

Edgar Filing: CONSULIER ENGINEERING INC - Form 10QSB

CONSULIER ENGINEERING INC  
Form 10QSB  
November 19, 2001

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

FORM 10-QSB

(MARK ONE)

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

For the quarterly period ended September 30, 2001

TRANSITION REPORT PURSUANT 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 incorporation or  
jurisdiction of 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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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 September 30, 2001, there were 4,951,150 outstanding  
shares of common stock, par value \$0.01 per share.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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INDEX

	Page
	----
PART-I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets at September 30, 2001 (Unaudited) and December 31, 2000.....	3
Consolidated Statements of Income for the three and nine month periods ended September 30, 2001 and 2000 (Unaudited).....	4
Consolidated Statements of Cash Flows for the nine months ended September 30, 2001 and 2000 (Unaudited).....	5
Notes to Consolidated Financial Statements.....	6
Item 2. Management's Discussion and Analysis or Plan of Operation.....	9
PART-II. OTHER INFORMATION	
Item 1. Legal Proceedings.....	13
Item 2. Changes in Securities.....	13
Item 3. Defaults upon Senior Securities.....	13
Item 4. Submission of Matters to a Vote of Security Holders.....	14
Item 5. Other Information.....	14
Item 6. Exhibits and Reports on Form 8-K.....	14
SIGNATURES.....	15

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

September 30,  
2001  
-----  
(Unaudited)

December 31,  
2000  
-----

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ASSETS

Current:

Cash	\$ 133,712	\$ 418,634
Due from principal shareholder	856,140	--
Receivables, net	622,353	1,213,967
Receivables - related parties	497,125	460,923
Inventories (Note 2)	1,341,223	1,167,793
Other current assets	8,194	15,226

TOTAL CURRENT ASSETS	\$ 3,458,747	\$ 3,276,543
----------------------	--------------	--------------

Property and equipment, net	\$ 1,381,653	\$ 1,438,185
Limited partnership interests	2,626,239	2,507,443
Notes receivable - related parties	990,155	990,155
Deferred income taxes	169,000	403,648

TOTAL ASSETS	\$ 8,625,794	\$ 8,615,974
--------------	--------------	--------------

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Current:

Accounts payable and accruals	\$ 402,843	\$ 1,002,537
Income taxes payable	626,000	--
Notes payable - banks	--	1,047,681

TOTAL CURRENT LIABILITIES	\$ 1,028,843	\$ 2,050,218
---------------------------	--------------	--------------

Bonds payable	304,495	792,840
---------------	---------	---------

TOTAL LIABILITIES	\$ 1,333,338	\$ 2,843,058
-------------------	--------------	--------------

STOCKHOLDERS' EQUITY:

Common stock of \$.01 par value:

Authorized --- 25,000,000 shares;

Issued --- 5,198,298 shares

Additional paid-in capital	\$ 3,110,700	\$ 3,110,700
Retained earnings	4,710,071	3,190,636

	\$ 7,872,754	\$ 6,353,319
--	--------------	--------------

Less: Treasury stock at cost - 247,148 shares	(468,363)	(468,363)
---	-----------	-----------

Other comprehensive loss	(35,395)	(35,500)
--------------------------	----------	----------

Notes receivable for common stock	(76,540)	(76,540)
-----------------------------------	----------	----------

TOTAL STOCKHOLDERS' EQUITY	\$ 7,292,456	\$ 5,772,916
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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 8,625,794	\$ 8,615,974
--	--------------	--------------

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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	Three Months Ended September 30,		Nine S
	2001	2000	2001
	(Unaudited)		
<b>REVENUES:</b>			
Net sales	\$ 737,597	\$ 708,672	\$ 2,500,9
<b>OPERATING COSTS AND EXPENSES:</b>			
Cost of goods sold	\$ 453,137	\$ 409,147	\$ 1,510,1
Selling, general and administrative	429,259	412,812	1,437,5
Provision for inventory losses	--	--	
Loss on impaired assets	--	--	
<b>TOTAL OPERATING COSTS AND EXPENSES</b>	<b>\$ 882,396</b>	<b>\$ 821,959</b>	<b>\$ 2,947,6</b>
Operating loss	\$ (144,799)	\$ (113,287)	\$ (446,7
<b>OTHER INCOME (EXPENSE):</b>			
Investment income - related parties	\$ 520,626	\$ 196,777	\$ 854,2
Interest income - related parties	23,935	71,642	94,2
Interest expense	(6,433)	(78,794)	(75,4
Casualty loss	--	--	
Insurance recovery	--	--	1,750,0
Undistributed income of equity investee	134,307	--	117,2
Other income	36,122	1,760	86,1
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>\$ 708,557</b>	<b>\$ 191,385</b>	<b>\$ 2,826,4</b>
Income (loss) before income taxes	\$ 563,758	\$ 78,098	\$ 2,379,6
Income tax provision (benefit)	233,225	29,232	860,2
<b>NET INCOME (LOSS)</b>	<b>\$ 330,533</b>	<b>\$ 48,866</b>	<b>\$ 1,519,4</b>
Basic and diluted earnings (loss) per share (Note 4)	\$ 0.07	\$ 0.01	\$ 0.

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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	Nine Months Ended	
	September 30, 2001	September 30, 2000
	----- Unaudited -----	
OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,519,435	\$ (433,120)
Adjustments to reconcile net income (loss) to net cash used in operations:		
Depreciation	80,203	87,061
Amortization	11,655	56,065
Provision for doubtful accounts	13,651	--
Undistributed income of equity investee	(117,249)	--
Investment income - related party	(854,294)	(908,985)
Casualty loss	--	537,826
Provision for inventory losses	--	266,255
Impairment loss	--	472,727
Deferred income taxes	234,648	(259,959)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	576,521	(230,136)
Decrease (increase) in inventories	(173,430)	(148,347)
Decrease (increase) in other current assets	7,032	--
(Decrease) increase in accounts payable and accruals	(615,078)	(99,148)
Increase in income taxes payable	626,000	--
	-----	-----
NET CASH PROVIDED BY (USED) IN OPERATIONS	\$ 1,309,094	(\$ 659,761)
INVESTING ACTIVITIES:		
Property and equipment additions, net of dispositions	(23,672)	(63,422)
Distributions from partnership interest	854,294	871,285
Increase in related party loans, net	(20,817)	--
Increase in due from principal shareholder	(856,140)	--
	-----	-----
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(\$ 46,335)	\$ 807,863
FINANCING ACTIVITIES:		
Net repayments of bank and other loans	(1,047,681)	(89,894)
Payments on bonds payable	(500,000)	--
Repayments, borrowings of related parties	--	(3,879)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	\$ (1,547,681)	\$ (93,773)
	-----	-----
(DECREASE) INCREASE IN CASH	(284,922)	54,329
CASH, BEGINNING OF PERIOD	\$ 418,634	\$ 80,097
	-----	-----
CASH, END OF PERIOD	\$ 133,712	\$ 134,426
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included. Operating results for the three months and nine months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000.

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

The consolidated financial statements include CONSULIER ENGINEERING, INC. (the "Company" or "Consulier") and its wholly-owned subsidiaries, SOUTHEAST AUTOMOTIVE ACQUISITION CORPORATION ("Southeast"), CONSULIER BUSINESS SERVICES, INC., ("CBSI") and C-6 PRODUCTS, INC ("C-6"). All intercompany balances and transactions have been eliminated.

#### NOTE 2. INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market. Major classes of inventory are summarized as follows:

	September 30, 2001	December 31, 2000
	-----	-----
Finished goods	\$ 1,445,833	\$ 1,231,585
Raw materials	19,301	3,869
Soap	6,089	62,339
Obsolescence reserve	(130,000)	(130,000)
	-----	-----
TOTAL	\$ 1,341,223	\$ 1,167,793
	=====	=====

## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 3. LIMITED PARTNERSHIP INTERESTS

The limited partnership interests consist of Consulier's investment in AVM, L.P. ("AVM") and a 40% interest in BioSafe Systems, LLC ("BioSafe"). BioSafe's total

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assets (unaudited) at September 30, 2001 and December 31, 2000, were approximately \$1,122,200 and \$783,000, respectively. The BioSafe investment is recorded at \$544,552 at September 30, 2001 and \$427,303 at December 31, 2000. Equity in income for the first nine months of 2001 was \$117,249. These investments are accounted for under the equity method.

Following is a summary of the operations of AVM (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenue	\$13,500	\$ 6,970	\$29,020	\$23,581
Costs and expenses	6,903	4,472	18,256	12,469
	\$ 6,597	\$ 2,498	\$10,764	\$11,112
Net income				
Consulier's share of earnings	\$ 521	\$ 197	\$ 854	\$ 909

Consulier owned approximately 10% of AVM's capital as of September 30, 2001 and 2000. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 8% of AVM's earnings at September 30, 2001 and 2000, respectively.

7

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 4. EARNINGS (LOSS) PER SHARE

	Three Months Ended September 30,		Nine Mo Sept
	2001	2000	2001
Numerator:			
Net income (loss),			
Numerator for basic and diluted earnings (loss) per share	\$ 330,533	\$ 48,866	\$ 1,519,435
Denominator:			
Denominator for basic earnings (loss)			

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per share, weighted - average shares	4,951,150	4,951,150	4,951,150
Effect of dilutive securities:			
Stock options	--	--	--
Warrants	12,342	--	10,691
	-----	-----	-----
Dilutive potential common shares	12,342	0	10,691
Denominator for diluted earnings (loss) per share, adjusted weighted - average shares	4,963,492	4,951,150	4,961,841
	-----	-----	-----
Basic earnings (loss) per share	0.07	0.01	0.31
	-----	-----	-----
Diluted earnings (loss) per share	0.07	0.01	0.31
	=====	=====	=====

During the month of April 2001, all remaining stock options expired unexercised.

Options to purchase 61,232 shares of the Company's common stock were exercised in the second quarter of 2000. In lieu of cash, the option holders issued notes payable to the Company, totaling \$76,540, for a term of up to five years with interest at 8% for the exercise of the options. The Company is holding the stock certificates as collateral.

8

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

##### NOTE 5. - INVENTORY AND IMPAIRED ASSET LOSSES

During June 2000, management determined that the remaining inventory of C-6's product line (Tool Topper, Laddertop, and Workstation), should be written down by \$266,255. Additionally, the tooling for the product had suffered an impairment loss of \$472,727. Both losses are recorded in the accompanying Consolidated Statement of Operations for the nine months ended September 30, 2000.

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

###### RESULTS OF OPERATIONS

THE FOLLOWING COMPARES THE RESULTS OF OPERATIONS FOR THE FIRST NINE MONTHS ENDED SEPTEMBER 30, 2001 TO THE FIRST NINE MONTHS ENDED SEPTEMBER 30, 2000:

During the nine months ended September 30, 2001, sales and cost of goods sold increased \$110,410 and \$142,071, respectively, from the comparable amounts recorded during the nine months ended September 30, 2000. Gross profit for the nine months ended September 30, 2001, decreased \$31,661 compared to the nine months ended September 30, 2000.

During the nine months ended September 30, 2001, selling, general and administrative expenses increased \$41,530 over the comparable nine months ended September 30, 2000. The operating loss for the nine months ended September 30,



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2001 and 2000 was \$446,746 and \$1,112,537 respectively. Other income and expense increased \$2,406,948 in the first nine months of 2001 primarily due to an insurance recovery of \$1,750,000 related to damage caused by Hurricane Irene in 1999.

THE FOLLOWING COMPARES THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000:

During the quarter ended September 30, 2001, sales and cost of goods sold increased \$28,925 and \$43,990, respectively, from the comparable amounts recorded during the quarter ended September 30, 2000. Gross profit for the three months ended September 30, 2001 decreased \$15,065, compared to the three months ended September 30, 2000. Net income for the third quarter of 2001 was \$330,533, or \$0.07 per share, compared to \$48,866, or \$0.01 per share, in the third quarter of 2000. The increase in net income is related primarily to an increase of \$323,849 in investment income from related parties.

9

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2001, Consulier's cash totaled \$133,712 as compared to \$418,634 at December 31, 2000. During the nine months, Consulier's cash decreased \$284,922. Net cash provided by operations increased to \$1,309,094 in the first nine months of 2001 compared to cash used in operations of \$659,761 in the first nine months of 2000. The change from cash used in operations to cash provided by operations is due primarily to receipt of a recovery from insurance claim of \$1,750,000 and collections on accounts receivable. Net cash provided by investing activities decreased from \$807,863 in the first nine months of 2000 to cash used of \$46,335 in the first three quarters of 2001, resulting primarily from an increase of \$856,140 in due from principal stockholder.

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.

10

### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### FUTURE OUTLOOK

Based on AVM's current operations and operating results over the past five years, management expects continued positive annualized returns in 2001 on its limited partnership investment. However, there is no guarantee that the returns of the past can be maintained.

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Consulier's automotive parts wholesale distribution business experienced a slight increase in sales in the nine months ended September 30, 2001. Due to the reorganization of the sales departments and training of salespeople, strengthening of existing product lines, and increased marketing and promotion, Southeast expects increased sales of its auto parts, Southeast tools, and plastic component parts for the remainder of 2001.

Consulier received its initial shipment of the newly packaged Captain CRA-Z Hand and All Purpose Soap in October 2000. This consisted of 50 tons of soap made with the new formula developed by Consulier. The soap was tested with success in November and December before becoming available for sale on a larger scale in January 2001. Consulier's supplier is currently processing a new order of Captain CRA-Z Soap with a cost of approximately \$150,000. This inventory is needed to facilitate the anticipated sales volume increase from our strategic alliances with Veridien Corp. ("Veridien") of St. Petersburg, Florida and Norpak Manufacturing Inc. ("Norpak") of Toronto, Canada.

Veridien and Norpak are working with Consulier to launch the Captain CRA-Z Soap product to National and Regional retailers and major distributors.

On October 31, 1997, Consulier purchased a 40% equity interest in BioSafe Systems, LLC, a Connecticut limited liability company ("BioSafe"). BioSafe develops and markets environmentally safe products, alternatives to traditionally toxic pesticides.

BioSafe has developed a well-established national distribution network, serving the greenhouse and nursery marketplace. In addition, BioSafe has established distribution in Central and South America. Product registrations have been secured in Costa Rica, Colombia and Ecuador.

BioSafe is expected to continue to grow at a slow and steady pace. In the first nine months of 2001, BioSafe had a net income of \$293,122 of which Consulier recorded \$117,249 as undistributed income of equity investee.

### 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 that are not historical facts. It should be noted that Consulier's actual results could differ materially from those contained in such forward looking statements mentioned above due to adverse changes in any number of factors that affect Consulier's business including, without limitation, risks associated with investing in BioSafe 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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of September 30, 2001, 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.

On or about May 30, 2001, the Company received \$1,750,000 from American States Insurance Company in settlement of all of the Company's claims relating to litigation concerning the Company's insurance claim for property damage caused by rainfall associated with Hurricane Irene occurring in October 1999.

ITEM 2. CHANGES IN SECURITIES

During the third quarter of 2001 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 2001, 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.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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

During the third quarter of 2001, 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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits Required by Item 601 of Regulation S-k

None

(b) Current Reports On Form 8-K

The Company did not file any reports on Form 8-K during the three month period ended September 30, 2001.

SIGNATURE

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In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSULIER ENGINEERING, INC.

(Registrant)

By: /s/ Alan Simon

-----  
ALAN SIMON, ESQ.  
Secretary/Treasurer

Date: November 16, 2001