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CONSULIER ENGINEERING INC  
Form 10QSB  
November 20, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

(MARK ONE)

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

For the quarterly period ended September 30, 2003

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

Commission file number 0-17756

CONSULIER ENGINEERING, INC.

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

FLORIDA

59-2556878

(State or other jurisdiction  
of incorporation or organization)

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

2391 OLD DIXIE HIGHWAY, RIVIERA BEACH, FL 33404

(Address of principal executive offices)

(561) 842-2492

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS

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

As of November 15, 2003, there were 4,935,243 outstanding shares of common  
stock, par value \$0.01 per share.

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

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=====

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Except for the historical information contained in this report, certain matters discussed in Management's Discussion and Analysis are forward looking statements which involve risks and uncertainties including, but not limited to 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 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 ST, LLC, BioSafe and AVM and the marketing of Consulier's Captain CRA-Z Soap products, manufacturing and supply risks, reliance upon distributors, regulatory risks, risks of expansion, product liability and other risks described herein.

2

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

INDEX

	Page
	----
PART-I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheet at September 30, 2003 (Unaudited)	4
Condensed Consolidated Statements of Income for the three months and nine months ended September 30, 2003 and 2002 (Unaudited)	5
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and 2002 (Unaudited)	6
Notes to the Unaudited Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis or Plan of Operation	14

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Item 3. Controls and Procedures	17
PART-II. OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 2. Changes in Securities	18
Item 3. Defaults Upon Senior Securities	18
Item 4. Submission of Matters to a Vote of Security Holders	18
Item 5. Other Information	18
Item 6. Exhibits and Reports on Form 8-K	18
SIGNATURES	20
CERTIFICATIONS	

3

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEET  
 SEPTEMBER 30, 2003  
 (UNAUDITED)

ASSETS	
CURRENT:	
Cash	\$ 1,583,886
Receivables, net	106,063
Income tax overpayment	631,686
Receivable - related party	317,399
Deferred income taxes	20,387
	-----
TOTAL CURRENT ASSETS	2,659,421
Property and equipment, net	1,078,487
Limited partnership interests	4,004,509
Notes receivable - related parties	652,648
Deferred income taxes	53,434
	-----
	\$ 8,448,499
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES:	
CURRENT:	
Accounts payable and accruals	\$ 45,936
Bonus payable	50,000
	-----

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	TOTAL CURRENT LIABILITIES	95,936
Bonds payable		335,575
		-----
	TOTAL LIABILITIES	431,511
		-----
STOCKHOLDERS' EQUITY		
Common stock \$.01 par value:		
Authorized - 25,000,000 shares; issued		
- 5,198,298 shares		
		51,983
Additional paid-in capital		3,124,253
Retained earnings		5,456,194
Treasury stock at cost - 263,055 shares		(528,161)
Accumulated other comprehensive loss		(10,741)
Notes receivable for common stock		(76,540)
		-----
	TOTAL STOCKHOLDERS' EQUITY	8,016,988
		-----
		\$ 8,448,499
		=====

See accompanying notes to the unaudited condensed consolidated financial statements.

4

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three Months Ended September 30,	
	2003	2002
	-----	-----
REVENUE:		
Net sales	\$ 100,281	\$ 11,700
	-----	-----
OPERATING COSTS AND EXPENSES:		
Cost of goods sold	22,759	653
Selling, general and administrative	208,215	13,891
	-----	-----
TOTAL OPERATING COSTS AND EXPENSES	230,974	14,544
	-----	-----
OPERATING LOSS	(130,693)	(2,844)
	-----	-----
OTHER INCOME (EXPENSE):		
Investment income	1,196,500	671,517
Interest and other income	45,937	2,587
Interest expense	(9,254)	(5,368)

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Undistributed income (loss) of equity investees	(1,728,992)	216,212
Other income	-0-	9,686
	-----	-----
TOTAL OTHER INCOME (LOSS)	(495,809)	894,634
	-----	-----
Income (loss) from continuing operations before Income taxes	(626,502)	891,790
Income tax (provision) benefit	105,619	(343,790)
	-----	-----
Income (loss) from continuing operations	(520,883)	548,000
	-----	-----
DISCONTINUED OPERATIONS:		
Income from operations of discontinued Subsidiary	-0-	34,269
Less income taxes	-0-	14,810
	-----	-----
	-0-	19,459
	-----	-----
Gain on disposal of subsidiary	-0-	-0-
Less income taxes	-0-	-0-
	-----	-----
	-0-	-0-
	-----	-----
NET INCOME (LOSS)	\$ (520,883)	\$ 567,459
	=====	=====
NET INCOME (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ (.11)	\$ .11
Discontinued operations	.00	.00
	-----	-----
	\$ (.11)	\$ .11
	=====	=====

See accompanying notes to the unaudited condensed consolidated financial statements.

5

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

(UNAUDITED)

	Nine Months Ended Sept	
	-----	
	2003	
	-----	
OPERATING ACTIVITIES:		
Net income (loss)	\$ (463,439)	\$
Adjustments to reconcile net income to net cash used in operations:		

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Gain on disposal of subsidiary	(97,564)
Depreciation	19,178
Amortization	11,655
Provision for doubtful accounts	48,101
Undistributed (income) loss of equity investee	2,861,185
Investment income - related party	(2,581,432)
Deferred income taxes	175,921
Cash provided from discontinued operations	224,214
Change in operating assets and liabilities:	
Decrease (increase) in receivables and other current assets	7,522
(Increase) in income tax overpayment	(876,907)
Decrease (increase) in inventories	30,512
Increase (decrease) in accounts payable and accruals	12,514
(Decrease) in income tax payable	(26,312)
	-----
NET CASH USED IN OPERATIONS	(654,852)
INVESTING ACTIVITIES:	
Distributions from partnerships	2,430,885
Contributions to partnership interest	(2,827,000)
Purchase of fixed assets	(13,519)
Net proceeds (payments) from/to related parties	2,386,069
	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,976,435
	-----
INCREASE IN CASH	1,321,583
CASH, BEGINNING OF PERIOD	262,303
	-----
CASH, END OF PERIOD	\$ 1,583,886
	=====

See accompanying notes to the unaudited condensed consolidated financial statements.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AS OF SEPTEMBER 30, 2003

NOTE 1. BASIS OF PRESENTATION

Interim Financial Data

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with

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instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, management believes the accompanying unaudited condensed interim consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of September 30, 2003 and the results of their operations for the three and nine months ended September 30, 2003 and 2002 and cash flows for the nine months ended September 30, 2003 and 2002. The results of operations and cash flows for the periods are not necessarily indicative of the results of operations or cash flows that can be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2002.

### Reclassifications

In order to maintain consistency and comparability between periods presented, certain amounts have been reclassified from the previously reported condensed consolidated financial statements in order to conform to the financial statement presentation of the current period.

### Basis of Consolidation

The condensed consolidated financial statements include CONSULIER ENGINEERING, INC. (the "Company" or "Consulier"), and its wholly-owned subsidiaries, CONSULIER INTERNATIONAL, INC., ("CII") and C-6 PRODUCTS, INC., ("C-6"), as well as SOUTHEAST AUTOMOTIVE ACQUISITION CORP. ("Southeast") (Note 2). All intercompany balances and transactions between the Company and its wholly-owned subsidiaries have been eliminated.

### Use of Estimates

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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Income Taxes

The income tax provision differs from the expected Federal statutory rates due primarily to the reversal of deferred tax assets related to the divestiture of Southeast (Note 2).

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AS OF SEPTEMBER 30, 2003

#### NOTE 2. DISCONTINUED OPERATIONS

As of December 31, 2002, the Company sold 70% of the common stock of its wholly-owned subsidiary, Southeast, to executive officers of Southeast, in exchange for 45,000 shares of the Company's common stock, and a promissory note (the "Note") of approximately \$1,600,000 payable to the Company by Southeast for its pre-existing debt to the Company, collateralized by Southeast's assets, the

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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 bears interest at 6% and is payable in monthly installments of principal and interest of approximately \$9,600 beginning February 20, 2003.

On June 29, 2003, the Company transferred its remaining 30% ownership of the common stock of Southeast to the former executive officers of Southeast in consideration of their agreement to change the method of calculating the purchase price of the 70% of common stock of Southeast and their agreement to amend the note to reflect an original principal balance of \$1,764,581 with a term of 40 years from June 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 majority stockholder of Consulier, together with its security interest for the consideration of \$1,762,575, the then current unpaid principal balance and accrued interest due on the note.

As the note was sold and assigned from the Company, the Company is no longer considered to be the primary beneficiary. As such, Southeast is considered to be divested as of the assignment date, June 30, 2003, and as a result the Company recorded the operations and disposal of Southeast as discontinued operations.

Following is summarized unaudited financial information for the discontinued operations during the three and nine months ended September 30, 2003 and 2002:

	2003		2002	
	Three Months Ended September 30	Nine Months Ended September 30	Three Months Ended September 30	Nine Months Ended September 30
Net Sales - Southeast Automotive	\$ -0- =====	\$ 1,021,644 =====	\$ 698,999 =====	\$ 2,000,000 =====
Income From Discontinued Operations Before Income Taxes	\$ -0-	\$ 15,420	\$ 34,269	\$ 34,269
Income Tax Provision	(-0-) -----	(4,905) -----	(14,810) -----	(14,810) -----
Net Income From Discontinued Operations	\$ -0- =====	\$ 10,515 =====	\$ 19,459 =====	\$ 19,459 =====
Net Income Per Share - Basic and Diluted	\$ .00 =====	\$ .00 =====	\$ .00 =====	\$ .00 =====



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The Company's interests consist of Consulier's investments in AVM, L.P., BioSafe Systems, LLC and Systems Technologies, LLC, which are accounted for using the equity method.

### AVM, L.P.

Consulier owns approximately 8.5% of AVM's capital as of September 30, 2003. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 8.5% of AVM's earnings during the three-month and nine-month periods ended September 30, 2003 and 2002. Under the partnership agreement, Consulier may withdraw all or any portion of its capital account upon 30 days written notice. AVM's general partner may also expel Consulier from the partnership through payment of the balance of Consulier's capital account. Following is a summary of the results of operations of AVM and the income allocated to the Company:

	Three Months Ended September 30, (in thousands)		Nine Months Ended September 30, (in thousands)	
	----- (Unaudited)		----- (Unaudited)	
	2003	2002	2003	2002
	-----	-----	-----	-----
Revenue	\$29,680	\$21,096	\$66,677	\$47,3
Costs and expenses	15,590	12,970	36,367	31,8
	-----	-----	-----	-----
Net income	\$14,090	\$ 8,126	\$30,310	\$15,5
	=====	=====	=====	=====
Consulier's share of earnings	\$ 1,197	\$ 672	\$ 2,581	\$ 1,3
	=====	=====	=====	=====

### BIOSAFE SYSTEMS, LLC

The Company owns a 40% interest in BioSafe Systems, LLC. Bio Safe Systems, LLC's total assets (unaudited) at September 30, 2003 were approximately \$1,948,147. Following is a summary of the results of operations of BioSafe Systems, LLC and the income allocated to the Company:

	Three Months Ended September 30, (in thousands)		Nine Months Ended September 30, (in thousands)	
	----- (Unaudited)		----- (Unaudited)	
	2003	2002	2003	2002
	-----	-----	-----	-----
Revenue	\$2,064	\$1,643	\$4,508	\$3,703
Costs and expenses	1,568	1,109	3,916	2,870
	-----	-----	-----	-----

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Net income	\$ 496 =====	\$ 534 =====	\$ 592 =====	\$ 833 =====
Consulier's share of earnings	\$ 198 =====	\$ 216 =====	\$ 240 =====	\$ 335 =====

9

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
 STATEMENTS AS OF SEPTEMBER 30, 2003

NOTE 3. PARTNERSHIP AND LLC INTERESTS (CONTINUED)

SYSTEMS TECHNOLOGIES, LLC

During August 2002 the Company purchased a 14.25% interest in Systems Technologies, LLC, a Nevada limited liability company (ST, LLC). During the nine months ended September 30, 2003, the Company made additional contributions of \$2,827,000 to increase its investment in ST, LLC. As of September 30, 2003, the Company's interest in ST, LLC totaled 41%. ST, LLC is a member of Patient Care Technology Systems, LLC, a California limited liability company (PCTS). ST, LLC's primary asset is its approximate 75% (at September 30, 2003) investment in PCTS. The original agreement provides that the losses from ST, LLC are 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 41%. The Company's principal shareholder owns approximately 44% of ST, LLC, and together with the Company's 41%, the ownership aggregates 85%. The Company can require the Company's principal shareholder to purchase its interest in ST, LLC for cash equal to the Company's capital account balance in ST, LLC at any time with 60 days written notice. Management has evaluated ST, LLC's 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 ST, LLC and the losses allocated to the Company:

	Three Months Ended September 30, (in thousands)		Nine Months Ended September 30, (in thousands)	
	(Unaudited)		(Unaudited)	
	2003	2002	2003	2002
	-----	-----	-----	-----
Revenue	\$ 94	\$ N/A	\$ 277	\$ N/A
Costs and expenses	2,021	N/A	3,378	N/A
	-----	-----	-----	-----
Net loss	\$ (1,927)	N/A	\$ (3,101)	N/A
	=====	=====	=====	=====
Consulier's share of loss	\$ (1,927)	N/A	\$ (3,101)	N/A

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
 STATEMENTS AS OF SEPTEMBER 30, 2003

NOTE 4. EARNINGS PER SHARE

Basic and diluted earnings per share for the three and nine months ended September 30, 2003 and 2002 were as follows:

	Three Months Ended September 30,	
	2003	2002
	-----	-----
BASIC EARNINGS PER SHARE COMPUTATION:		
NUMERATOR:		
Income (loss) from continuing operations	\$ (520,883)	\$ 548,000
Discontinued operations, net of income taxes	-0-	19,459
	-----	-----
Net Income (Loss)	\$ (520,883)	\$ 567,459
	=====	=====
DENOMINATOR:		
Average number of common shares outstanding	4,935,243	4,951,150
	=====	=====
DILUTED EARNINGS PER SHARE COMPUTATION:		
NUMERATOR:		
Income (Loss) from continuing operations	\$ (520,883)	\$ 548,000
Discontinued operations, net of income taxes	-0-	19,459
	-----	-----
Net Income (Loss)	\$ (520,883)	\$ 567,459
	=====	=====
DENOMINATOR:		
Average number of common shares outstanding	4,935,243	4,951,150
Incremental shares for assumed exercise of securities	18,584	11,124

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Total shares	4,953,827	4,962,274
	=====	=====

11

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
 NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
 STATEMENTS AS OF SEPTEMBER 30, 2003

NOTE 5. SEGMENT INFORMATION

The Company's continuing operations are currently comprised of three segments; manufacturing, investing and corporate activities. These operating units are managed from the Company's Riviera Beach facility. As discussed in Note 2, Discontinued Operations, the Company sold its automotive part distribution as of June 30, 2003.

Detailed below are the results of operations by segment and the discontinued operations for the three and nine months ended September 30, 2003 and 2002.

Three Months Ended September 30, 2003

	Manufacturing Activities -----	Investing Activities -----	Corporate Activities -----	Disconti Operati -----
Revenue	\$ 100,281	\$ -0-	\$ -0-	\$
Operating Income (Loss)	30,331		(161,024)	
Other Income (Loss)	--	(486,555)	(9,254)	
Income (Loss) From Continuing Operations	24,869	(305,939)	(239,813)	
Income (Loss) From Discontinued Operations				
Assets	\$ 1,184,550	\$ 6,241,043	\$ 1,022,906	

Three Months Ended September 30, 2002

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	Manufacturing Activities -----	Investing Activities -----	Corporate Activities -----	Disconti Operati -----
Revenue	\$ 11,700	\$ -0-	\$ -0-	\$ -
Operating Income (Loss)	(30,188)		27,344	
Other Income (Loss)		900,002	(5,368)	
Income (Loss) From Continuing Operations	(18,550)	553,046	13,504	
Income (Loss) From Discontinued Operations				19,4
Assets	\$ 1,213,964	\$ 8,252,505	\$ 177,603	

12

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS AS OF SEPTEMBER 30, 2003

NOTE 5. SEGMENT INFORMATION (CONTINUED)

Nine Months Ended September 30, 2003

	Manufacturing Activities -----	Investing Activities -----	Corporate Activities -----	Disconti Operati -----
Revenue	\$ 149,114	\$ -0-	\$ -0-	\$ -
Operating Income (Loss)	(25,960)		(366,225)	
Other Income (Loss)		(239,313)		
Income (Loss) From Continuing Operations	(25,960)	(125,893)	(419,665)	
Income (Loss) From Discontinued Operations				108,0
Assets	\$ 1,184,550	\$ 6,241,043	\$ 1,022,906	

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Nine Months Ended September 30, 2002

	Manufacturing Activities -----	Investing Activities -----	Corporate Activities -----	Disconti Operati -----
Revenue	\$ 33,636	\$ -0-	\$ -0-	\$ -
Operating Income (Loss)	(67,772)		(143,701)	
Other Income (Loss)		1,711,116		
Income (Loss) From Continuing Operations	(67,772)	1,146,796	(143,701)	
Income (Loss) From Discontinued Operations				109,8
Assets	\$ 1,213,964	\$ 8,252,505	\$ 177,603	

13

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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

##### RESULTS OF OPERATIONS

THE FOLLOWING COMPARES THE RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 TO THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2002:

During the quarter ended September 30, 2003, sales increased \$88,581 from the comparable amounts recorded during the quarter ended September 30, 2002. Operating loss from continuing operations for the third quarter of 2003 was \$130,693, or \$.03 per share, compared to a loss of \$2,844, or \$.00 per share, for the third quarter of 2002 from continuing operations.

During the nine months ended September 30, 2003, sales increased \$115,478 from the comparable amounts recorded during the quarter ended September 30, 2002. Operating loss from continuing operations for the nine months ended September 30, 2003 was \$392,185, or \$.08 per share, compared to a loss of \$211,473, or \$.04 per share, for the nine months ended September 30, 2002 from continuing operations.

Increase in operating expenses was due to the an increase in sales and marketing effort of bringing the new soap formula to market.

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Investment income from AVM Limited, Inc. increased by approximately \$525,000. However, the allocated loss from equity investees increased by more than \$1,945,000. That coupled with the increase in selling general administrative expenses resulted in the loss from continuing operations.

AUTOMOTIVE PARTS DISTRIBUTION - Because of the assignment of the note on the disposition of the Southeast Automotive Parts Distribution subsidiary, all financial information is disclosed as discontinued operations. A \$97,564 gain on the disposal of subsidiary (net of income tax) was recorded in the second quarter of 2003.

HOUSEHOLD AND TOOL PRODUCTS - C-6 incurred a net loss of \$10,021 in the three months ended September 30, 2003 consisting mostly of storage costs, compared to a net loss of \$12,000 in the three months of 2002.

C-6 had net income of \$2,700 for the nine months ended September 30, 2003 compared to a net loss of \$18,575 for the nine months ended September 30, 2002.

14

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### RESULTS OF OPERATIONS (CONTINUED)

INVESTMENT IN AVM - Investment income from Consulier's AVM limited partnership interest was \$1,196,500 in the third quarter of 2003, a 78% increase from the comparable 2002 quarter's income of \$671,517. This represents annualized returns of 258% and 33%, respectively, on Consulier's average investment during each quarter.

Investment income from Consulier's AVM limited partnership interest was \$2,581,432 for the nine months ended September 30, 2003, a 95% increase from the comparable 2002 income of \$1,323,722 for the nine months ended September 30, 2002. This represents annualized returns of 186% and 95%, respectively, on Consulier's average investment during each nine months.

INVESTMENT IN BIOSAFE - Equity in the income of BioSafe was \$198,270 in the third quarter of 2003, compared to 2002 quarter's income of \$216,212. This represents the Company's 40% interest in BioSafe's net income of approximately \$496,000 in the third quarter of 2003, compared to income of \$534,000 in the third quarter of 2002.

Equity in the income of BioSafe was \$240,649 for the nine months ended September 30, 2003, compared to the nine months ended September 30, 2002 income of \$335,634.

INVESTMENT IN ST, LLC - Equity in the loss of ST, LLC was \$1,927,262 in the third quarter of 2003. The company did not own an interest in ST, LLC in the third quarter of 2002.

15

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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### LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, Consulier's cash totaled \$1,583,886 as compared to \$262,303 at December 31, 2002. Net cash provided by operations was \$411,107 for the three months ended September 30, 2003 compared to \$176,488 of net cash used in the three months ended September 30, 2002. Net cash used by investing activities was primarily due to additional investment in ST, LLC of \$1,242,000 offset by the distribution of \$1,196,500 from AVM during the three months ended September 30, 2003.

Net cash used by operations was \$654,852 for the nine months ended September 30, 2003 compared to \$1,123,188 used in the nine months ended September 30, 2002. Net cash provided by investing activities for the nine months ended September 30, 2003 was primarily the distribution of \$2,430,885 from AVM, and the sale of the discontinued operations in the amount of \$1,762,575, offset by additional investment in ST, LLC of \$2,827,000.

The ability of Consulier to continue to generate cash flow in excess of its normal operating requirements depends almost entirely on the performance of its limited partnership investment in AVM. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return experienced in the period that 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 redeem the partnership interest, there can be no assurance that AVM will not do so in the future.

The Company has a \$2,000,000 line of credit from a bank available, which has not been used. It is anticipated that the cash requirements for ST, LLC will reduce in the future as the sales increase within that limited liability company.

### FUTURE OUTLOOK

Based on AVM's recent operations and operating results over the past five years, management expects continued annualized returns in 2003 on Consulier's limited partnership investments. However, there is no guarantee that the annualized return of 258% in the third quarter of 2003 will be maintained.

The Company has developed a new formula for its Captain Cra-z Hand and All Purpose Soap and is expecting its first delivery of soap based on this formula from its new domestic manufacturer in the fourth quarter of 2003. Design changes to packaging to better serve the industrial as well as retail markets will be implemented and launched with the new formula.

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

The Company has formed a new wholly owned subsidiary, Consulier International, Inc. to market its Captain Cra-z Hand and All Purpose Soap, as well as its future products and to develop new retail and distribution outlets nationally and internationally. Specifics of Consulier International Inc.'s marketing plan have not been finalized. Clark T. Feezell, formerly Regional Manager for Ferguson Enterprise, Inc., a division of Wosleley, PLC (NYSE:WOS) will head Consulier International, Inc. which will start operations during the fourth quarter of 2003.

The Company intends to substantially increase its investment in ST, LLC over the



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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.

### ITEM 3. CONTROLS AND PROCEDURES

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

17

## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### PART II. OTHER INFORMATION

#### ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2003, 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. Although the outcome of any litigation cannot be guaranteed with certainty and the Company maintains insurance coverage for this type of claim, there is a good likelihood that the Company will succeed in its defense of this claim.

#### ITEM 2. CHANGES IN SECURITIES

During the third quarter of 2003, there were no changes in the instruments defining the rights of the holders of any class of registered securities, nor were the rights evidenced by any class of registered securities limited or qualified by the issuance or modification of any other class of securities.

#### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

During the third quarter of 2003, there have been no material defaults in the payment of principal, interest, or any other material default with respect to any indebtedness, nor has there been any arrearage in the payment of dividends of any class of stock.

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

During the third quarter of 2003, the Company did not submit any matters to a vote of security holders.

#### ITEM 5. OTHER INFORMATION

The Company has no other information to report, which might otherwise be reported under Form 8-K.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

None

- (b) CURRENT REPORTS ON FORM 8-K None

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

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

18

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION (CONTINUED)

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

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

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

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

19

SIGNATURE

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 19, 2003

By: /s/ Alan R Simon

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ALAN R. SIMON, ESQ.  
Secretary and Treasurer (Principal  
Financial and Accounting Officer)

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Date: November 19, 2003

By: /s/ Warren B. Mosler

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WARREN B. MOSLER  
Chairman of the Board, President  
& Chief Executive Officer (Principal  
Executive Officer)

20