 1,047
Consulier s Share of Earnings	$ 374	$ 146	$ 494	$ 419

The carrying value of Consulier s investment in BioSafe at September 30, 2008 was $1,590,616 and $1,094,120 at December 31, 2007.

NOTE 5. TREASURY STOCK

During the nine months ended, September 30, 2008, the Company repurchased 45,112 shares of its common stock in the open market for $161,136, representing the market value of the Company s common shares on the date of purchase plus broker commissions.

Table of Contents

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

NOTE 6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income (loss) available to stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share are computed using the weighted average number of common and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of shares issuable upon the exercise of stock awards (calculated using the treasury stock method) warrants, convertible debt and convertible preferred stock during the period they were outstanding. Basic and diluted earnings per share for the three and nine months ended September 30, 2008 and 2007 were calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2008	2007	2008	2007
BASIC AND DILUTED EARNINGS PER SHARE COMPUTATION:				
NUMERATOR:				
Net Income (Loss)	$ (14,155)	$ 31,014	$ (276,290)	$ 603,331
DENOMINATOR:				
Common Shares				
Weighted average number of common shares outstanding	5,294,748	5,360,286	5,305,158	5,371,966
Earnings (Loss) per share weighted average shares outstanding	$ 0.00	$ 0.01	$ (0.05)	$ 0.11

As of September 30, 2008 and 2007, the Company did not have any dilutive outstanding common stock instruments to be included in its diluted earnings per share computation.

Table of Contents

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

NOTE 7. SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has four reportable segments: distribution of household and tool products, ownership of limited liability entities, medical software activities, and corporate. The household and tool products manufacturing segment is engaged in sales of the Captain Cra-Z soap product line and tool and ladder related products. The investments segment maintains investment interests in a limited partnership and a limited liability company (which are together called Limited Liability Companies in the following tables). The corporate segment is engaged in management of the business and finance activities.

Segment information as of and for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three Months Ended September 30, 2008				
	Distribution Activities	Income (Loss) Derived From Ownership of Limited Liability Companies	Corporate Activities	Medical Software Activities	Total
Revenue (b)	$ 4,447	$	$	$ 585,117	$ 589,564
Operating (Loss)	(71,209)		(162,519)	(1,344,435)	(1,578,163)
Other Income (Expense)		912,651	17,431	(39,589)	890,493
Minority Interest				685,774	685,774
Income Tax Benefit	17,434	(140,270)	29,633	80,944	(12,259)
(Provision) Net Income (Loss) (a)	(53,775)	772,381	(115,455)	(617,306)	(14,155)
Total Assets	$ 47,769	$ 3,143,509	$ 2,292,627	$ 3,912,510	$ 9,396,415

	Three Months Ended September 30, 2007				
	Distribution Activities	Income (Loss) Derived From Ownership of Limited Liability Companies	Corporate Activities	Medical Software Activities	Total
Revenue (b)	$ 7,677	$	$	$ 503,029	$ 510,706
Operating (Loss)	(56,236)		(124,561)	(1,578,100)	(1,758,897)
Other Income		838,827	52,920	(88,699)	803,048
(Expense) Minority Interest				882,001	882,001
Income Tax Benefit	19,120	(283,841)	24,358	345,225	104,862
(Provision) Net Income (Loss) (a)	(37,116)	554,986	(47,283)	(439,573)	31,014
Total Assets	$ 59,769	$ 3,129,914	$ 2,610,760	$ 4,911,006	$ 10,711,449

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

(b) There was no intersegment revenue during the period.

Table of Contents

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

NOTE 7. SEGMENT INFORMATION (CONTINUED)

	Nine Months Ended September 30, 2008				
	Distribution Activities	Income (Loss) Derived From Ownership of Limited Liability Companies	Corporate Activities	Medical Software Activities	Total
Revenue (b)	$ 13,966	$	$	$ 1,976,447	$ 1,990,413
Operating (Loss)	(77,958)		(460,700)	(4,839,404)	(5,378,062)
Other Income		2,933,832	96,214	(141,895)	2,888,151
(Expense) Minority Interest				2,087,715	2,087,715
Income Tax Benefit (Provision)	20,032	(918,425)	114,101	910,198	125,906
Net Income (Loss) (a)	(57,926)	2,015,407	(250,385)	(1,983,386)	(276,290)
Total Assets	$ 47,769	$ 3,143,509	$ 2,292,627	$ 3,912,510	$ 9,396,415

	Nine Months Ended September 30, 2007				
	Distribution Activities	Income (Loss) Derived From Ownership of Limited Liability Companies	Corporate Activities	Medical Software Activities	Total
Revenue (b)	$ 16,193	$	$	$ 1,267,982	$ 1,284,175
Operating (Loss)	(73,006)		(413,794)	(5,441,936)	(5,928,736)
Other Income		2,147,023	172,582	(312,273)	2,007,332
(Expense) Minority Interest				4,815,394	4,815,394
Income Tax Benefit	24,822	(729,988)	82,012	332,495	(290,659)
(Provision) Net Income (Loss) (a)	(48,184)	1,417,035	(159,200)	(606,320)	603,331
Total Assets	$ 59,769	$ 3,129,914	$ 2,610,760	$ 4,911,006	$ 10,711,449

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

(b) There was no intersegment

revenue during
the period.

Table of Contents

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

NOTE 8. INCOME TAXES

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Current:				
Federal	$ 36,577	$ 20,669	$ 36,577	$ 20,669
State	(33,227)	20,000	(33,227)	20,000
	3,350	40,669	3,350	40,669
Deferred:				
Federal	(37,676)	(134,515)	(162,545)	225,874
State	46,585	(11,016)	33,289	24,116
	8,909	(145,531)	(129,256)	249,990
Total income tax provision (benefit)	$ 12,259	$ (104,862)	$ (125,906)	$ 290,659

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
Federal tax expense (benefit)				
At statutory rate	$ (88,571)	$ (25,108)	$ (173,783)	$ 303,956
State income tax expense (benefit) net of federal tax effect	(24,963)	(2,680)	(90,384)	32,452
Other	125,793	(77,074)	138,261)	(45,749)
Income tax expense (benefit)	$ 12,259	$ (104,862)	$ (125,906)	$ 290,659

As of September 30, 2008, the Company had Federal and state tax loss carry-forwards totaling approximately $470,000 and $5,100,000, respectively, available to reduce future years income through 2024.

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONDENSED 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, 2008, are as follows:

Depreciation and Amortization	$ 419,841
Tax loss carry forward	185,115
Accrued Interest Note Payable, Related Party	357,514
Total Net Deferred Tax Asset	$ 962,470

Deferred tax assets and liabilities are reflected on the balance sheet as of September 30, 2008, as follows:

Net Short-Term Deferred Tax Assets	$ 357,514
Net Long-Term Deferred Tax Assets	604,956
Net Deferred Tax Assets	$ 962,470

NOTE 9: COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in lawsuits and claims in the ordinary course of business. Management does not believe the outcome of any litigation against the Company would have a material adverse effect on the Company s financial position or results of operations.

Table of Contents

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

NOTE 10. RELATED PARTY TRANSACTIONS

NOTE PAYABLE RELATED PARTY

ST, LLC had unsecured promissory notes to the majority stockholder of the company totaling $3,405,062 at March 31, 2008, the proceeds of which have been used to meet operating funding requirements. Accrued interest on this note totaled $915,541 and is included as a related party note payable on the accompanying consolidated balance sheets as of September 30, 2008. On June 1, 2008, the majority shareholder exchanged notes in the amount of $3,405,062 for Class A capital in ST, LLC. The accrued interest of $915,541 was converted to a note with the same terms as the previous notes, due on demand after 10 years, with interest accrued annually at 10%. Accrued interest on this note totaled $30,518 as of September 30, 2008, which is included in the related party payable.

OTHER RELATED PARTY TRANSACTIONS

PCTS s president is also the majority owner of a company that provides materials related to the Company s passive tracking technologies. The Company paid this vendor approximately $110,000 for the nine months ended September 30, 2008 for these materials. Amounts due this related party vendor totaled $2,617 and $77,992 as of September 30, 2008 and December 31, 2007, respectively. These amounts are included in accounts payable and accrued expenses on the accompanying condensed consolidated balance sheets.

ACCOUNTS RECEIVABLE RELATED PARTY

Included in accounts receivable on the condensed consolidated balance sheets at September 30, 2008 is $214,646 due from AVM, L.P. This amount was collected in October, 2008.

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Gross revenue, which is predominantly software licensing fees, increased approximately 16% in the quarter ended September 30, 2008, compared to the quarter ended September 30, 2007, due to the completion of implementation projects at certain hospitals.

The operating loss for the nine months ended September 30, 2008, was approximately $5,400,000 compared to an operating loss for the nine months ended September 30, 2007, of $5,900,000. This reduction in operating loss of approximately $500,000 was largely due to an increase in revenue from software licensing fees.

During the quarter ended September 30, 2008, other income increased by approximately $88,000, primarily driven by the Company s interest in BioSafe Systems, whose income was approximately 139% greater than for the same period of 2007. The results of operations from the Company s interest in AVM Ltd., was income of approximately $537,000 in the third quarter of 2008 compared to income of $693,000 for the quarter ended September 30, 2007. The reduced results were due to the reduced ownership in AVM, Ltd.

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

The Company s cash position increased $12,708 in the nine months ended September 30, 2008, compared to an increase of $472,820 during the comparable period in 2007. Net cash flow used in operations for the nine months ended September 30, 2008, was approximately $3.9 million, compared with cash used in operations of approximately $4.9 million for the nine months ended September 30, 2007. The primary reason for the approximate $1 million difference is a decrease in operating costs and the recognition of deferred revenues associated with completed implementation contracts.

Net cash provided by financing activities was approximately $1,400,000 for the nine months ended September 30, 2008, compared to cash provided by financing activities of approximately $4,100,000 for the nine months ended September 30, 2007. Net cash provided by financing activities in both periods were primarily affected from investments from the minority shareholder amounting to approximately $1,225,000 and $4,815,000 for the quarters ended September 30, 2008 and 2007, respectively. Cash provided by financing activities was offset by the conversion of notes payable to a related party Class A member of St, LLC.

Net cash provided by investing activities relates primarily to the distribution from AVM of approximately $2,500,000 for the nine months ended September 30, 2008. This compares to net cash provided by investing activities for the nine months ended September 30, 2007, of approximately $1,300,000. The distribution from AVM for the quarter ended September 30, 2007, was $692,752.

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 interest in AVM. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return from our interest in AVM for the nine months ended September 30, 2008, nor whether we will continue to be able to obtain additional funding when necessary. However, Consulier does not expect that the rate of return will decline to the point that Consulier has negative cash flow.

Consulier is planning to continue to invest in ST, LLC and estimates an additional investment of $2 million to $3 million during the next two years, at which time the goal is for ST, LLC to be at the break-even point for its operations. The Company anticipates that the cash which it will use to invest in ST, LLC will be available from the Company s interest in AVM and BioSafe.

The Company does not trade derivative instruments. However, AVM enters into 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.

Table of Contents

OUTLOOK

Based on AVM s operations over the past five years, management expects continued annualized return in 2008 on its interest in AVM; however, there is no guarantee that the annualized return in the third quarter of 2008 will be maintained throughout fiscal 2008.

Consulier International, Inc., continues to develop new retail and distribution outlets locally, nationally and internationally. However, sales of that company s primary product, Captain Cra-Z Hand and All Purpose Cleaner, have decreased for the nine months ended September 30, 2008, by 14% over the comparable 2007 period.

In the third quarter, Patient Care Technology Systems (PCTS) continued to manage implementations of its automatic tracking software, several of which are scheduled for Q4 completion. In the quarter ended September 30, 2008, PCTS completed the upgrade of its *Amelior EDTracker®* system at Albert Einstein Medical Center replacing the original infrared/RF-based locating hardware with an ultrasound indoor positioning system from business partner, Sonitor Technologies, joined the HP Developer and Solution Partner program and registered the *Amelior EDAdvisor®* brand name.

PCTS currently supports 25 completed installations of its core product line of electronic tracking and documentation solutions with over 12 implementations in progress. Including its non-core solutions, PCTS supports a total customer base of 67 implementations representing over 1.8 million annual patient encounters.

The Company s income from its interest in BioSafe was $496,496 for the nine months ended September 30, 2008, compared to income of $418,910 for the nine months ended September 30, 2007. Total revenue for the quarter ended September 30, 2008, increased by 36% compared with the previous quarter, led by the sanitation market, which increased by 178%. The Company expects continued sales growth and continued success with cost containment.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company, as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, and is accordingly not required to provide the information required by this Item.

Table of Contents

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, or the Evaluation Date, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Office and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Because of its inherent limitations, our internal control over financial reporting may not prevent material errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The continued effectiveness of our internal control over financial reporting is subject to risks, including that the controls may become inadequate because of changes in conditions or that the degree of compliance with our policies or procedures may deteriorate. Subject to the limitations, and based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2008, the disclosure controls are not effective as a result of the material weakness discussed in Item 8A, Controls and Procedures of our Annual Report on Form 10-KSB for the year ended December 31, 2007.

We are in the process of implementing changes to respond to the aforementioned material weakness on an immediate and longer term basis. We have begun remediation and expect to continue to implement further improvements throughout the next three months.

Changes in Internal Control over Financial Reporting

We are investing in ongoing efforts to continuously improve our internal control over financial reporting and have committed resources to the improvement of the design, implementation, documentation, testing and monitoring of our internal controls.

As of the date of this filing, we believe that we have made progress in the implementation of the corrective actions noted above and toward remediation of the material weakness disclosed in Item 8A, Controls and Procedures, of our Annual Report of Form 10-KSB for the fiscal year ended December 31, 2007.

Except for such corrective actions, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

The Company is a smaller reporting company, as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, and is accordingly not required to provide the information required by this Item.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In April 2007, the Company adopted a plan to repurchase up to 50,000 shares of its common stock on the open market at a price not to exceed $3.75 per share plus brokerage fees. In January 2008, the Company adopted a second plan to repurchase up to an additional 50,000 shares of its common stock on the open market at a price not to exceed $3.50 plus brokerage fees. Since April, 2007 through September 30, 2008, the Company repurchased 81,667 shares of its common stock. The following table sets forth the information on the repurchases of stock during the quarter ended September 30, 2008.

Issuer Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
Month #7 July 1-31, 2008	0	n/a	0	8,563
Month #8 August 1-31, 2008	0	n/a	0	8,563
Month #9 Sept. 1-30, 2008	0	n/a	0	8,563
Total	0		0	

Table of Contents

PART II. OTHER INFORMATION (CONTINUED)

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2 Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1 Certification of Chief Executive Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002
32.2 Certification of Chief Financial Officer Pursuant to Section 906 of Sarbanes-Oxley Act of 2002

Table of Contents

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 14, 2008

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

Date: November 14, 2008

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