CONSULIER ENGINEERING INC
Form 10KSB
April 15, 2008

Table of Contents

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

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

For the fiscal year ended December 31, 2007

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

Commission File No. 000-17756

CONSULIER ENGINEERING, INC.

(Name of small business issuer in its charter)

Florida	59-2556878
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
2391 Old Dixie Highway, Riviera Beach, Florida	33404
(Address of principal executive offices)	(Zip Code)

Issuer s telephone number: (561) 842-2492
Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $0.01 par value
Redeemable Warrants
Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act o
Check whether the issuer (1) has 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 x No o
Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. x
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
State Registrant s revenues for its most recent Fiscal year: $2,177,865.
The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked price of such common equity as of April 2, 2008 is $5,508,995.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of April 2, 2008, there were 5,339,860 outstanding shares of common stock, par value $0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Transitional Small Business Disclosure Format (Check One): o Yes x No

CONSULIER ENGINEERING, INC.
REPORT ON FORM 10-KSB
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007
TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

In June 1985, Consulier Engineering, Inc. (Consulier or the Company) was incorporated in Florida. Consulier is engaged through its subsidiaries in the distribution of Captain Cra-Z Soap and in developing data-based integrated emergency room information systems. Consulier also holds minority interests in a securities broker-dealer and a company that develops environmental pesticide alternatives. Consulier s corporate office is located in Riviera Beach, Florida, and its telephone number is (561) 842-2492.

DESCRIPTION OF BUSINESS SEGMENTS

Environmental Products

Consulier owns a 40% equity interest in BioSafe Systems, LLC. (BioSafe), a Connecticut limited liability company. BioSafe develops and markets environmentally safe products, and alternatives to traditionally toxic pesticides and is engaged in introducing an algaecide/fungicide product into the commercial greenhouse/nursery market.. Consulier holds one of the three positions on BioSafe s Board of Managers. BioSafe had revenues of $7,932,600 and $6,924,590 for 2007 and 2006, respectively.

Data-Based Integrated Emergency Room Information Systems

In August 2002 the Company purchased a 14.25% interest in Systems Technologies, LLC (ST, LLC), a Nevada limited liability company. During the year ended December 31, 2007, the Company made additional contributions to ST, LLC of $1,580,000. As of December 31, 2007, the Company had a 51% interest in ST, LLC, therefore requiring consolidation.

ST, LLC is a member of Patient Care Technology Systems, LLC, a California limited liability company (PCTS). At December 31, 2007, ST, LLC s primary asset was its 75% ownership interest in PCTS. ST, LLC s operating agreement provides that the Company is allocated losses to the extent that the Company has made capital contributions during any year or since inception. Consequently, the loss allocated to the Company may be less than its percentage membership interest. Warren Mosler has a 23.6% membership interest in ST, LLC, so that his and the Company s ownership interest aggregates 74.6%. The Company can require Mosler to purchase its interest in ST, LLC for cash equal to the Company s total capital account in ST, LLC at any time with 60 days written notice. Management periodically evaluates ST, LLC s (which are essentially PCTS) projections and related assumptions regarding its operations and compares actual results to these projections. Should actual results be significantly less than the projections, a write down might be considered necessary.

PCTS markets the Amelior patient care systems, which are data-based integrated emergency room information systems and automatic tracking technology for emergency departments and operating rooms. In addition, PCTS markets paper templates that can be used by hospital emergency departments that are not ready to convert to a data-based computerized integrated information system. During 2007, PCTS focused on acquiring new products and marketing and selling its Amelior systems, greatly expanded and upgraded its sales force, and by year end had fully operational installations in 61 facilities which can serve approximately 1,700,000 patients annually. In February 2008, 3M Company and PCTS entered into a Teaming Agreement under which 3M will market and sell Amelior Patient care Systems to 3M customers on a global basis.

Table of Contents

AVM, L.P.

Consulier owns a 7.5% equity interest in AVM, L.P. (AVM), a broker-dealer formed in October 1983 as an Illinois limited partnership and located in West Palm Beach, Florida. AVM is registered with the Commodity Futures Trading Commission as an Introducing Broker (IB) and conducts its IB business with other broker/dealers on a fully disclosed basis. AVM is generally engaged in the brokerage of U.S. Government securities, other fixed income instruments, and arbitrage transactions. Warren B. Mosler (Mosler), Consulier s Chairman and majority shareholder, is one of the founders of AVM and is a member of the general partner of AVM.

As of December 31, 2007 and 2006, Consulier s limited partnership interest represented approximately 7.5% of AVM s total partnership capital. AVM s allocation of the partnership s income to its partners varies based on amounts of appreciation of the partnership s assets and operating profits of the partnership. Based on earnings distributions provided in the partnership agreement, Consulier was allocated approximately 5.3% of AVM s earnings in 2007 and approximately 5.3% in 2006, amounting to $2,621,375 and $1,884,777 for 2007 and 2006, respectively.

CORPORATE SEGMENT

Consulier s corporate segment includes management and finance activities as well as consulting, engineering, new product development and business management. The Company s only wholly-owned subsidiary, Consulier International, Inc., markets and distributes Captain Cra-Z Soap , a hand and all-purpose cleaner.

ITEM 2. DESCRIPTION OF PROPERTY

Consulier s headquarters are located in Riviera Beach, Florida, and occupy approximately 500 square feet in an office building owned by Mosler.

Consulier owns a 47,000 square foot industrial warehouse in Medley, Florida, which is leased to Southeast Automotive Acquisition Company, a former subsidiary, for a five (5) year term which commenced on July 1, 2002, with an initial base rent of $10,000 per month. The lease contains provisions for annual CPI rental increases and two options to renew for additional terms of five years each. The first option was exercised on July 1, 2007, with a new base rent of $12,404.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in a complaint arising from a fall from a lifeguard stand manufactured by the Company prior to 2000 in a previous line of business. Judith Freshour and Joseph Freshour, her husband vs. Mosler Auto Care Center, Inc. and Consulier Engineering, Inc., Broward County, Florida, Circuit Court, Case No. 03-3156 CACE 25. This suit was filed in 2003 and the Company is insured against this claim.

On August 2, 2006, PCTS was made a defendant to a lawsuit filed by Hill-Ron Services, Inc. et al. vs. Versus Technology, et al., United States District Court, Middle District of North Carolina, Civil Action No. 1:03CV01227, as a successor in interest to Healthcare Information Technology, Inc., and as a customer of a vendor concerning the vendor s disputed patent ownership and unauthorized use of such patents. Effective January 21, 2008, all claims against PCTS were settled and the case was dismissed.

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

The Company held an annual meeting of its shareholders on October 22, 2007. At the meeting Warren B. Mosler, Alan R. Simon, Skender Fani, James Combias, and Jean-Pierre Arnaud were elected directors and the appointment of Goldstein Lewin & Co. as the Company s auditors for the year ended December 31, 2007, was ratified. Each director received 5,074,696 votes in favor of his election, 1,980 votes against the director elections and there were 223,763 abstentions.

Table of Contents

PART II

ITEM 5. MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

MARKET PRICE AND DIVIDENDS

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

Year Ended December 31, 2006	**High**	**Low**
First quarter	$ 5.99	$ 4.05
Second quarter	4.86	3.05
Third quarter	4.00	3.28
Fourth quarter	15.09	3.17

Year Ended December 31, 2007	**High**	**Low**
First quarter	$ 6.85	$ 4.11
Second quarter	5.02	3.72
Third quarter	4.98	3.25
Fourth quarter	5.00	3.73

Such quotations reflect inter-dealer prices, without retail markup, markdown or commission. Such quotes shall not necessarily represent actual transactions or the value of the Company s securities, and are, in all likelihood, not based upon any recognized criteria of securities valuation as used in the investment banking community.

As of December 31, 2007, and March 27, 2008, there were 5,485,122 shares of the Company s common stock issued and 5,339,860 shares outstanding. Of those shares, 4,176,926 shares were restricted securities of the Company within the meaning of Rule 144(a)(3) promulgated under the Securities Act of 1933, as amended, because such shares were issued and sold by the Company in private transactions not involving a public offering On November 15, 2007, the SEC adopted changes to Rule 144 which took effect on February 15, 2008. Rule 144, as amended, provides that a person who is not affiliated with the Company and who holds restricted securities for six months may sell such shares without restriction. A person who is affiliated with the Company and who has held restricted securities for six months will be able to sell such shares in brokerage transactions, subject to limitations based on the number of shares and trading volume. Such shares could have a depressive effect on the price of our common stock in the open market.

As of March 27, 2008, there were approximately 92 record shareholders of Consulier s common stock. However, a significant number of shares of the Company s common stock are held in street name by brokers on behalf of shareholders and are therefore held by many beneficial owners.

To date, Consulier has not paid any dividends on its common stock. Because of the financial requirements of the Company, the Board of Directors has no current intention to commence paying dividends. Future dividend policy will depend upon Consulier s profitability, capital requirements and other factors.

Table of Contents

EQUITY COMPENSATION PLANS

Consulier established a Tandem Stock Option Plan (Tandem Plan) and an Incentive Stock Option Plan (Incentive Plan) covering current employees and former employees who currently work for Mosler Auto Care Center, Inc. (MACC). Under the Tandem Plan, qualified and non-qualified options may be granted.

The Tandem Plan provides that an aggregate of 200,000 options to purchase shares of Consulier s common stock may be granted to officers, directors and other key employees of Consulier and MACC. The Incentive Plan provides that an aggregate of 100,000 options to purchase shares of Consulier s common stock may be granted to officers and other key employees of Consulier. The options under both plans are exercisable after two years of continuous employment or service and have a maximum life of ten years from the date of grant. These options were exercised during the fourth quarter of 2006 pursuant to a net-share exercise (cashless).

Options to purchase 61,232 shares of Consulier s common stock by employees were exercised in fiscal 2000. Loans totaling $76,540 were made to these employees for a term up to five years at an 8% annual interest rate for the exercise. At December 31, 2007, $6,651 remains outstanding and is recorded as notes receivable for common stock, included as a reduction of stockholders equity.

RECENT SALES OF UNREGISTERED SECURITIES

In December 2007, the Company issued 5,999 shares of Common Stock to twenty-nine (29) employees of Mosler Auto Care Center, an affiliate of the Company, at a price of $3.75 per share pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

PURCHASES OF EQUITY SECURITIES

During 2007 the Company purchased 46,325 shares of Common Stock for $176,157, or approximately $3.80 per share.

NASDAQ CAPITAL MARKET LISTING

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

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

FORWARD LOOKING STATEMENTS

This Report on Form 10K-SB 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.

Table of Contents

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 could 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.

The following discussion is intended to help the reader understand the results of operations and financial condition of the Company. The discussion is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes.

CRITICAL ACCOUNTING POLICIES

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

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

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

PARTNERSHIP AND LIMITED LIABILITY COMPANY INTERESTS

The Company s partnership and limited liability company interests are accounted for using the equity method. Income or loss is allocated to Consulier based on each entity s partnership or operating agreement**.**

Table of Contents

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 includes new software license and software license updates and product support revenues and (2) services, which include consulting, advanced product services and education revenues.

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 are 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 use estimates in connection with the determination of the amount of software and services revenues to be recognized in each accounting period.

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) 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 the Company 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 (*e.g.* 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.

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.

Table of Contents

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.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

RESULTS OF OPERATIONS

CONSOLIDATED OPERATING RESULTS FROM CONTINUING OPERATIONS. During the twelve months ended December 31, 2007, revenues increased from $1,607,473 to $2,177,865 over the prior twelve months, as a result of an increase in revenue from PCTS. Total operating costs and expenses decreased by $920,830, primarily as a result of the reduced expenses of PCTS.

Installations of the PCTS core product line of electronic tracking and documentation solutions now total 24. Including its non-core solutions, PCTS supports a total customer base of 61, representing over 1.7 million annual patient encounters.

The Company had net other income, consisting primarily of investment income and net undistributed income of equity investees less interest expense totaling $2,823,655 in 2007, compared to net other income of $1,587,668 during 2006. The primary reason for the increase in net other income was the increase in the Company s income from AVM. AVM income from Consulier s interest in AVM was $2,621,375 in 2007, a 39% increase from 2006 income of $1,884,777. These represent an annualized return of 141% and 102%, respectively, on Consulier s average investment during each of the years ended December 31, 2007 and 2006.

Table of Contents

BIOSAFE. The Company had net undistributed income from BioSafe of $369,250 in 2007, an increase from the net undistributed income of $170,499 from its BioSafe investment in 2006. This amount represents the Company s 40% interest in BioSafe s net income of approximately $923,124 in 2007, compared to approximately $420,000 in 2006. The Company received distributions from BioSafe of $134,000 during 2007 compared to $43,161 in 2006. BioSafe s sales volume increased by 14.6% over the previous year. Gross profit percentage increased during the same period by 11.8%. New products have continued to be well received in the aquatic and home and garden market segments, which closed the year at a 34% increase from 2006 sales.

OUTLOOK FOR 2008

Based on AVM s operations over the past five years, management expects continued annualized returns in 2008, similar to prior years, on its interest in AVM; however, there is no guarantee that the expected annualized return will continue in fiscal 2008 or any other period.

Consulier International, Inc. has been researching additional products to add to its portfolio and plans to continue its research and new product development during 2008 and to continue to develop new marketing materials and new retail and distribution outlets locally, nationally and internationally for its Captain Cra-Z Hand and All Purpose Cleaner throughout 2008. Consulier s internet web site has become a source of on-line internet retail sales and continues to be a good lead generator, with applications for distribution being received through the site from countries all over the world.

In the fourth quarter, PCTS completed a full scale implementation of its emergency department tracking software and a pilot installation of its asset tracking system in a pediatric intensive care unit. Both implementations integrated ultrasound locating from business partner Sonitor Technologies. PCTS is actively managing a pipeline of implementations for its tracking and charting software for an increasing range of hospital departments. These are scheduled throughout the first-half of 2008. In the fourth quarter of fiscal 2007, PCTS announced the general availability of the second generation of its automatic tracking software for perioperative departments and hospital-wide entity tracking. In November 2007, PCTS was recognized as a finalist in the North Carolina Technology Association annual business excellence awards. In December 2007, PCTS previewed upcoming clinical and workflow intelligence features of its next generation charting software at a national emergency department information system conference. PCTS also signed its first contract for radiology department tracking with an existing customer in December 2007.

PCTS currently supports 24 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 61 installations, representing over 1.7 million annual patient encounters.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2007, Consulier had cash of $333,024, compared to $241,428 at December 31, 2006, an increase of $91,596. Net cash used in operations was $6,182,763 in 2007, compared to net cash used in operations of $7,898,204 in 2006. The decrease in cash used in operations was a direct result of an increase in the number of hospitals utilizing the Company s software, coupled with management s focus on reducing operating cash flow.

Net cash provided by investing activities was $1,756,772 in 2007, compared to net cash provided by investing activities of $1,523,217 in 2006.

Table of Contents

The ability of Consulier to continue to generate cash flow in excess of its operating requirements depends, in the short term, almost entirely on the performance of its interest in AVM, which Consulier cannot predict with assurance. However, Consulier does not expect that its cash flow from AVM will decline to the point where Consulier has negative cash flow.

Consulier is planning to continue to invest in ST, LLC and estimates an additional investment of $5 million to $7 million during the next 5 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 interests in AVM, LP and BioSafe, LLC.

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.

IMPACT OF INFLATION AND CHANGING PRICES

Management does not consider the impact of inflation on Consulier s operations to be material. The operating segments of its businesses had inventories of $40,987 as of December 31, 2007. Considering the dollar value of inventory and the gross profit margins generated by sales, moderate rates of inflation should have little, if any, effect on the business. Product development expenditures will be significantly reduced, but such expenditures should not be significantly affected by inflation.

ITEM 7. FINANCIAL STATEMENTS

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

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

None.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures of a registrant designed to ensure that information required to be disclosed by the registrant in the reports that it files or submits under the exchange Act is properly recorded, processed, summarized, and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include processes to accumulate and evaluate relevant information and communicate such information to a registrant s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures.

Table of Contents

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007, as required by Rule 13a-15 of the Exchange Act. As described below, under Management s Annual Report on Internal Control Over Financial Reporting , material weaknesses were identified in our internal control over financial reporting as of December 31, 2007, relating to our control environment, accounting system controls, and segregation of duties. Based on the evaluation described above, our Chief Executive Officer has concluded that, as of December 31, 2007, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported. To address the material weaknesses, we performed additional analysis and other post-closing procedures in an effort to ensure our consolidated financial statements included in this annual report have been prepared in accordance with accounting principles generally accepted in the United States. Accordingly, management believes that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management s Annual Report on Internal Control over Financial Reporting

Effective December 31, 2007, Consulier Engineering, Inc. is a non-accelerated filer as it was not considered an accelerated filer or large accelerated filer as such terms are defined by Rule 12b-2 of the Exchange Act.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States (GAAP). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In order to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2007, as required by Section 404 of the Sarbanes-Oxley Act of 2002, our management conducted an assessment, including testing, based on the criteria set forth in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). A material weakness is a control deficiency, or a combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of our annual or interim financial statements will not be prevented or detected. In assessing the effectiveness of our internal control over financial reporting, management identified the following three material weaknesses in internal control over financial reporting as of December 31, 2007:

1. Deficiencies in the Company s Control Environment. The Company s control environment did not sufficiently promote effective internal control over financial reporting throughout the organization. This material weakness exists because of the aggregate effect of deficiencies in internal control which affect the Company s control environment, including: (a) the lack of a formalized review process by management of operations, (b) the lack of a financial expertise at the Company s operating subsidiary, and (c) the absence of a whistleblower hotline. The Company has no current plans to enter into a contract with an independent whistleblower hotline service provider, however, management intends on developing a plan to address these issues by implementing formalized review processes and obtain evidence of our reviews.

2. Deficiencies in the Company s subsidiary, Patient Care Technology Systems, LLC (PCTS), Accounting System Controls. The Company failed to perform certain control procedures designed to ensure that the financial statement presentations and related disclosures were complete and in accordance with GAAP. These deficiencies include: (a) inadequate review of journal entries and disbursements, (b) the lack of independent review of balance sheet account reconciliations and supporting calculations, (c) inadequate review of subsidiary operations as well as consolidated company financial statements, income tax calculations, and disclosure checklist, (d) revenue recognition and sales cut-off, and (e) inadequate communication between management and the accounting department.

3. Deficiencies in Segregation of Duties at PCTS. This material weakness exists because of the aggregate effect of multiple deficiencies concerning segregation of duties which may cause a material financial statement misstatement to be caused, or at least not be detected in a timely manner. At PCTS, the following duties are not segregated adequately: (a) generating and posting of journal entries, (b) generation, approval and processing of payroll, (c) completion of accounts payable reconciliations and the processing and approval of payments, and (d) processing and approval of sales transactions and customer receipts.

Based on the material weaknesses described above and the criteria set forth by the COSO Framework, we have concluded that our internal control over financial reporting at December 31, 2007, was not effective. This Annual Report does not include an attestation report of the company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the company s registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management s report in this Annual Report.

Table of Contents

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the fourth quarter of fiscal 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Management and the Audit Committee of the Company s Board of Directors have begun to develop remedial measures to address the internal control deficiencies identified above. The Company will monitor the effectiveness of planned actions and will make any other changes and take such other actions as management determines to be appropriate.

Remediation Initiatives

During fiscal 2008, we plan to implement a number of remediation measures to address the material weaknesses described above. These organizational and process changes will improve our internal controls environment and increased the likelihood of our identifying non-routine and non-systematic transactions. The Company s remediation plans include:

1. We plan to implement procedures for the adequate and independent review and approval of disbursements, journal entries, financial statements, income tax calculations, and financial statement disclosures.

2. We plan to implement proper segregation of duties at PCTS regarding: a) generating and posting of journal entries, b) generation, approval and processing of disbursements and payroll activities, c) completion of balance sheet account reconciliations, and d) creation and approval of purchase and sales orders.

Management recognizes that many of these enhancements require continual monitoring and evaluation for effectiveness. The development of these actions is an iterative process and will evolve as the Company continues to evaluate and improve our internal controls over financial reporting.

Management will review progress on these activities on a consistent and ongoing basis at the Chief Executive Officer and senior management level. We also plan to take additional steps to elevate Company awareness about and communication of these important issues through formal channels such as departmental meetings and training.

ITEM 8B. OTHER INFORMATION

None.

Table of Contents

PART III

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

DIRECTORS

Director Name	Age	Since	Positions and Offices Held and Principal Occupation or Other Employment during the Past Five Years
Warren B. Mosler	58	1985	Chairman of the Board, 1985 to present. President and Chief Executive Officer, June 1985 to May 1994, and from February 1999 to the present. Principal in AVM, L.P., and a broker/dealer engaged in arbitrage and government securities trading, 1983 to present.
Alan R. Simon, Esq.	57	1985	General Counsel, Treasurer and Secretary since November 2001. 1982 to present, private practice of law in Palm Beach Gardens, Florida. President of Consulier International, Inc., since 2005.
James Combias	44	2007	James Combias, age 44, is the co-manager of the Jupiter Capital Advisors, LP. Prior to this he was a Managing Director and head trader for HSBC Bank s Government Bond trading desk in New York City, Managing Director and Head Trader for Merrill Lynch s Government Bond trading desk and senior trader on the Government Bond trading desks at D.L.J., Morgan Stanley, and Lehman Brothers. Mr. Combias was born and raised in Summit, N.J., and graduated Hobart College in 1985 with a degree in Economics.
Jean-Pierre Arnaud	60	2005	Mr. Arnaud worked for Eastman Kodak Company in the USA and UK in various areas involving health imaging, including manufacturing, sales, marketing, and management. In 1991 Mr. Arnaud performed financial auditing services for Fotcor (Brazil). During 1991, he received his M.A. in International and Public Affairs, International Business and Finance from Columbia University.
Dr. Skender Fani	68	1999	Dr. Fani is the Chairman of the Board of Otis Elevators, Austria. Dr. Fani is a corporate lawyer in Austria, also specializing in sports and entertainment law. For the past 20 years he has represented top sports and entertainment personalities throughout Europe.

Each director of the Company serves until the next annual meeting of shareholders and until his or her successor is duly elected and qualifies. Each officer serves until the first meeting of the Board of Directors following the next annual meeting of the shareholders and until his successor is duly elected and qualifies.

Table of Contents

EXECUTIVE OFFICERS

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

Warren B. Mosler, 58, is the Chairman of the Board of Directors. Mr. Mosler has served as Chairman since the inception of Consulier and as Chief Executive Officer from inception to March 1989 and from August 1989 to May 1994. In February 1999 Mr. Mosler reassumed the positions of President and Chief Executive Officer. Since 1983, Mr. Mosler has been a principal in AVM, LP, a broker/dealer engaged in arbitrage and government securities trading in West Palm Beach, Florida.

Alan R. Simon, 57, is a director, and has served as the Company s General Counsel and its Secretary-Treasurer since November 2001. He has been in the private practice of law in Boca Raton, Florida since 1982, and relocated his practice to Palm Beach Gardens, Florida in 2001. He is President of Consulier International, Inc.

Tony Marsico was the founder and president of Healthcare Information Technology, Inc. from 1997 through 2004, when its assets were purchased by Patient Care Technology Systems, LLC. Mr. Marsico served as Vice President of RCTS heading several departments ranging from active tracking to customer service from 2004 until he became President and CEO of PCTS. Mr. Marsico holds a Masters Degree in Technical and Scientific Communications from Miami University of Ohio and a B.S. degree in Physics and Mathematics from Wolford College.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a comprehensive code of ethics that applies to its principle officers and persons performing similar functions.

The Company is committed to sound principles of corporate governance. The Company has adopted standards of business conduct applicable to all of its Board members and employees, including the Chief Executive Officer and the Secretary/Treasurer.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of the common stock and other equity securities, on Form 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the Securities and Exchange commission regulations to furnish our company with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such reports received by us, and on written representations by our officers and directors regarding their compliance with the applicable reporting requirements under Section 16(a) of the Exchange Act, we believe that, with respect to the year ended December, 2007, our officers and directors, and all of the persons known to us to own more than 10% of our common stock, filed all required reports on a timely basis.

Table of Contents

ITEM 10. EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table sets forth the aggregate compensation paid to Consulier s Chief Executive Officer for the last three years:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary	All Other Compensation
Warren B. Mosler,	2007	$ 75,000	$
Chairman of the Board,	2006	$ 75,000	$
President and CEO	2005	$ 75,000	$

Certain columns have been omitted from the above table because there is no compensation required to be reported in such columns.

Mr. Mosler is paid a moderate annual salary and receives no other compensation from the Company. Neither he nor the Company s board of directors anticipates that his compensation will materially change in the foreseeable future.

OPTION/SAR GRANTS IN LAST FISCAL YEAR NEED TO CONFIRM

There were no stock options/SARs granted to executive officers during 2007.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

No stock options/SARs were exercised during 2007. No stock options/SARs were outstanding at December 31, 2007.

LONG-TERM INCENTIVE AND PENSION PLANS

On January 1, 1998 employees of Consulier became members of the Mosler Auto Care Center, Inc. 401(k) Retirement Plan (the Plan). The Plan allows employees to save up to 15% of their gross pay. Consulier may match a percentage of the employees savings contributions or provide more money, through discretionary contributions. During 2007 and 2006 there were no matching or discretionary contributions made by the Company to employees accounts. The benefit derived by employees was the tax deferral on earnings until they receive them as benefits. Mr. Mosler and the directors do not participate in this Plan.

The employees of Patient Care Technology Systems (which is 75% owned by Consulier s ST, LLC. subsidiary) are members of a 401(k) retirement plan. This plan allows employees to save up to 100% of compensation to a maximum of $15,000 as prescribed by the Internal Revenue Service code. The Company does not contribute to the plan or match any employee contribution.

COMPENSATION OF DIRECTORS

Directors are compensated $100 for attendance at each Board of Directors meeting.

Table of Contents

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The table below sets forth information with respect to the beneficial ownership of the Company s common stock by (i) each person who is known to be the beneficial owner of more than five percent of the Company s common stock, (ii) all directors and nominees, (iii) each executive office, and (iv) all directors and executive officers as a group. Unless otherwise indicated, the Company believes that the beneficial owner has sole voting and investment power over such shares. The Company does not believe that any shareholders act as a group, as that term is defined in Section 13(d)(3) of the Exchange Act.

As of April 2, 2008, the Company had issued and outstanding *5,339,860* shares of common stock.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class at December 31, 2007
Common Stock	Warren B. Mosler (1)(2) 5000 Estate Southgate Christainsted, USVI 00820	3,841,664	70.04%
Common Stock	Alan R. Simon (1)(2) 8295 North Military Trail, Suite C Palm Beach Gardens, FL 33410	190,000	3.46%
Common Stock	Totals	4,031,664	73.50%

(1) Director

(2) Executive Officer

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

INDEPENDENT DIRECTORS

The Board of Directors has determined that Messrs. Combias, Arnaud, and Fani are independent directors within the meaning of NASD Rule 4200(15).

AUDIT COMMITTEE

The Audit Committee of the Company is currently composed of three directors (Alan R. Simon, Jean-Pierre Arnaud and Skender Fani) and operates under a written charter adopted by the Board of Directors. The Company s audit committee is responsible for: (1) selecting and overseeing our independent accountants; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and (5) funding the outside auditor and the fees of any advisers employed by the committee. There are no other committees of the Board of Directors.

Table of Contents

AUDIT COMMITTEE FINANCIAL EXPERT

The Company s board of directors does not have an audit committee financial expert, within the meaning of SEC Regulation SB, Item 407(d)(5)(i), serving on its audit committee. The board of directors believes that all members of its audit committee are financially literate and experienced in business matters, and that one or more members of the audit committee are capable of (i) understanding generally accepted accounting principles (GAAP) and financial statements, (ii) assessing the general application of GAAP in connection with our accounting for estimates, accruals and reserves, (iii) analyzing and evaluating our financial statements, (iv) understanding our internal controls and procedures for financial reporting; and (v) understanding audit committee functions, all of which are attributes of an audit committee financial expert. However, the board of directors believes that there is not any audit committee member who has attained these attributes through the experience specified in the SEC s definition of audit committee financial expert. Further, like many small companies, it is difficult for the Company to attract and retain board members who qualify as audit committee financial experts, and competition for these individuals is significant. The board believes that its current audit committee is able to fulfill its role under SEC regulations despite not having a designated audit committee financial expert.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met *as needed* during the year ended December 31, 2007.

ITEM 13. EXHIBITS

The following exhibits designated with a footnote reference are incorporated hereby by reference to a prior registration statement or a periodic report filed by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act:

Number	**Description**
3.1	Articles of Incorporation, as amended (1)
3.2	By-Laws (1)
4.1	Form of Common Stock Certificate (1)
10.1	Tandem Stock Option Plan (1)
10.2	Incentive Stock Option Plan (1)
10.3	Exchange Agreement between the Company and Warren B. Mosler Dated July 17, 2006 (2)
10.4	Exchange Agreement between the Company and Warren B. Mosler Dated September 29, 2006 (2)
14.0	Code of Ethics (1)
21.0	Subsidiaries of the Registrant (1)
31.1	Section 302 Certificate of Chief Executive Officer (3)
31.2	Section 302 Certificate of Chief Financial Officer (3)
32.1	Section 906 Certificate of Chief Executive Officer (3)
32.2	Section 906 Certificate of Chief Financial Officer (3)

(1) Previously filed.

(2) Previously filed with Form 8-K on October 3, 2006.

(3) Filed herewith.

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

The aggregate audit fees billed to Consulier by Goldstein Lewin & Co. for professional services rendered for the audited annual financial statements included in our Annual Report on Form 10-KSB for the year ended December 31, 2006, and for the review of quarterly financial statements included in our quarterly report on Form 10-QSB for the quarters ended March 31, 2007, June 30, 2007 and September 30, 2007, was $187,714.

AUDIT-RELATED FEES

None.

TAX FEES

None.

ALL OTHER FEES

None.

Table of Contents

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed by the undersigned, thereunto duly authorized.

CONSULIER ENGINEERING, INC.

Dated: April 15, 2008

By: */s/ Warren B. Mosler*
Warren B. Mosler
Chairman of the Board of Directors,
President and Chief Executive Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ Warren B. Mosler Warren B. Mosler	Chairman of the Board of Directors, President and Chief Executive Officer	April 15, 2008
/s/ Alan R. Simon Alan R. Simon	Secretary, Treasurer	April 15, 2008
/s/ James Combias James Combias	Director	April 15, 2008
/s/ Skender Fani Skender Fani	Director	April 15, 2008
/s/ Jean-Pierre Arnaud Jean-Pierre Arnaud	Director	April 15, 2008

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
FORM 10-KSB ITEM 7 CONSOLIDATED FINANCIAL STATEMENTS
TABLE OF CONTENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Consulier Engineering, Inc. and Subsidiaries
Riviera Beach, Florida

We have audited the accompanying consolidated balance sheet of Consulier Engineering, Inc. and Subsidiaries as of December 31, 2007 and the related consolidated statements of operations, stockholders equity and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Consulier Engineering, Inc. and Subsidiaries as of December 31, 2007 and the results of their operations and their cash flows for each of the two years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Goldstein Lewin & Co.
Certified Public Accountant
April 15, 2008
Boca Raton, Florida

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 333,024
Receivables, Net of Allowance for Doubtful Accounts of $0	927,574
Inventories	40,987
Deferred Implementation Costs	2,024,785
Other Current Assets	89,663
Deferred Income Taxes	291,208
Total Current Assets	3,707,241
PROPERTY AND EQUIPMENT, Net	1,473,287
CAPITALIZED SOFTWARE DEVELOPMENT COSTS	215,204
PARTNERSHIP AND LIMITED LIABILITY COMPANIES INVESTMENTS	3,091,930
DEFERRED INCOME TAXES	541,988
INTANGIBLE ASSET	847,339
OTHER ASSETS	30,693
	$ 9,907,682
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	$ 1,340,484
Unearned Revenue	822,659
Related Party Payable	773,646
Income Tax Payable	79,932
Total Current Liabilities	3,016,721
NOTES PAYABLE RELATED PARTY	3,405,062
COMMITMENTS AND CONTINGENCIES	
MINORITY INTEREST	232,000
STOCKHOLDERS EQUITY:	
Common Stock $.01 Par Value:	
Authorized 25,000,000 Shares; Issued 5,485,122 Shares	54,851

Additional Paid-in Capital	4,117,221
Accumulated Deficit	(461,135)
	3,710,937
Less:	
Treasury Stock, Cost 145,262 Shares	(427,891)
Notes Receivable for Common Stock	(29,147)
Total Stockholders Equity	3,253,899
	$ 9,907,682

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements
F-2

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	**2006**
Revenue:		
Software Licensing Fees	$ 2,152,579	$ 1,580,062
Other Revenue	25,286	27,411
Total Revenue	2,177,865	1,607,473
Operating Costs and Expenses:		
Cost of Revenue	1,351,630	664,968
Payroll and Related Expense	4,325,138	4,669,821
Selling, General and Administrative	2,430,100	2,816,872
Professional Services	1,171,135	1,802,770
Depreciation and Amortization	1,066,291	1,310,693
Total Operating Costs and Expenses	10,344,294	11,265,124
Operating Loss	(8,166,429)	(9,657,651)
Other Income (Expense):		
Investment Income Related Parties	2,621,375	1,884,777
Interest Expense	(350,161)	(605,955)
Net Undistibuted Income of Equity Investees	369,250	170,499
Other Income	183,191	122,843
Gain on Disposal of Equipment		15,504
Total Other Income (Expense)	2,823,655	1,587,668
(Loss) from Operations Before Minority Interest and Income Taxes	(5,342,774)	(8,069,983)
Minority Interest in Consolidated Subsidiary Losses	5,590,393	7,231,450
Income (Loss) from Operations Before Income Taxes	247,619	(838,533)
Provision for Income Taxes	(481,455)	(705,888)
Net (Loss)	$ (233,836)	$ (1,544,421)

(Loss) Per Share Basic and Diluted	$	(0.04)	$	(0.29)

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements
F-3

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
DECEMBER 31, 2007 AND 2006

	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Notes Receivable for Common Stock	Total Stockholders Equity
Balance, December 31, 2005	5,243,105	$ 52,431	275,007	$ (582,686)	$ 3,216,008	$ 1,317,122	$ (6,651)	$ 3,996,224
Common Stock Issued for Cash	2,090	21			13,794			13,815
Sale of Treasury Stock			(3,867)	6,690	11,485			18,175
Issuance of Treasury Stock Upon Conversion of Note Payable Related Party			(166,204)	311,484	288,516			600,000
Stock Based Compensation					580,099			580,099
Common Stock Issued in December 2006, at Par, Pursuant to Net-Share (Cashless) Exercise of Common Stock Warrants	239,927	2,399			(2,399)			
Net (Loss)						(1,544,421)		(1,544,421)
Balance, December 31, 2006	5,485,122	54,851	104,936	(264,512)	4,107,503	(227,299)	(6,651)	3,663,892
Purchase of Treasury Stock			46,325	(176,157)				(176,157)

Sale of Treasury Stock			(5,999)	12,778	9,718		(22,496)	
Net (Loss)						(233,836)		(233,836)
Balance, December 31, 2007	5,485,122	$ 54,851	145,262	$ (427,891)	$ 4,117,221	$ (461,135)	$ (29,147)	$ 3,253,899

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements
F-4

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	**2006**
Operating Activities:		
Net (Loss)	(233,836)	(1,544,421)
Adjustments to Reconcile Net (Loss) to Net Cash (Used in) Operations:		
Depreciation & Amortization of Intangibles	1,066,291	1,310,693
(Gain) Loss on Sale of Equipment		(15,504)
Minority Interest in consolidated Subsidiary Losses	(5,590,393)	(7,231,450)
Stock Based Compensation		580,099
Write-off of Notes Receivable Related Parties	200,000	
Undistributed Income of Equity Investee	(369,250)	(170,499)
Investment Income	(2,621,375)	(1,884,777)
Accrued Interest on Notes Payable Related Party	340,548	
Deferred Income Taxes	360,854	671,307
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Receivables	27,427	(10,649)
Decrease (Increase) in Income Tax Receivable	651,068	
Decrease (Increase) in Inventories	16,854	6,740
Decrease (Increase) in Deferred Implementation Costs	(275,685)	(469,551)
Decrease (Increase) in Other Current Assets	104,671	28,207
Decrease (Increase) in Other Assets	(30,693)	
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(177,728)	568,628
Increase (Decrease) in Deferred Revenue	268,552	273,608
Increase (Decrease) in Income Taxes Payable	79,932	(10,635)
Net Cash (Used in) Operations	(6,182,763)	(7,898,204)
Investing Activities:		
Distributions from Partnership Interest	2,224,191	1,927,938
Proceeds from Sale of Asset		72,894
Purchase Price Adjustment to Intangible Asset	(232,000)	
Acquisition of Property and Equipment	(81,525)	(185,015)
Acquisition of Software Upgrades	(153,894)	(292,600)
Net Cash Provided by Investing Activities	1,756,772	1,523,217
Financing Activities:		
Proceeds from Issuance of Common Stock		13,815
Proceeds from the Sale of Treasury Stock		18,175
Proceeds from Minority Shareholder in ST, LLC	5,590,393	5,064,000
Repayments of Notes Payable Related Party	(96,649)	(1,305,592)
Proceeds from Notes Payable Related Party		3,334,066

Increase in Related Party Payables		405,509
Purchase of Treasury Stock	(176,157)	
Repayments to Line of Credit, Net of Proceeds	(800,000)	(1,200,000)
Net Cash Provided by Financing Activities	4,517,587	6,329,973
Increase (Decrease) in Cash and Cash Equivalents	91,596	(45,014)
Cash and Cash Equivalents Beginning of Period	241,428	286,442
Cash and Cash Equivalents End of Period	$ 333,024	$ 241,428
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 18,589	$ 94,501
Cash Paid for Taxes	$ 40,669	$ 34,581
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Stock Issuance at Par, Pursuant to Net-Share (Cashless)	$	$ 2,399
Conversion of Note Payable Related Party to Class A Stock of ST, LLC	$	$ 2,167,450
Issuance of Treasury Stock upon Conversion of Note Payable-Related Party	$	$ 600,000
Write-off of Notes Receivable Related Parties	$ 200,000	$
Assignment of Membership Interest to Minority Shareholder	$ 232,000	$
Distributions due from Equity Investments	$ 385,508	$
Issuance of Treasury Stock for Subscription Receivable	$ 22,496	$

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements
F-5

Table of Contents

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

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

NATURE OF BUSINESS

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

Consulier s income is derived from ownership of interests (Note 7) in BioSafe Systems, LLC (BioSafe) a Connecticut limited liability company, 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 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. Their software technologies track the status and location of patients and assets through wireless badges worn by people and staff or attached to equipment in the emergency department and ancillary areas. Mosler s ownership in ST, LLC was approximately 24% and Consulier s ownership was approximately 51% as of December 31, 2007.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include Consulier and its wholly-owned subsidiary, Consulier International, Inc. and majority-owned subsidiary ST, LLC (collectively known as the Company).

The accompanying consolidated financial statements include the accounts of Consulier and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company uses the equity method of accounting for investments where its ownership is between 20% and 50% (Note 7).

Table of Contents

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

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

ACCOUNTING ESTIMATES

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

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company had no restricted cash and cash equivalents as of December 31, 2007.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company evaluates the collectibility of its accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer s ability to meet its financial obligations to the Company, the Company records a specific allowance against amounts due to us, and thereby reduces the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience.

Accounts receivable are customer obligations due under normal trade terms. Management performs continuing credit evaluations of customers financial condition and generally does not require collateral. Management reviews accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. The Company includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, in its overall allowance for doubtful accounts. The general reserve is based upon historical collection experience, current economic conditions and market conditions. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, management believes its allowance for doubtful accounts as of December 31, 2007, is adequate. However, actual write-offs might exceed the recorded allowance.

Table of Contents

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
NOTES TO THE 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 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. PCTS s accounts receivable are concentrated in the healthcare industry. Although PCTS 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. PCTS expects that a significant portion of its future revenues will continue to be generated by a limited number of customers. The failure to obtain new customers or expand sales through remarketing partners, the loss of existing customers or reduction in revenues from existing customers could materially and adversely affect the Company s operating results. Approximately 27% of PCTS total revenue was derived from two customers during the year ended December 31, 2007 (Note 3).

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

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market by analyzing market conditions, current sales prices, inventory costs, and inventory balances. Consulier International evaluates inventory balances for excess quantities and obsolescence on a regular basis by analyzing backlog, estimated demands; inventory on hand, sales levels and other information. Based on that analysis, the Company s management estimates the amount of provisions made for obsolete or slow moving inventory. As of December 31, 2007, no allowance for obsolete or slow moving inventory was deemed necessary by the Company.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost, less accumulated depreciation. Property and equipment under capital leases are stated at the lower of the present value of the minimum lease payments at the beginning of the lease term or the fair value at the inception of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Amortization expense on assets acquired under capital leases is included in depreciation expense. The costs of leasehold improvements are amortized over the lesser of the lease term or the life of the improvement.

Table of Contents

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

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

CAPITALIZED SOFTWARE DEVELOPMENT COSTS

PCTS 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.

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 $183,788 and $357,509 for the years ended December 31, 2007, and 2006, respectively. Accumulated amortization totaled $1,161,217 at December 31, 2007.

During 2007 and 2006, 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 PCTS existing products. For the years ended December 31, 2007 and 2006, research and development costs totaled $817,260 and $1,511,125, respectively. These expenses are included with professional services in the accompanying consolidated statement of operations

INTANGIBLE ASSETS

Intangible assets consist of customer lists acquired in connection with the acquisition by PCTS of certain assets from Healthcare Information Technology, Inc. in 2004 and nuMedica in 2005, which are being amortized over three to five years using the straight-line method, and non-compete agreements, which are being amortized over one year using the straight-line method. PCTS periodically reviews its intangible assets for impairment and assesses whether significant events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable.

LONG-LIVED ASSETS IMPAIRMENTS AND DISPOSALS

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company compares the carrying amount of the asset to the estimated undiscounted future cash flows expected to result from the use of the asset. If the carrying amount of the asset exceeds estimated expected undiscounted future cash flows, the Company records an impairment charge for the difference between the carrying amount of the asset and its fair value. The estimation of fair value is generally measured by discounting expected future cash flows at the Company s incremental borrowing rate or fair value, if available.

Table of Contents

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

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PARTNERSHIP AND LIMITED LIABILITY COMPANIES INVESTMENTS

The Company s interest in AVM and Biosafe constitute less than 50% of the ownership of each entity and are accordingly accounted for using the equity method. ST, LLC was consolidated under the provisions of Financial Accounting Standards Board (FASB) Interpretation
No. 46(R) Consolidation of Variable Interest Entities (FIN 46R) from December 31, 2004 through March 31, 2005. Effective April 1, 2005, the Company owned in excess of 50% of ST, LLC, thereby requiring consolidation. The Company owns less than 8% in AVM; however, the Company has the ability to significantly influence this investee under the terms of the partnership agreement. Income or loss is allocated to Consulier based on the partnership and LLC agreements 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.

Due to the Company s membership interest in ST, LLC and ST, LLC s operating agreement with PCTS, the Company was exposed to the majority of risk related to the activities of ST, LLC and PCTS. Therefore, in accordance with FIN 46(R), the Company considered ST, LLC as a variable interest entity that required consolidation with the Company s financial statements as of December 31, 2004. However, effective April 1, 2005, the operating agreement was amended to reallocate membership interests in this 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.

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 December 31, 2007, the Class A member had invested $12,822,571, which included the conversion of notes payable and accrued interest to a related party totaling $2,167,450 during the year ended December 31, 2006 (Note 10). Unpaid cumulative priority returns on the Class A membership interest totaled approximately $1,492,000 at December 31, 2007.

Table of Contents

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

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

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)). Prior to January 1, 2006, the Company accounted for share-based payments under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees (APB25), and related Interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation (SFAS 123). In accordance with APB 25, no compensation cost was required to be recognized for options granted that had an exercise price equal to the market value of the underlying common stock on the date of grant.

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).

All previously granted stock options had fully vested at December 31, 2005, and during the year ended December 31, 2006, the Company did not grant any new stock options; however, the Company modified the previously existing stock options outstanding at December 31, 2005. Accordingly, the Company s results of operations for the year ended December 31, 2006, include compensation expense related to the modification of previously existing stock options under the provisions of SFAS 123R (Note 9).

During the year ended December 31, 2007, there were no stock options granted.

REVENUE RECOGNITION

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

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 are 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 use 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 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, PCTS recognizes new software license revenue when: (1) PCTS enters into a legally binding arrangement with a customer for the license of software; (2) PCTS delivers the products; (3) 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.

PCTS 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.

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.

Table of Contents

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

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

REVENUE RECOGNITION (CONTINUED)

For arrangements with multiple elements, PCTS 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.

PCTS 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 PCTS cannot objectively determine the fair value of any undelivered element included in bundle software and service arrangements, PCTS 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 $246,892 and $396,577 for the years ended December 31, 2007 and 2006, respectively.

RECLASSIFICATIONS

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

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.

Table of Contents

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

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

INCOME TAXES (CONTINUED)

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. 49). 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. FIN No. 48 applies to fiscal years beginning after December 15, 2006, with earlier adoption permitted.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company had no changes in the carrying value of its tax assets or liabilities for any unrecognized tax benefits.

EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share basic is computed as net income (loss) divided by the weighted average number of common shares outstanding during the year. Earnings (loss) per common share diluted is based on the weighted average of common shares and dilutive potential common shares outstanding during the year. Common stock equivalents, if any, are not included in the calculation of diluted earnings (loss) per common share diluted for the year ended December 31, 2007 and 2006, as their effect would be anti-dilutive.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) represents the change in net assets of the Company during the period from transactions and other events and circumstances from non-owner sources. The Company did not have any sources of other comprehensive income (loss) as of December 31, 2007 and 2006.

Table of Contents

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

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