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CONSULIER ENGINEERING INC  
Form 10KSB/A  
April 26, 2002

U. S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Amendment No. 1 to  
FORM 10-KSB

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 0-17756

CONSULIER ENGINEERING, INC.

(Name of small business issuer in its charter)

|                                                                   |                                     |
|-------------------------------------------------------------------|-------------------------------------|
| Florida                                                           | 59-2556878                          |
| -----                                                             | -----                               |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S Employer Identification No.) |

|                                          |            |
|------------------------------------------|------------|
| 2391 Old Dixie Highway                   |            |
| Riviera Beach, FL                        | 33404-5456 |
| -----                                    | -----      |
| (Address of principal executive offices) | (Zip Code) |

(561) 842-2492  
-----  
(Issuer's Telephone Number)

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

| Title of Each Class | Name of Each Exchange On Which Registered |
|---------------------|-------------------------------------------|
| -----               | -----                                     |
| None                | None                                      |

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

Common Stock and Redeemable Warrants  
-----  
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The Issuer's revenues for the fiscal year ended December 31, 2001 totaled \$3,183,254.

As of April 18, 2002, there were 4,951,150 outstanding shares of common stock, par value \$0.01 per share. The aggregate market value of the voting stock of the registrant held by non-affiliates of the registrant on April 18, 2002 based on the average bid and asked price on such date was \$1,482,968.

### CONSULIER ENGINEERING, INC.

#### 2001 FORM 10-KSB ANNUAL REPORT

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## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

#### GENERAL DEVELOPMENT OF BUSINESS

In June 1985, Consulier Engineering, Inc. ("Consulier" or the "Company") was incorporated in Florida. Its principal businesses are the distribution of automobile parts in the automotive after-market, the development of household and tool products, and corporate and investment activities. Consulier conducts its automobile parts distribution business through a wholly owned subsidiary, Southeast Automotive Acquisition Corporation (Southeast), which is based in Miami, Florida. Consulier's corporate office is located in Riviera Beach, Florida.

#### DESCRIPTION OF BUSINESS SEGMENTS

##### (1) AUTOMOTIVE PARTS DISTRIBUTION

#### BACKGROUND

Southeast is located in Miami, Florida. It is engaged in research, development and distribution to the automotive wholesale market. It celebrates its 20th year of existence in the automotive transmission industry, as a significant contributor of OEM Quality Aftermarket Products, distributing automotive flywheels, flex plates, transmission and engine mounts, torque struts, nylon gears, plastic components, grommets, cables and repair kits.

#### PRODUCTS

The Southeast Logo features Premium Quality Mounts, which equal or exceed OEM specifications with exacting automotive grade metals, torqued to P/F Specification fasteners, and the use of natural or synthetic quality rubber compounds and bonding agents. Southeast sells approximately 500 different aftermarket mounts for both domestic and foreign applications. Development efforts target mount and strut products, which will be able to replace two, or more, original equipment products. The Southeast 2000 Mount replaces nine existing General Motors' mounts, used in approximately 85% of its rear wheel drive vehicles produced from 1954 to 1994. Foreign applications have been major additions to our product list, including 60 new products developed since 1997, introducing part numbers through year 1996 vehicles. Southeast also distributes approximately 250 U.S. made automotive flywheels, flexplates, purchased from OEM quality sources in the United States. Its plastic components from affiliates of Parplast are QS 9000 and ISO 9002 compliant and make up a line of over 100 part numbers. Products also include bushings for transmission repair, speedometer gears, linkage parts, thrust washers, electrical connector plugs, sensor switches, specialty machine shop products, a complete line of over 1000 part numbers of detente, shift, accelerator and clutch cables for both foreign and domestic applications, which also feature the highest quality available in the market.

Southeast also manufactures its very own tools (Southeastools), designed to bring new concepts to market. Southeast offers availability of product

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development for tooling and manufacturing, aluminum injection and CNC capabilities, and specialty parts in sintered powdered metals.

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The Southeast logo on Southeast's mounts is recognized as a quality standard in the automotive transmission industry. It provides a replacement warranty on any item of its product line assessed as defective. Also, Southeast tools come with a limited lifetime warranty for materials and craftsmanship.

Consulier is presently working with a new U.S. based manufacturer of soap and other cleaning products on a new and improved formula for its Captain CRA-Z Soap. The Company expects this formula to be ready for sale in June, 2002. The Company has also developed a new single bar, and a wall mounted dispenser for the soap. Additionally, a combination brush/soap holder has been manufactured and is expected to be packaged with the 200gm size bar of Captain CRA-Z Soap. Consulier has now received Federal trademark registrations for Captain CRA-Z and Captain CRA-Z Hand and All Purpose Soap. The Company has made design changes to the packaging to better serve the industrial as well as retail markets. These changes will be implemented and launched along with the new formula.

Consulier is working with Norpak Manufacturing ("Norpak") and its affiliated company, Veridien Corp. ("Veridien") on the sale of Captain CRA-Z Soap to soap brokers, distributors, and regional/national retail establishments utilizing the existing network developed by Norpak and Veridien for their line of cleaning and personal care products. The Company expects to achieve an increase in sales volume as a result of this relationship, when the new packaging, dispenser, and formula are available.

Consulier has engaged a European agent to handle the sales and marketing of Captain CRA-Z Soap, with offices in Vienna, Austria and the Czech Republic. A great deal of interest was generated in Europe for the new products through trade show attendance and personal contact with distribution companies. The Company expects to achieve an increase in sales volume in Europe during 2002.

### SALES AND MARKETING

Automotive transmission parts are distributed primarily to specialty transmission part distributors in the US and abroad. Southeast estimates that it holds an approximately 40% of the automatic transmission mount aftermarket industry and about 10% of the general automotive transmission mount market.

In the sale of automotive parts products, Southeast competes with a number of other automotive aftermarket suppliers, many of which are considerably larger than Southeast in terms of sales, financial resources, product development facilities and channels of distribution. Automotive parts sales is an extremely competitive market and prices and warranty provisions are comparable throughout the industry.

Southeast Catalogs were developed and are edited annually for its distributors, providing a space for distributors to include their own information to their customer database. Part numbers have been simplified and drawings included.

Southeast's part number system is well recognized in the industry and utilized by many as generic. Mount and flywheel drawings, copyrighted by Southeast and Consulier are included in numerous industry catalogs, as authorized by Southeast.

Published Wall ID Charts, featuring Southeast's mounts and flywheels, have

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become a popular item in the industry, providing information on applications and specifications. The recent inclusion of the Southeast Wall Product ID Charts in Gears Magazine, the most widely distributed magazine in the industry has reached over 25,000 transmission specialists worldwide. The Southeast Year 2002 Parts Catalog is available both in printed form and electronically. Edition of the Year 2002 Catalog is expected to provide an interactive database of crossovers in part number systems in an easy to use format, including drawings. A graphic-specialized university is developing an impressive web site with Southeast, which will include a master database, e-commerce capable, providing each distributor with its own login and password.

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### RESEARCH AND DEVELOPMENT EXPENDITURES

Primarily, the suppliers are funding product development costs for Southeast's transmission mounts. Other research and development expenditures, including design of specialty tools, are not significant.

### EMPLOYEES

Southeast has 12 employees in various categories, including shipping and receiving, sales, marketing, management, and administration.

### (2) INVESTMENTS SEGMENT

#### INVESTMENT IN AVM, L.P.

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

As of both December 31, 2001 and 2000, Consulier's limited partnership interest represented approximately 10% of AVM's total partnership capital. Allocation of the partnership's income to its partners varies based on amounts of appreciation of the partnership's assets and operating profits of the partnership. Based on earnings distributions provided in the partnership agreement, Consulier was allocated approximately 8% of AVM's earnings in both 2001 and 2000.

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

#### BIOSAFE SYSTEMS, LLC

Consulier owns a 40% equity interest in BioSafe Systems, LLC., a Connecticut limited liability corporation (BioSafe). BioSafe develops and markets environmentally safe products, alternatives to traditionally toxic pesticides.

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Consulier is entitled to representation on BioSafe's Board of Managers.

BioSafe had revenues of approximately \$3,300,000 for fiscal 2001 and \$2,800,000 for fiscal 2000. Steady and consistent progress has been made with respect to establishing an algaecide/fungicide product into the commercial greenhouse/nursery market. Slower progress has been experienced with respect to introducing such products to the golf course industry.

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### (3) CORPORATE SEGMENT

#### GENERAL

Consulier's Corporate Segment includes management and finance activities as well as consulting, engineering, new product development and business management. Wholly owned subsidiaries include Southeast, C-6 and a small leasing company named Consulier Business Services, Inc.

#### (3) (a) CONSULIER BUSINESS SERVICES, INC.

Consulier Business Services, Inc. is a wholly owned subsidiary involved in the leasing of various machinery and equipment used in the engine repair and overhaul business. Assets and revenues are not material, and corporate staff operates the business.

#### (4) HOUSEHOLD AND TOOL PRODUCTS

In April 1997 C-6 Products, Inc. purchased six patents for tool and ladder related products. The patents are for work platform and tool holding attachments to ladders. Initial development was launched in April 1997 of a product that attaches to a standard stepladder, converting it into a handy work platform for standard household chores, which is the present day Tool Topper(TM) Workstation and related accessories. The design and development was completed in 1998. C-6 contracted with Gugel Enterprise, Inc. for marketing services necessary to sell and distribute the Tool Topper Workstation. An aggressive marketing campaign was scheduled for 1999, including attendance at numerous trade shows, advertising, and Internet related sales and promotions.

On August 30, 1999, the Company terminated the sales and marketing contract with Gugel Enterprises, Inc., due to pre-established sales quotas not being achieved. The sales and marketing of the Tool Topper has been taken over by the in-house sales personnel at Consulier. On June 30, 2000, Tool Topper inventory and tooling were written down based on the unit's failure to meet expected sales and income goals.

#### ITEM 2. DESCRIPTION OF PROPERTY

In May 2000, Consulier moved its headquarters to Riviera Beach, Florida occupying approximately 500 square feet of office space in a building owned by Mosler.

Southeast owns a 47,000 square foot industrial warehouse in Medley, Florida. Its automotive distribution business occupies approximately 35,000 square feet and offices for its financial, marketing and administrative personnel occupy 2,000 square feet. Southeast leases approximately 10,000 square feet of the building to an automotive engine component manufacturer as a distribution center. In March, 1998 a three-year lease was entered into at \$4,200 per month, which was

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renewed, in March 2001, for three years at \$4,500 per month.

### ITEM 3. LEGAL PROCEEDINGS

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

On March 22, 2001, the District Court for the Southern District of Florida entered an omnibus Order Granting Plaintiff's Motion for Summary Declaratory Judgment and a Final Declaratory Judgment in favor of the Company's subsidiary, Southeast Automotive Acquisition Corporation, against American States Insurance Company, declaring that the subject insurance contract between the parties covers the loss due to all damages, including water damage caused by Hurricane Irene on October 15, 1999. In June 2001, Consulier reached settlement, which resulted in a \$1.75 million recovery.

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

The election of five directors and the approval of independent auditors were submitted to a vote of shareholders at the Company's Annual Meeting held February 5, 2002. Warren B. Mosler, Alan R. Simon, Charles E. Spaeth, Burck E. Grosse and Skender Fani were elected upon receipt of the following votes: for 4,701,748, against -0-, and 80 shares abstaining. BDO Seidman, LLP was approved as independent auditors by a vote for of 4,701,748, against -0-, and 80 shares abstaining.

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## PART II

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

#### MARKET PRICE AND DIVIDENDS

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

YEAR ENDED DECEMBER 31, 2001:

|                | High<br>---- | Low<br>--- |
|----------------|--------------|------------|
| First quarter  | \$2.25       | \$1.625    |
| Second quarter | 2.19         | 2.00       |
| Third quarter  | 2.20         | 2.00       |
| Fourth quarter | 2.24         | 2.09       |

YEAR ENDED DECEMBER 31, 2000:

| High<br>---- | Low<br>--- |
|--------------|------------|
|--------------|------------|

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|                |          |          |
|----------------|----------|----------|
| First quarter  | \$2.8750 | \$1.1560 |
| Second quarter | 2.3750   | 1.2500   |
| Third quarter  | 1.7660   | 1.4380   |
| Fourth quarter | 2.0000   | 1.4380   |

As of March 18, 2002 there were approximately 62 record holders of Consulier's common stock. To date, Consulier has not paid any dividends on its common stock. Because of the financial requirements of the Company, the Board of Directors has no current intention to commence paying dividends. Future dividend policy will depend upon Consulier's profitability, capital requirements and other factors.

### NASDAQ LISTING

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

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

#### CRITICAL ACCOUNTING POLICIES

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

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

#### PARTNERSHIP INVESTMENTS AND LIMITED LIABILITY COMPANY

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

#### REVENUE RECOGNITION

Sales are recorded upon shipment of goods to customers.

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

#### USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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Actual results could differ from those estimates.

### RESULTS OF OPERATIONS

CONSOLIDATED OPERATING RESULTS - During the twelve months ended December 31, 2001, sales increased \$140,844, to \$3,183,254, over the prior twelve months. Cost of goods sold decreased \$193,283, to \$1,917,951, from the comparable amounts recorded during the twelve months ended December 31, 2000. Gross profit for the twelve months ended December 31, 2001 increased \$334,127 over the twelve months ended December 31, 2000. The reductions in selling, general and administrative costs were primarily as a result of reducing the number of employees at Southeast Automotive from 20 to 12 employees. The impairment loss in 2000 of \$472,727 was not repeated in 2001. When these factors are combined they resulted in a \$955,797 decrease in operating loss, from \$1,552,096 in 2000 to \$596,299 in 2001.

Interest expense declined \$235,598 due to the reduction in notes payable banks and the partial redemption of bonds payable.

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Other income, consisting primarily of investment income, interest income/expense, and insurance recovery increased \$2,246,818, from \$854,410 in 2000 to \$3,101,228 in 2001, primarily attributable to an insurance recovery of \$1.75 million in 2001 against a \$507,000 casualty loss in 2000. Income before income taxes increased \$3,202,615 from a loss of \$697,686 in 2000 to income of \$2,504,929 in 2001.

The effective tax rate increased to approximately 37% in 2001 from 25% in 2000 due to the prior utilization of net operating loss carry forward amounts.

Consulier's consolidated income for the year ended December 31, 2001 was \$1,589,629, or \$0.32 basic and diluted loss per share compared to a loss of (\$522,066), or (\$0.11) basic and diluted loss per share for 2000.

AUTOMOTIVE PARTS DISTRIBUTION - Net sales of Consulier's Southeast automotive parts distribution segment represented 96% and 99% of Consulier's net sales in 2001 and 2000 respectively. This segment's sales increased 1% or \$32,654 in 2001 to \$3,060,414 compared to \$3,027,760 in 2000.

The automotive parts distribution segment had income before income taxes of \$1,581,067 in 2001 compared to a loss before income taxes of \$576,462 in 2000. This segment recovered \$1,750,000 in 2001 as a result of the casualty loss in the amount of \$1,092,586 caused by Hurricane Irene, which made landfall in Miami (location of Southeast) on October 15, 1999. The Company suffered extreme hurricane damage resulting in destruction of a large portion of its inventory, damage to its equipment and physical plant, and suffered other damage. The majority of the damage was to the CRA-Z Soap inventory, as a direct result of the intense rain that caused substantial flooding. Upon further inspection and evaluation during the latter part of April 2000, management estimated that the remaining CRA-Z Soap located at Southeast was unsaleable. The \$506,937 change in estimate, representing the remaining CRA-Z Soap inventory held at Southeast, plus additional disposal costs, was recorded as a casualty loss during the three months ended March 31, 2000.

In October 2000, excessive rains flooded Southeast's warehouse. The Company suffered damage to inventory items, furniture and the building. Expenses were recorded for clean-up and an insurance claims consultant that handled the filing

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of the claim.

HOUSEHOLD AND TOOL PRODUCTS - During the second quarter of 2000, based upon the lack of significant product sales of the C-6 Products, Inc. product line (Tool Topper Laddertop Workstation), management determined that the remaining inventory should be written down by \$266,255 and the tooling for the product had suffered an impairment loss of \$472,727. The write-down was based upon the unit's failure to meet expected sales and income goals.

INVESTMENT IN AVM - Investment income from Consulier's AVM limited partnership interest was \$1,186,343 in 2001, a 5.5% increase from 2000 income of \$1,124,247. This represents annualized returns of 57% and 55%, respectively, on Consulier's average investment during each year.

INVESTMENT IN BIOSAFE - Equity in income of BioSafe was \$39,861 in 2001, a 64% decrease over 2000 income of \$111,912. This represents the Company's 40% interest in BioSafe's net income of approximately \$100,000 in 2001, compared to \$280,000 in 2000.

### OUTLOOK FOR 2002

Based on AVM's recent operations and operating results over the past five years, management expects continued annualized returns in 2002 on Consulier's limited partnership investment. However, there is no guarantee that the returns of 57% and 55% in 2001 and 2000, respectively, will be maintained.

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Sales in the automotive parts distribution segment are expected to increase in 2002 due to the reorganization of the sales department and training of salespeople, strengthening of existing product lines, and increased marketing and promotion. Southeast is scheduled to attend numerous trade shows in key locations around the world to promote and sell its products.

In December 2000, Consulier entered into a multi-year strategic alliance and distribution agreement with Norpak Manufacturing Inc. (Norpak) of Toronto, Canada and its related company Veridien Corp. (Veridien) of St. Petersburg, Florida. Veridien has a full line of top quality cleaning products that they manufacture and distribute to national and regional retailers and distributors.

Norpak also with a full line of cleaning products and retail as well as distribution sources, has been contracted to be the main distributor for the soap in Canada. Norpak is responsible for the sales, marketing, retailing and distribution of the soap in Canada. These agreements include pricing schedules for products at distributorship levels.

Veridien and Norpak are working with Consulier to launch the product to national and regional retailers and major distributors.

In addition to the above, Consulier maintains a sales and marketing department developing new retail and distribution outlets nationally and internationally. There are several trade shows scheduled for marketing the soap throughout 2002 and the internet web site continues to be a good lead generator with applications for distribution being received through the site from countries all over the world.

### LIQUIDITY AND CAPITAL RESOURCES

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At December 31, 2001, Consulier's cash totaled \$150,032 as compared to \$418,634 at December 31, 2000, a decrease of \$268,602. Net cash provided in operations was \$1,322,796 in 2001, compared to net cash used of \$231,322 in 2000. The increase in cash provided by operations is due primarily to a change from a net loss of \$522,066 in 2000 to net income of \$1,589,629 in 2001, of which \$1,750,000 is the result of an insurance recovery.

Net cash used in investing activities was \$43,717 in 2001, compared to net cash provided by investing activities of \$2,712,625 in 2000. The decrease is primarily the result of \$1,812,331 of related party loan proceeds in 2000, compared to an increase in due from principal shareholder of \$1,232,182 in 2001.

Net cash used in financing activities was \$1,547,681 primarily for partial repayments of bonds payable of \$500,000 and approximately \$1,048,000 of bank loan repayments compared to cash used of \$2,142,766 in 2000, primarily due to repayments of notes payable of \$2,120,000. Bank indebtedness was retired during 2001 with the insurance proceeds received.

The ability of Consulier to continue to generate cash flow in excess of its operating requirements depends in the short term almost entirely on the performance of its limited partnership investment in AVM. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return experienced in the period the AVM limited partnership interest has been owned. However, Consulier does not expect that the rate of return will decline to the point where Consulier has negative cash flow. Furthermore, although AVM has given Consulier no indication of any intention on its part to redeem the partnership interest, there can be no assurance that AVM will not do so in the future.

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During 2001, a significant portion of the Company's excess cash funds was advanced to Mr. Warren Mosler under demand receivables.

Below is a chart setting forth the Company's contractual cash payment obligations, which have been aggregated to facilitate a basic understanding of the Company's liquidity as of December 31, 2001.

### PAYMENTS DUE BY PERIOD

| Contractual<br>Obligations<br>-----   | Total<br>-----     | Less Than<br>1 Year<br>----- | 1 - 3<br>Years<br>----- | 4 - 5<br>Years<br>----- |
|---------------------------------------|--------------------|------------------------------|-------------------------|-------------------------|
| Bonds Payable                         | \$308,380<br>----- | \$ --<br>----                | \$ 308,380<br>-----     | \$ --<br>----           |
| TOTAL CONTRACTUAL<br>CASH OBLIGATIONS | \$308,380<br>===== | \$ --<br>=====               | \$308,380<br>=====      | \$ --<br>=====          |

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On April 16, 2002, the Company entered into agreement granting a line of credit of up to \$900,000 to Asset Assistance Group, LLC. The line of credit expires one year from April 16, 2002 and has \$175,000 outstanding at April 16, 2002. Sources for funding the line of credit will be investment income from AVM and repayments of outstanding amounts/advances by the principal shareholder.

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

### IMPACT OF INFLATION AND CHANGING PRICES

Management does not consider the impact of inflation on Consulier's operations to be material. The operating segments of its businesses had inventories of approximately \$1.1 million as of December 31, 2001. 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. Interest rates on bond indebtedness are fixed and, therefore, are not impacted by inflationary rate increases, while rates on notes payable and notes receivable are floating and should move with inflation.

### FORWARD LOOKING STATEMENTS

Statements made in this Management's Discussion and Analysis and elsewhere in this Annual Report that state Consulier's or management's intentions, hopes, beliefs, expectations or predictions of the future contain forward looking statements. Such forward looking statements include, without limitation, statements regarding Consulier's planned capital expenditure requirements, cash and working capital requirements, Consulier's expectations regarding the adequacy of current financing arrangements, product

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demand and market growth, other statements regarding future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. It should be noted that Consulier's actual results could differ materially from those contained in such forward looking statements mentioned above due to adverse changes in any number of factors that affect Consulier's business including, without limitation, risks associated with investing in BioSafe and AVM and the marketing of Consulier's Tool Topper(TM) and CRA-Z Soap products, manufacturing and supply risks, risks concerning the protection of Consulier's patents, reliance upon distributors, regulatory risks, risks of expansion, product liability and other risks described herein.

### ITEM 7. FINANCIAL STATEMENTS

See index to Financial Statements on page F-1.

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

Not applicable.

## PART III

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

## DIRECTORS

| Director Name       | Age | Since | Positions and Offices Held and<br>Principal Occupation or Other Employment<br>During the Past Five Years                                                                                                                                                                                                                                |
|---------------------|-----|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| -----               | --- | ----- | -----                                                                                                                                                                                                                                                                                                                                   |
| Warren B. Mosler    | 52  | 1985  | Chairman of the Board, 1985 to present. President and Chief Executive Officer, June 1985 to May 1994. In February 1999, Mr. Mosler reassumed the positions of President and Chief Executive Officer. Principal in AVM, L.P., a broker/dealer engaged in arbitrage and government securities trading, 1983 to present.                   |
| Alan R. Simon, Esq. | 51  | 1985  | General Counsel, Treasurer and Secretary since November 2001. 1982 to present, private practice of law in Palm Beach Gardens, Florida.                                                                                                                                                                                                  |
| Charles E. Spaeth   | 78  | 1992  | Chief Engineer 1992 to present. Project Engineer, Pratt & Whitney Aircraft, 1949 to 1990. Last position - responsible for directing product design support functions in areas of structural analytical methods, life prediction methods, mission definition and component design verification.                                          |
| Burck E. Grosse     | 72  | 1992  | 1991 to present, President, BG Consulting Group, Inc. July 1987 to 1991, Senior Vice President, Lear Group, Inc., general contracting firm. 1948 to 1987, General Motors Corporation. Last position General Director, Technical Service; responsible for coordination of all technical service functions for GM car and truck division. |
| Dr. Skender Fani    | 62  | 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.                                                                  |

No family relationships exist among the directors and officers of Consulier.

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Messrs. Mosler and Simon have been directors since the inception.

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

Alan R. Simon, 51, is a director, and has served as the Corporation's General Counsel and its Secretary-Treasurer since November 2001. He has been in the private practice of law in Boca Raton, Florida since 1982, and has relocated his practice to Palm Beach Gardens, Florida in 2001.

Bernardo Davila, 50, has served as President and CEO of Southeast Automotive Acquisition Corporation since 1991. In 1980 Mr. Davila founded Southeast Automotive Parts, Inc. of Dade which was purchased by Consulier in 1991. From 1971 to 1980 Mr. Davila was in management at Carfel, Inc., an importer of automotive parts.

### 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<br>Principal Position<br>-----                          | Fiscal<br>Year<br>----- | Salary<br>-----                     | All Other<br>Compensation<br>----- |
|------------------------------------------------------------------|-------------------------|-------------------------------------|------------------------------------|
| Warren B. Mosler,<br>Chairman of the Board,<br>President and CEO | 2001<br>2000<br>1999    | \$ 75,000<br>\$ 75,000<br>\$ 75,000 | \$ --<br>\$ --<br>\$ --            |
| Bernardo Davila<br>President and CEO<br>Of Subsidiary            | 2001<br>2000<br>1999    | (1)<br>(1)<br>\$ 85,000             | \$ --<br>\$ --<br>\$ 17,383 (2)    |

(1) Total annual salary and bonus was less than \$100,000.

(2) Amount primarily consists of automobile allowance and life insurance premiums.

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

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## OPTION/SAR GRANTS IN LAST FISCAL YEAR

There were no stock options/SARs granted to executive officers during 2001 requiring disclosure.

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

There were no stock options/SARs exercised during 2001 and no stock options/SARs outstanding at December 31, 2001.

## 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 2000 and 2001 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.

## COMPENSATION OF DIRECTORS

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

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## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following officers and directors of Consulier beneficially own the indicated number of shares of Common Stock of Consulier as of December 31, 2001:

| Title Of Class<br>----- | Name and Address<br>of Beneficial Owner<br>-----                                | Amount and Nature<br>Of Beneficial<br>Ownership<br>----- |
|-------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------|
| Common Stock            | Warren B. Mosler<br>1020 Fairview Lane<br>Singer Island, Fl 33404               | 4,241,854                                                |
| Common Stock            | Alan R. Simon<br>3980 RCA Boulevard, Suite 8012<br>Palm Beach Gardens, FL 33420 | 180,000 (1)                                              |
| Common Stock            | Burck E. Grosse<br>11 Huntly Circle                                             | 10,000                                                   |

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Palm Beach Gardens, FL 33418

|              |                                                               |           |
|--------------|---------------------------------------------------------------|-----------|
| Common Stock | Bernardo Davila<br>7575 NW 74th Avenue<br>Miami, FL 33166     | 45,850    |
| Common Stock | Charles Spaeth<br>13 Paddock Circle<br>Tequesta, FL 33469     | 10,000    |
|              | All directors and executive<br>Officers as a group (6 people) | 4,307,704 |

- (1) Consists of options to acquire shares of Consulier common stock from Mr. Mosler at \$1.25 per share.
- (2) Does not exceed one (1%) percent of the class.

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### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### AVM PROPERTIES LIMITED PARTNERSHIP LEASE OF OFFICE SPACE

Consulier leased approximately 750 square feet of office space located in Tequesta, Florida from AVM Properties, Ltd. on a month-to-month basis, at \$663 per month, which management believed to be at competitive market rates. In May 2000, Consulier moved its headquarters to Riviera Beach, Florida occupying approximately 500 square feet of office space in a building owned by Warren B. Mosler, Consulier's Chairman of the Board, President and CEO.

#### SALE OF AUTOMOBILE OPERATIONS

In consideration of the sale of Consulier's automobile manufacturing business in 1990, MACC executed a promissory note for \$750,000, which note was personally guaranteed by Mr. Mosler. This note, which has an interest rate of one month U.S. Dollar London Interbank Offering Rate (LIBOR), will mature on May 11, 2003. It had an unpaid balance of \$430,559 at December 31, 2001, plus accrued interest of \$28,487.

#### SALE AND LEASEBACK OF REAL ESTATE

In December 1989, Consulier engaged in a sale and partial leaseback of real estate to Mr. Mosler, subject to existing bond indebtedness collateralized by the property. This real estate is located in Riviera Beach, Florida. In consideration for the property, Mr. Mosler signed a promissory note, which was to mature in December 2001, of \$2,500,000 with interest at one month LIBOR. In 2001, the maturity date was extended to December 2003.

Simultaneously with the execution of the sale, Consulier entered into a lease with Mr. Mosler for approximately 25,000 square feet of space at an annual gross rental of \$4.00 per square foot. This lease was subsequently reduced to 6,000 square feet when Consulier sold its automobile operations. The lease was terminated in 1994.

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On November 1st, 14th and 16th 2000, Mr. Mosler made payments totaling \$2,000,000 reducing interest and principal owed on this promissory note. The balance of principal and interest at December 31, 2001 and 2000 was \$1,748,357.

During October 2000, Mr. Mosler purchased outstanding bonds previously issued by the Company from a third-party bondholder at face value of \$680,000. On July 2, 2001, the Company redeemed \$500,000 of Mr. Mosler's bonds. These bonds continue to carry a due date of 2004 with interest of 8% per annum, payable quarterly.

### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - See index to Exhibits in this report on page E-1.

(b) No reports on Form 8-K were filed during the last quarter of the period covered by this report.

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### 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 25, 2002

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<br>----                                      | Title<br>-----                                                               | Date<br>----   |
|---------------------------------------------------|------------------------------------------------------------------------------|----------------|
| /s/ Warren B. Mosler<br>-----<br>Warren B. Mosler | Chairman of the Board of Directors,<br>President and Chief Executive Officer | April 25, 2002 |
| /s/ Alan R. Simon<br>-----<br>Alan R. Simon       | Secretary, Treasurer<br>Corporate Counsel                                    | April 25, 2002 |
| /s/ Charles E. Spaeth                             | Director                                                                     | April 25, 2002 |

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-----  
Charles E. Spaeth

/s/ Burck E. Grosse                      Director

April 25, 2002

-----  
Burck E. Grosse

/s/ Skender Fani                      Director

April 25, 2002

-----  
Skender Fani

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### FORM 10-KSB ITEM 7 FINANCIAL STATEMENTS

#### Financial Statements:

|                                                                                                        |     |
|--------------------------------------------------------------------------------------------------------|-----|
| Report of Independent Certified Public Accountants.....                                                | F-2 |
| Consolidated Balance Sheets at December 31, 001 and 2000.....                                          | F-3 |
| Consolidated Statements of Operations for the<br>years ended December 31, 2001 and 2000.....           | F-4 |
| Consolidated Statements of Stockholders' Equity<br>for the years ended December 31, 2001 and 2000..... | F-5 |
| Consolidated Statements of Cash Flows for the<br>years ended December 31, 2001 and 2000.....           | F-6 |
| Notes to Consolidated Financial Statements.....                                                        | F-7 |

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#### REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Consulier Engineering, Inc. and subsidiaries as of December 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity and cash flows for the 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and

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perform the audit 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. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consulier Engineering, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

West Palm Beach, Florida  
BDO SEIDMAN, LLP  
April 19, 2002

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### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### CONSOLIDATED BALANCE SHEETS

|                                                    | December 31,<br>2001<br>----- | Decembe<br>200<br>----- |
|----------------------------------------------------|-------------------------------|-------------------------|
| ASSETS                                             |                               |                         |
| Current:                                           |                               |                         |
| Cash                                               | \$ 150,032                    | \$ 41                   |
| Receivables, net (Note 2)                          | 560,848                       | 1,21                    |
| Due from principal shareholder (Note 11 (d))       | 1,232,182                     |                         |
| Receivables - related parties (note 11(a) and (c)) | 67,693                        | 46                      |
| Inventories (Note 3)                               | 1,137,168                     | 1,16                    |
| Deferred income taxes (Note 8)                     | 158,800                       | 17                      |
| Other current assets                               | 38,550                        | 3                       |
|                                                    | -----                         | -----                   |
| TOTAL CURRENT ASSETS                               | 3,345,273                     | 3,46                    |
| Property and equipment, net (Note 4)               | 1,355,466                     | 1,43                    |
| Limited partnership interests (Note 5)             | 2,531,379                     | 2,49                    |
| Notes receivable - related parties (Note 11 (c))   | 1,420,714                     | 99                      |
| Deferred income taxes (Note 8)                     | 35,025                        | 22                      |
|                                                    | -----                         | -----                   |
|                                                    | \$ 8,687,857                  | \$ 8,61                 |
|                                                    | =====                         | =====                   |

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### LIABILITIES:

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## CURRENT :

|                                    |            |         |
|------------------------------------|------------|---------|
| Accounts payable and accruals      | \$ 232,330 | \$ 1,00 |
| Income taxes payable (Note 8)      | 710,297    |         |
| Notes payable - banks (Note 6 (a)) | 0          | 1,04    |
| Notes payable - related parties    | 65,693     |         |
|                                    | -----      | -----   |
| TOTAL CURRENT LIABILITIES          | 1,008,320  | 2,05    |
| Bonds payable                      | 308,380    | 79      |
| TOTAL LIABILITIES                  | 1,316,700  | 2,84    |

## STOCKHOLDERS' EQUITY (Note 9): Common stock of \$.01 par value:

|                                               |              |         |
|-----------------------------------------------|--------------|---------|
| Authorized --- 25,000,000 shares;             |              |         |
| Issued --- 5,198,298 shares                   | 51,983       | 5       |
| Additional paid-in capital                    | 3,110,700    | 3,11    |
| Retained earnings                             | 4,780,265    | 3,19    |
|                                               | -----        | -----   |
|                                               | 7,942,948    | 6,35    |
| Less: Treasury stock at cost - 247,148 shares | (468,363)    | (46     |
| Other comprehensive loss                      | (26,888)     | (3      |
| Notes receivable for common stock             | (76,540)     | (7      |
|                                               | -----        | -----   |
| TOTAL STOCKHOLDERS' EQUITY                    | 7,371,157    | 5,77    |
|                                               | -----        | -----   |
|                                               | \$ 8,687,857 | \$ 8,61 |
|                                               | =====        | =====   |

See accompanying notes to consolidated financial statements.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS

|                                     | Year Ended<br>December 31, |         |
|-------------------------------------|----------------------------|---------|
|                                     | 2001                       | 200     |
|                                     | -----                      | -----   |
| Revenues:                           |                            |         |
| Net sales (Note 12)                 | \$ 3,183,254               | \$ 3,04 |
|                                     | -----                      | -----   |
| OPERATING COSTS AND EXPENSES:       |                            |         |
| Cost of goods sold                  | 1,917,951                  | 2,11    |
| Selling, general and administrative | 1,861,602                  | 2,01    |
| Loss on impaired assets (Note 4)    | 0                          | 47      |
|                                     | -----                      | -----   |

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|                                                      |              |        |
|------------------------------------------------------|--------------|--------|
| TOTAL OPERATING COSTS AND EXPENSES                   | 3,779,553    | 4,59   |
|                                                      | -----        | -----  |
| OPERATING LOSS                                       | (596,299)    | (1,55  |
|                                                      | -----        | -----  |
| OTHER INCOME (EXPENSE):                              |              |        |
| Investment income - related parties (Note 5)         | 1,186,343    | 1,12   |
| Interest income - related parties                    | 107,584      | 26     |
| Interest expense                                     | (81,761)     | (31    |
| Casualty loss (recovery) (Notes 3 and 15)            | 1,750,000    | (50    |
| Undistributed income of equity investee (Note 5)     | 39,861       | 11     |
| Other income                                         | 99,202       | 17     |
|                                                      | -----        | -----  |
| TOTAL OTHER INCOME                                   | 3,101,228    | 85     |
|                                                      | -----        | -----  |
| Income (loss) before income taxes                    | 2,504,929    | (69    |
| Income tax provision (benefit)                       | 915,300      | (17    |
|                                                      | -----        | -----  |
| NET INCOME (LOSS)                                    | \$ 1,589,629 | (\$ 52 |
|                                                      | =====        | =====  |
| BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (NOTE 4) | \$ 0.32      | (\$    |
|                                                      | =====        | =====  |

See accompanying notes to consolidated financial statements.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

|                          | Common Stock |          | Treasury Stock |             | Addi-<br>tional<br>Paid-in<br>Capital | Retained<br>Earnings |
|--------------------------|--------------|----------|----------------|-------------|---------------------------------------|----------------------|
|                          | Shares       | Amount   | Shares         | Amount      |                                       |                      |
| Balance, January 1, 2000 | 5,137,066    | \$51,371 | (247,148)      | (\$468,363) | \$3,034,772                           | \$3,712,702          |

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## Comprehensive Loss:

|                                                                |           |          |           |              |             |             |
|----------------------------------------------------------------|-----------|----------|-----------|--------------|-------------|-------------|
| Net Loss                                                       | --        | --       | --        | --           | --          | (522,066)   |
| Unrealized loss on marketable securities, net of tax           | --        | --       | --        | --           | --          | --          |
| Total comprehensive loss                                       |           |          |           |              |             |             |
| Exercise of stock options (Note 9(a))                          | 61,232    | 612      | --        | --           | 75,928      | --          |
| Balance, December 31, 2000                                     | 5,198,298 | 51,983   | (247,148) | (468,363)    | 3,110,700   | 3,190,636   |
| Comprehensive Income:                                          |           |          |           |              |             |             |
| Net income                                                     |           |          |           |              |             | 1,589,629   |
| Change in unrealized loss on marketable securities, net of tax | --        | --       | --        | --           | --          | --          |
| Total comprehensive income                                     |           |          |           |              |             |             |
| Balance, December 31, 2001                                     | 5,198,298 | \$51,983 | (247,148) | \$ (468,363) | \$3,110,700 | \$4,780,265 |

See accompanying notes to consolidated financial statements.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

|                                                                            | Year Ended December 31 |             |
|----------------------------------------------------------------------------|------------------------|-------------|
|                                                                            | 2001                   | 2000        |
| OPERATING ACTIVITIES:                                                      |                        |             |
| Net Income (loss)                                                          | \$ 1,589,629           | (\$ 52,066) |
| Adjustments to reconcile net income (loss) to net cash used in operations: |                        |             |
| Depreciation                                                               | 108,961                | 108,961     |
| Amortization                                                               | 15,540                 | 15,540      |
| Provision (recovery) for doubtful accounts                                 | (31,303)               | (31,303)    |
| Provision for obsolete inventory                                           | 0                      | 0           |
| Undistributed income of equity investee                                    | (39,861)               | (39,861)    |
| Investment income - related party                                          | (1,186,343)            | (1,186,343) |

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|                                                             |             |       |
|-------------------------------------------------------------|-------------|-------|
| Casualty loss                                               | 0           | 50    |
| Impairment loss                                             | 0           | 47    |
| Deferred income taxes                                       | 205,000     | (17   |
| Changes in operating assets and liabilities:                |             |       |
| Decrease (increase) in receivables and other current assets | 695,569     | (20   |
| (Increase) decrease in inventories                          | 30,625      | (13   |
| Increase in income tax payable                              | 710,297     |       |
| (Decrease) increase in accounts payable and accruals        | (770,207)   | 57    |
|                                                             | -----       | ----- |
| NET CASH PROVIDED BY (USED) IN OPERATING ACTIVITIES         | 1,327,907   | (23   |
|                                                             | -----       | ----- |
| INVESTING ACTIVITIES:                                       |             |       |
| Property and equipment additions, net of dispositions       | (26,242)    | (3    |
| Distributions from partnership interest                     | 1,181,232   | 93    |
| Increase in related party loans                             | 28,364      | 1,81  |
| Increase in due from principal shareholder                  | (1,232,182) |       |
|                                                             | -----       | ----- |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES         | (48,828)    | 2,71  |
|                                                             | -----       | ----- |
| FINANCING ACTIVITIES:                                       |             |       |
| Net repayments of bank and other loans                      | (1,047,681) | (2,12 |
| Payments on bond payable                                    | (500,000)   |       |
| Repayments, borrowings of related parties                   | 0           | (2    |
|                                                             | -----       | ----- |
| NET CASH USED IN FINANCING ACTIVITIES                       | (1,547,681) | (2,14 |
|                                                             | -----       | ----- |
| (DECREASE) INCREASE IN CASH                                 | (268,602)   | 33    |
| CASH, BEGINNING OF YEAR                                     | 418,634     | 8     |
|                                                             | -----       | ----- |
| CASH, END OF YEAR                                           | \$ 150,032  | \$ 41 |
|                                                             | =====       | ===== |

See accompanying notes to consolidated financial statements.

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CONSULIER ENGINEERING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

## Edgar Filing: CONSULIER ENGINEERING INC - Form 10KSB/A

### NOTE 1 - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consulier Engineering, Inc. (Consulier) and its subsidiaries are engaged in four primary businesses: the distribution of Captain CRA-Z Soap, sales of automobile parts in the automotive after-market, investment activities and other activities.

The parts distribution business is conducted through a wholly-owned subsidiary, Southeast Automotive Acquisition Corporation (Southeast).

Consulier's investment income is derived from a limited partnership interest (see Notes 5 and 12) in AVM, L.P. (AVM), an Illinois limited partnership. 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.

### BASIS OF PRESENTATION

The consolidated financial statements include Consulier and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

### INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market.

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line and declining balance methods over estimated useful lives or related lease terms, as appropriate. Depreciation for income tax purposes is computed using declining balance methods over statutory lives.

The Company reviews the carrying values of its long-lived and identifiable intangible assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

### PARTNERSHIP INVESTMENTS AND LIMITED LIABILITY COMPANY

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

### LONG-LIVED ASSETS - IMPAIRMENTS AND DISPOSALS

The Company reviews the carrying values of its long-lived assets, including its partnership and limited liability investments, for possible impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable through the estimated undiscounted future cash flows resulting from the use of these assets. At December 31, 2001, no long-lived assets were held for disposal.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### REVENUE RECOGNITION

Sales are recorded upon shipment of goods to customers. Shipping and handling costs billed to customers are included in sales when the goods are shipped to customers. Shipping and handling expenses incurred by the Company are recorded as selling expenses, and are classified in the caption selling, general and administrative expenses in the accompanying consolidated statements of operations. Shipping and handling costs totaled \$39,600 and \$39,800 in 2001 and 2000, respectively.

### STOCK-BASED COMPENSATION

The Company accounts for stock based compensation as set forth in Accounting Principles Board (APB) 25, "Accounting for Stock Issued to Employees," and related interpretations, and discloses the pro forma effect on net income and earnings per share of adopting the full provisions of Statement of Financial Accounting Standards (SFAS) 123 "Accounting for Stock-Based Compensation." Accordingly, the Company has elected to continue using APB 25 and has disclosed in the footnotes pro forma income (loss) and earnings (loss) per share information as if the fair value method has been applied.

### ADVERTISING COSTS

Advertising costs of \$94,986 and \$120,042 in 2001 and 2000 were expensed as incurred.

### INCOME TAXES

The Company and its subsidiaries file a consolidated Federal income tax return. Income taxes are calculated using the liability method specified by SFAS 109, "Accounting for Income Taxes." Deferred income taxes are provided for temporary differences arising from differences between financial statement and income tax basis of assets and liabilities.

### USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

### RECLASSIFICATIONS

Certain amounts in the 2000 financial statements have been reclassified to conform to 2001 presentation.

### FAIR VALUE OF FINANCIAL INSTRUMENTS

Consulier's financial instruments approximate estimated fair value as of December 31, 2001 and 2000.

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CONSULIER ENGINEERING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB finalized FASB Statements No. 141, "Business Combinations" (SFAS 141), and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interest method of accounting for business combinations initiated after June 30, 2001. SFAS 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS 142, that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS 141.

SFAS 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS 142 requires that the Company identify reporting units for the purpose of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangibles assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at that date, regardless of when those assets were initially recognized. SFAS 142 requires the Company to complete transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142. The impact of the adoption of SFAS 141 and SFAS 142 on the Company's financial position and results of operations is not expected to be material.

In October 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which resolves significant implementation issues related to FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and supersedes the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a business segment. SFAS 144 is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. The impact of adoption of SFAS 144 on the Company's financial position and results of operations is not expected to be material.

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CONSULIER ENGINEERING, INC.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NET INCOME (LOSS) PER COMMON SHARE

Net income (loss) per common share is calculated according to SFAS 128, "Earnings Per Share," which requires companies to present basic and diluted earnings per share. Net income (loss) per common share - basic is based on the weighted average number of common shares outstanding during the year. Net income (loss) per common share - diluted is based on the weighted average of common shares and dilutive potential common shares outstanding during the year.

Certain common stock options and common stock warrants are excluded from the computations of net income (loss) per share for the year ended December 31, 2000, because the effect of their inclusion would be antidilutive.

### SEGMENT INFORMATION

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has four reportable segments: automotive parts distribution, household and tool products, investments, and corporate. The automotive parts distribution segment distributes after-market automotive and truck parts to wholesale markets. The household and tool products segment is engaged in sales of tool and ladder related products. The investments segment maintains investment interests in an investment limited partnership and a limited liability company. The corporate segment is engaged in management of the business and finance activities.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NOTE 2 - RECEIVABLES

Receivables consist of the following:

|                                              | 2001<br>----- | 2000<br>----- |
|----------------------------------------------|---------------|---------------|
| Capital and income distribution due from AVM | \$ 67,428     | \$ 62,317     |
| Trade accounts                               | 520,105       | 574,106       |
| Employee advances and other receivables      | 30,012        | 44,310        |

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|                                            |            |              |
|--------------------------------------------|------------|--------------|
| Insurance claim receivable (a)             | --         | 621,234      |
|                                            | -----      | -----        |
|                                            | 617,545    | 1,301,967    |
| Less allowance for doubtful trade accounts | (56,697)   | (88,000)     |
|                                            | -----      | -----        |
|                                            | \$ 560,848 | \$ 1,213,967 |
|                                            | =====      | =====        |

(a) During October 2000, the Company experienced destruction of inventory, damage to furniture, equipment and physical plant due to water damage caused by excessive rains. An insurance claim was filed, and insurance proceeds of \$621,234 were received in January 2001.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NOTE 3 - INVENTORIES

Inventories are summarized as follows:

|                      | December 31, |              |
|----------------------|--------------|--------------|
|                      | -----        | -----        |
|                      | 2001         | 2000         |
|                      | -----        | -----        |
| Raw materials        | \$ 5,719     | \$ 3,869     |
| CRA-Z Soap           | 24,123       | 62,339       |
| Finished goods       | 1,237,326    | 1,231,585    |
| Obsolescence Reserve | (130,000)    | (130,000)    |
|                      | -----        | -----        |
|                      | \$ 1,137,168 | \$ 1,167,793 |
|                      | =====        | =====        |

During June 2000, based upon the lack of significant product sales of the C-6 Products, Inc. product line (Tool Topper Laddertop Workstation), management determined that the remaining inventory should be written down by \$266,255 which is included in cost of goods sold in the accompanying 2000 consolidated statement of operations.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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YEARS ENDED DECEMBER 31, 2001 AND 2000

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

|                                                | Range of<br>Useful Lives<br>----- | 2001<br>----- |
|------------------------------------------------|-----------------------------------|---------------|
| Building and improvements                      | 30 yrs                            | \$830,463     |
| Land                                           | N/A                               | 412,000       |
| Machinery and equipment (a)                    | 5 - 7 yrs                         | 661,911       |
| Furniture and fixtures                         | 5 - 7 yrs                         | 204,883       |
| Vehicles                                       | 5 yrs                             | 157,241       |
|                                                |                                   | -----         |
|                                                |                                   | \$2,266,498   |
| Less accumulated depreciation and amortization |                                   | (911,032)     |
|                                                |                                   | -----         |
|                                                |                                   | \$1,355,466   |
|                                                |                                   | =====         |

- (a) During June 2000, based upon the lack of significant product sales of the C-6 Products, Inc. product line (Tool Topper Laddertop Workstation), management determined that the remaining tooling of \$472,727 was impaired. Therefore, such amount was recorded as a reduction of machinery and equipment and included as loss on impaired assets in the accompanying 2000 consolidated statement of operations.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

## NOTE 5- PARTNERSHIP INTEREST AND CONCENTRATION OF CREDIT RISK

The limited partnership interests consist of Consulier's investment in AVM, L.P. and BioSafe Systems, LLC.

### BIOSAFE SYSTEMS, LLC

The Company owns a 40% interest in BioSafe Systems, LLC. Bio Safe Systems, LLC's total assets (unaudited) at December 31, 2001 and 2000 were approximately \$965,000 and \$783,000 respectively. Total revenue was approximately \$3,304,000 in 2001 and \$2,789,000 in 2000. The investment is recorded at \$467,164 and

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\$427,303 at December 31, 2001 and 2000, further, equity in income for 2001 and 2000 was \$39,861 and \$111,912, respectively.

AVM, L.P

Consulier owned approximately 10% of AVM's capital as of December 31, 2001 and 2000. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 8% of AVM's earnings during 2001 and 2000. Under the partnership agreement, Consulier may withdraw all or any portion of its capital account upon 30 days written notice. AVM's general partner may also expel Consulier from the partnership through payment of the balance of Consulier's capital account.

Following is a summary of financial position and results of operations of AVM as of and for the years ended December 31:

|                                        | 2001         | 2000         |
|----------------------------------------|--------------|--------------|
|                                        | -----        | -----        |
| Cash                                   | \$30,287,780 | \$40,016,800 |
| Due from brokers                       | 5,485,366    | 166,730      |
| Securities owned                       | 838,721      | 1,230,670    |
| Investment in affiliate & other assets | 1,261,712    | 1,326,026    |
|                                        | -----        | -----        |
| TOTAL ASSETS                           | \$37,873,579 | \$42,740,226 |
|                                        | =====        | =====        |
| Due to brokers                         | 2,077,100    | 75,219       |
| Customer payables                      | 11,531,437   | 19,797,957   |
| Other liabilities                      | 2,379,347    | 1,109,423    |
| Anticipated partners' withdrawals      | 856,093      | 791,205      |
| Total liabilities                      | 16,843,977   | 21,773,804   |
|                                        | -----        | -----        |
| Partners' capital                      | 21,029,602   | 20,966,422   |
|                                        | -----        | -----        |
| TOTAL LIABILITIES & PARTNERS' CAPITAL  | \$37,873,579 | \$42,740,226 |
|                                        | =====        | =====        |
| Revenue                                | \$35,542,020 | \$29,971,020 |
|                                        | =====        | =====        |
| Net income                             | \$14,898,919 | \$13,845,016 |
|                                        | =====        | =====        |
| Consulier's share of AVM's Earnings    | \$ 1,186,343 | \$ 1,124,247 |
|                                        | =====        | =====        |

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### CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

#### NOTE 6 - NOTES AND BONDS PAYABLE

(a) CURRENT NOTES PAYABLE - BANKS

2001

-----

Note payable to bank, collateralized primarily by investment in AVM, guaranteed by the Chairman of the Board, President and CEO, maturing April 30, 2001. (See (a) (1) below)

\$ 0

Note payable at prime plus 2 percent (11.5% at December 31, 2000) to a bank affiliated by common ownership, collateralized by all the assets of the Automotive parts distribution segment, maturing May 1, 2001

0

-----

\$ 0

=====

(a) (1) The \$1,000,000 note payable to bank bore interest at a floating rate computed as the Eurodollar rate applicable to such loan (6.62% at December 31, 2000) plus 2.10%, and was repaid in April, 2001.

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CONSULIER ENGINEERING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

(b) BONDS PAYABLE

Bonds payable are due in 2004 with interest of 8% per annum, payable quarterly.

On December 7, 1999 the December 31, 1999 expiration date of 70,000 warrants held by bondholders was extended to December 31, 2004. The fair market value of the 70,000 warrants at December 7, 1999 of approximately \$77,700 (see Note 9(b)) has been recorded as original issue discount and is being amortized over the remaining term of the bonds payable.

No principal payments are due until maturity. The bonds are redeemable by Consulier at face value after June 30, 1994. On May 1, 1999, 8% Bonds totaling \$420,000 were redeemed. The bonds are collateralized by land and building owned by Mosler (see Note 11(c)(1)), and machinery and equipment, personal property, and leasehold improvements owned by the Company.

During October 2000, Mr. Mosler purchased outstanding bonds issued by the Company from a bond holder at face value of \$680,000. These bonds continue to carry a due date of 2004 with interest of 8% per annum, payable quarterly. On July 2, 2001, \$500,000 of Mr. Mosler's bonds were redeemed.

NOTE 7 - LEASES

Consulier leases office space under month-to-month leases. Rent expense charged to operations was approximately \$8,300 in 2001 and 2000, all of which was to related parties.

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## NOTE 8 - INCOME TAXES

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

|                                    |         | Year ended December 31, |             |
|------------------------------------|---------|-------------------------|-------------|
|                                    |         | 2001                    | 2000        |
|                                    |         | -----                   | -----       |
| Current:                           |         |                         |             |
|                                    | Federal | \$ 650,500              | \$ 0        |
|                                    | State   | 59,800                  | 0           |
|                                    |         | -----                   | -----       |
|                                    |         | 710,300                 | 0           |
| Deferred:                          |         |                         |             |
|                                    | Federal | \$ 186,200              | (\$150,936) |
|                                    | State   | \$ 18,800               | (\$ 24,684) |
|                                    |         | -----                   | -----       |
|                                    |         | \$ 205,000              | (\$175,620) |
| TOTAL INCOME TAX EXPENSE (BENEFIT) |         | \$ 915,300              | (\$175,620) |
|                                    |         | =====                   | =====       |

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

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

|                                         |  | Year ended December 31, |              |
|-----------------------------------------|--|-------------------------|--------------|
|                                         |  | 2001                    | 2000         |
|                                         |  | -----                   | -----        |
| Tax expense (benefit) at statutory rate |  | \$ 852,500              | \$ (237,213) |
| State income tax (benefit)              |  | 90,900                  | (25,326)     |
| net of federal tax effect               |  |                         |              |
| Other                                   |  | (28,100)                | 86,919       |
|                                         |  | -----                   | -----        |
| INCOME TAX EXPENSE (BENEFIT)            |  | \$ 915,300              | \$ (175,620) |
|                                         |  | =====                   | =====        |

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The approximate tax effects of temporary differences that give rise to deferred tax assets (liabilities) are as follows:

|                                                  | December 31, |         |
|--------------------------------------------------|--------------|---------|
|                                                  | 2001         | 2000    |
| Current:                                         |              |         |
| Allowance for doubtful accounts                  | \$ 10,000    | \$ 21,  |
| Inventory Items                                  | 132,600      | 132,    |
| Unrealized loss on available for sale securities | 16,200       | 23,     |
|                                                  | -----        | -----   |
| Total Current                                    | 158,800      | 177,    |
|                                                  | -----        | -----   |
| Non-current:                                     |              |         |
| Depreciation                                     | 39,200       | (49,    |
| Other                                            | (4,200)      | 8,      |
| Net operating loss carry forward                 | 0            | 267,    |
|                                                  | -----        | -----   |
| Total Non-Current                                | 35,000       | 226,    |
|                                                  | -----        | -----   |
| TOTAL NET DEFERRED TAX ASSET                     | \$ 193,800   | \$ 403, |
|                                                  | =====        | =====   |

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NOTE 9 - STOCKHOLDERS' EQUITY

#### (a) STOCK OPTION PLANS

Consulier has 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) (see note 11(c)(2)). 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

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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.

Options to purchase 61,232 shares of common stock by employees were exercised in 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, 2001 and 2000, such loans remain outstanding and are recorded as notes receivable for common stock, included as a reduction of stockholders' equity. As of December 31, 2001, there were no outstanding options.

The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. SFAS 123, "Accounting for Stock-Based Compensation," requires the Company to provide pro forma information regarding net loss and loss per share as if compensation cost for the Company's employee stock option plan had been determined in accordance with the fair value based method prescribed in SFAS 123. The Company estimates the fair value of each option at the grant date by using the Black-Scholes option pricing model. During 2001 and 2000 no options were granted. Under the accounting provisions of SFAS 123, the Company's net income (loss) and earnings (loss) per share would not have changed to different pro forma amounts.

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### CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

The following summary sets forth activity under the plan for the years ended December 31:

|                                     | 2001     |                                          | 2000     |                                          |
|-------------------------------------|----------|------------------------------------------|----------|------------------------------------------|
|                                     | Shares   | Weighted<br>Average<br>Exercise<br>Price | Shares   | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding at<br>Beginning of Year | 95,000   | \$ 1.66                                  | 198,512  | \$ 1.56                                  |
| Granted                             | --       | --                                       | --       | --                                       |
| Expired                             | (95,000) | (\$ 1.66)                                | (42,280) | (\$ 1.40)                                |
| Exercised                           | --       | --                                       | (61,232) | (\$ 1.25)                                |

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|                             |       |       |        |         |
|-----------------------------|-------|-------|--------|---------|
| Outstanding and Exercisable | ----- | ----- | -----  | -----   |
| At Year End                 | --    | --    | 95,000 | \$ 1.66 |
|                             | ===== | ===== | =====  | =====   |

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### (b) COMMON STOCK WARRANTS

In connection with the issuance of the bonds payable (see Note 6(b)), Consulier issued warrants to purchase shares of its common stock at a purchase price of \$1.71875 per share. At December 31, 2001 and 2000, 70,000 warrants remain outstanding. No warrants have been exercised to date. On December 7, 1999 the Board of Directors extended the December 31, 1999 expiration date to December 31, 2004. Using the Black-Scholes option pricing model, the fair market value of the 70,000 warrants at the December 7, 1999 extension date was calculated as approximately \$77,700 with the following assumptions: 46% volatility, 4.5 years expected life, and a 5.86% risk free interest rate. The fair value of the warrants represents an original issue discount, which is being amortized over the remaining term of the bonds payable.

### NOTE 10 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 2001 and 2000 totaled approximately \$71,000 and \$312,000, respectively. Cash paid for income taxes during both 2001 and 2000 was \$0. Cash received for refunds of income taxes totaled approximately \$0 and \$303,000 in 2001 and 2000.

### NOTE 11 - RELATED PARTY TRANSACTIONS

#### (a) CASH ADVANCES

During 2001 and 2000, Mosler and Consulier continued to incur certain joint costs and expenses incurred in the normal course of business. Mosler owed Consulier \$67,693 and \$30,364, due on demand, at December 31, 2001 and 2000 respectively, resulting from these transactions. Interest was accrued on the outstanding balance at monthly LIBOR (2.435 % at December 31, 2001) see Note 11 (c) (1).

#### (b) OTHER

For other related party transactions see Notes 5, 6, and 7.

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CONSULIER ENGINEERING, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

(c) NOTES RECEIVABLE - RELATED PARTIES

Notes receivable - related parties consist of the following:

|                                                                         | 2001         | 2000         |
|-------------------------------------------------------------------------|--------------|--------------|
|                                                                         | -----        | -----        |
| Mosler (see (c) (1) below)                                              | \$ 1,748,357 | \$ 1,748,357 |
| MACC (see (c) (2) below)                                                | 430,559      | 430,559      |
|                                                                         | -----        | -----        |
|                                                                         | \$ 2,178,916 | \$ 2,178,916 |
| Less excess of face amount of note<br>over carrying cost of real estate | (758,202)    | (758,202)    |
|                                                                         | -----        | -----        |
| NOTES RECEIVABLE                                                        | \$ 1,420,714 | \$ 1,420,714 |
|                                                                         | =====        | =====        |
| Less: Current portion                                                   | --           | (430,559)    |
|                                                                         | -----        | -----        |
| NOTES RECEIVABLE - LONG TERM                                            | \$ 1,420,714 | \$ 990,155   |
|                                                                         | =====        | =====        |

Interest income relating to the above notes totaled approximately \$89,100 in 2001 and \$179,300 in 2000.

(c) (1) SALE AND LEASEBACK OF REAL ESTATE

In 1989, Consulier sold to and partially leased-back real estate from Mosler. The property was transferred, subject to a pledge on bond indebtedness, in exchange for Mosler's promissory note for \$2,500,000, with interest at one month LIBOR (2.435% at December 31, 2001). Principal on the note was payable at the original maturity in December 2001, which was extended to December 2003 in 2001. Simultaneously with the execution of the deed, Consulier entered into a lease with Mosler for approximately 6,000 square feet of the property. This lease was terminated in 1994 when the Company's principal offices were moved to Tequesta, Florida.

The transaction resulted in a sales price of \$758,202 in excess of the carrying cost of the building and has been accounted for as a sale leaseback with a related party. Accordingly, the excess has been offset against the note receivable from Mosler. The excess will be recorded as a capital contribution to the extent of any reduction in the principal balance of the note receivable.

In November 2000, Mosler made a payment of \$2,000,000 on his note receivable,

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including \$1,248,357 of interest and \$751,643 of principal.

## (c) (2) SALE OF AUTOMOBILE OPERATIONS

In 1990, Consulier sold its automobile manufacturing business to MACC. As consideration for the purchase, MACC executed a promissory note for \$750,000, which note was personally guaranteed by Mosler. This promissory note accrues interest at an annual rate of one month LIBOR (2.435% at December 31, 2001). The note, which was to mature on May 11, 2001 and was extended to May 11, 2003 in 2001, has an outstanding balance of \$430,559 at both December 31, 2001 and 2000.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

## (d) DUE FROM PRINCIPAL SHAREHOLDER

Prior to 2001, capital and income distributions from the Company's investment in AVM were distributed directly from AVM to the Company on a monthly basis. Beginning in 2001, the Company has been advancing its cash distributions from AVM to the principal shareholder. These distributions are included in due from principal shareholder of \$1,232,182 at December 31, 2001 in the consolidated balance sheet.

## NOTE 12 - BUSINESS SEGMENT INFORMATION

Information related to Consulier's operations in its different industry segments is as follows:

|                                   | As of and for the<br>Year ended December 31 |                     |
|-----------------------------------|---------------------------------------------|---------------------|
|                                   | 2001                                        | 2000                |
| REVENUES AND INVESTMENT INCOME:   |                                             |                     |
| Automotive parts distribution     | \$ 3,175,960                                | \$ 3,027,760        |
| Household and tool products       | --                                          | 7,114               |
| Investments                       | 1,226,420                                   | 1,124,247           |
| Corporate                         | 7,294                                       | 7,536               |
|                                   | <u>\$ 4,409,674</u>                         | <u>\$ 4,166,657</u> |
| OPERATING PROFITS (LOSSES):       |                                             |                     |
| Automotive parts distribution (a) | \$ 1,581,067                                | (\$ 576,462)        |
| Household and tool products       | (28,073)                                    | (800,743)           |
| Investments                       | 1,226,420                                   | 1,236,159           |
| Corporate                         | (399,525)                                   | (681,828)           |
|                                   | <u>2,379,889</u>                            | <u>(822,874)</u>    |
| Interest, net                     | 25,823                                      | (52,319)            |
| Other                             | 99,217                                      | 177,507             |
|                                   | <u>2,494,929</u>                            | <u>(697,686)</u>    |

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|                                   |              |              |
|-----------------------------------|--------------|--------------|
| INCOME (LOSS) BEFORE INCOME TAXES | \$ 2,504,929 | \$ (697,686) |
|                                   | =====        | =====        |
| IDENTIFIABLE ASSETS:              |              |              |
| Automotive parts distribution     | \$ 2,989,282 | \$ 3,712,810 |
| Household and tool products       | 4,367        | 3,440        |
| Investments                       | 2,562,579    | 2,507,443    |
| Corporate                         | 3,131,629    | 2,392,281    |
|                                   | -----        | -----        |
|                                   | \$ 8,687,857 | \$ 8,615,974 |
|                                   | =====        | =====        |

- (a) Operating profits of this segment for 2001 include an insurance recovery of \$1,750,000 received in connection with a casualty loss, of which \$506,937 is included in the operating losses of this segment in 2000 (see notes 3 and 15).

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NOTE 13 - EARNINGS (LOSS) PER SHARE

|                                       | Year Ended December 31, |              |
|---------------------------------------|-------------------------|--------------|
|                                       | 2001                    | 2000         |
|                                       | -----                   | -----        |
| NUMERATOR:                            |                         |              |
| Net income (loss),                    |                         |              |
| numerator for basic and diluted       |                         |              |
| earnings (loss) per share             | \$ 1,589,629            | (\$ 522,066) |
| DENOMINATOR:                          |                         |              |
| Denominator for basic earnings (loss) |                         |              |
| per share, weighted - average shares  | 4,951,150               | 4,920,700    |
| EFFECT OF DILUTIVE SECURITIES:        |                         |              |
| Stock options                         | --                      | --           |
| Warrants                              | 11,124                  |              |
|                                       | -----                   | -----        |
| Dilutive potential common shares      | 11,124                  | --           |
|                                       | -----                   | -----        |
| DENOMINATOR FOR DILUTED EARNINGS      |                         |              |
| (loss) per share, adjusted            |                         |              |
| weighted - average shares             | 4,962,274               | 4,920,700    |
|                                       | -----                   | -----        |

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|                                   |         |           |
|-----------------------------------|---------|-----------|
| BASIC EARNINGS (LOSS) PER SHARE   | \$ 0.32 | (\$ 0.11) |
|                                   | =====   | =====     |
| DILUTED EARNINGS (LOSS) PER SHARE | \$ 0.32 | (\$ 0.11) |
|                                   | =====   | =====     |

Options to purchase 15,000 shares of common stock at \$2.50 per share in 2000 were not included in the computation of diluted loss per share because the effect would be antidilutive. Options and warrants to purchase 150,000 shares of common stock at prices ranging from \$1.25 to \$1.72 per share were not included in the 2000 computation of diluted loss per share as the effect would be antidilutive.

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## CONSULIER ENGINEERING, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001 AND 2000

### NOTE 14 - CAPITAL STOCK

During 2000, former employees of Consulier, who are now employees of MACC, exercised stock option agreements with the Company, 61,232 shares of restricted common stock were issued as a result.

Consulier loaned a total of \$76,540 to these individuals to allow them to exercise their options and purchase the restricted common stock. Each person signed a promissory note with an interest rate of 8% per annum. The note is secured by the maker pursuant to the terms of the stock pledge agreement between the maker and the holder.

### NOTE 15 - CASUALTY LOSSES

A casualty loss in the amount of \$1,092,586 was caused by Hurricane Irene, which made landfall in Miami (location of Southeast's facility) on October 15, 1999. The Company suffered extreme hurricane damage resulting in destruction primarily of a large portion of its inventory, and certain damage to its equipment and physical plant. The majority of the damage was to the CRA-Z Soap inventory.

The loss of \$1,092,586 was reflected in the 1999 statement of operations as a casualty loss. The Company began litigation against the insurance company whose policy covered the Southeast warehouse facility and inventory, to recover the loss. However, the insurance company disputed the claim.

Upon further inspection and evaluation during the latter part of April 2000, management estimated that the remaining CRA-Z Soap located at Southeast was unsaleable. The product's unique fragrance was severely impaired by the conditions that were a result of the hurricane. Also, it was determined the soap was unsaleable because of discoloration, a change in texture and the soap stuck to packaging. The \$506,937 change in estimate, representing the remaining CRA-Z Soap inventory held at Southeast, was recorded as a casualty loss during the three months ended March 31, 2000.

On March 22, 2001, the Court entered an omnibus Order Granting Plaintiff's Motion for Summary Declaratory Judgment and a Final Declaratory Judgment in

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favor of Southeast against American States Insurance Company, declaring that the subject insurance contract between the parties covers the loss due to all damages, including water damage caused by a hurricane, and noted there is no dispute that the rainfall associated with Hurricane Irene caused the damage to Plaintiff's (Southeast Automotive Acquisition Corp.) property. In June 2001 the Company settled its lawsuit with American States Insurance Company for \$1,750,000, recorded as insurance recovery in the accompanying 2001 statement of operations.

See Note 2 regarding a casualty loss incurred in October, 2000.

### NOTE 16 - SUBSEQUENT EVENT

On April 16, 2002, the Company entered into an agreement granting a line of credit of up to \$900,000, at an interest rate of 4% per annum, payable on demand, to Asset Assistance Group, LLC ("AAG"). As of April 16, 2002, the outstanding amount drawn on the line of credit was \$175,000. The line of credit expires one year from April 16, 2002. Further, in consideration for the line of credit, the Company was granted an option to acquire 95% of AAG. That option expires one year from April 16, 2002 and has an exercise price of \$950.

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### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES FORM 10-KSB ITEM 13(A) EXHIBITS YEARS ENDED DECEMBER 31, 2001 AND 2000

The following exhibits are incorporated by reference to prior filings by Consulier in an effective registration statement under the Securities Act or in reports filed pursuant to the Exchange Act, except as referenced to pages filed herein.

| Exhibit<br>----- | Description<br>-----                                         |
|------------------|--------------------------------------------------------------|
| 1(a)             | Underwriting Agreement (1)                                   |
| 1(b)             | Warrant Exercise Fee Agreement (1)                           |
| 1(c)             | Financial Advisory Agreement (1)                             |
| 3(a)             | Articles of Incorporation of Consulier (1)                   |
| 3(b)             | Amendments to Articles of Incorporation of Consulier (2) (3) |
| 3(c)             | By-Laws of Consulier (1)                                     |
| 4(a)             | Form of Warrant Agreement (1)                                |
| 4(b)             | Form of Underwriters Warrant (1)                             |
| 4(c)             | Form of common stock certificate (1)                         |
| 4(d)             | Form of specimen warrant (1)                                 |
| 4(e)             | Form of preferred stock certificate (2)                      |
| 10(a)            | Escrow Agreement (2)                                         |

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|       |                                                                                                                                          |
|-------|------------------------------------------------------------------------------------------------------------------------------------------|
| 10(b) | Lease Agreement (2)                                                                                                                      |
| 10(c) | Agreement of Plan of Merger between Southeast Automotive Parts, Inc. of Dade, Inc. into Southeast Automotive Acquisition Corporation (6) |
| 10(d) | Articles of Merger, Southeast Automotive Parts of Dade, Inc. into Southeast Automotive Acquisition Corporation (6)                       |
| 10(e) | Promissory Note of Consulier for \$3,000,000 dated April 1, 1990 (5)                                                                     |
| 10(f) | Security Agreement between Consulier and Mosler dated April 16, 1990 (5)                                                                 |
| 10(g) | Purchase and Sale Agreement between Consulier and Mosler Auto Care Center, Inc., regarding sale of automobile business (7)               |
| 10(h) | Promissory Note of Mosler Auto Care Center, Inc., dated March 31, 1990, regarding sale of automobile business (2)                        |
| 10(i) | Research and Development Funding Agreement between Mosler Auto Care Center, Inc., and Consulier dated April 1, 1990 (3)                  |
| 10(j) | Agreement of Merger between Consulier and WBM Engines, Inc., effective December 31, 1989 (2)                                             |
| 10(k) | Purchase and Sale Agreement between Consulier and Warren B. Mosler regarding sale of real estate (2)                                     |

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| Exhibit<br>----- | Description<br>-----                                                                                                                                                                                                                                                                                         |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10(m)            | Promissory Note of Warren B. Mosler for \$2,500,000 dated December 31, 1989 regarding sale of real estate (2)                                                                                                                                                                                                |
| 10(n)            | Mortgage Indenture regarding Bonds and Class B Warrants dated June 30, 1989 (8)                                                                                                                                                                                                                              |
| 10(o)            | Agreement between Mosler Auto Care Center, Inc., and Consulier dated October 31, 1993, relinquishing Consulier's option to repurchase the automobile business in exchange for option to purchase U.S. Electricar, Inc. restricted stock at \$.50 per share, and for the right to future royalty payments (9) |
| 10(p)            | Royalty Agreement, Covenant Not to Compete and Security Agreement between Mosler Auto Care Center, Inc., and U.S. Electricar, Inc., dated October 31, 1993 (9)                                                                                                                                               |
| 10(q)            | Employment Agreement dated May 16, 1994, between George E. Mount and Consulier wherein George E. Mount is hired as President and CEO for a term of two years (3)                                                                                                                                             |
| 10(r)            | Purchase and Royalty Agreement between Masters Marketing and Development, Inc., and Southeast Automotive Acquisition Corporation, dated April 11, 1996, concerning CRA-Z Soap hand cleaner. (3)                                                                                                              |

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- 20 Notice of corporate action regarding election of new directors (4)
- 21 List of subsidiaries of Consulier
- 99(a) Limited Partnership Agreement of Adams, Viner & Mosler, Ltd. (5)

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- 1 Incorporated by reference to Registrant's Registration Statement on Form S-18, effective May 25, 1989
- 2 Incorporated by reference to Registrant's Current Report on Form 8-K filed December 31, 1989, March 31, 1990 and April 17, 1998.
- 3 Incorporated by reference to Registrant's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1992, June 30, 1994, June 30, 1996 and June 30, 1998.
- 4 Incorporated by reference to Registrant's Current Report on Form 8-K filed April 16, 1990
- 5 Incorporated by reference to Registrant's Current Report on Form 8-K filed March 1, 1991
- 6 Incorporated by reference to Registrant's Annual Report on Form 10-KSB filed for the year ended December 31, 1989
- 7 Incorporated by reference to Registrant's Annual Report on Form 10-KSB filed for the year ended December 31, 1991
- 8 Incorporated by reference to Registrant's Annual Report on Form 10-KSB filed for the year ended December 31, 1993.
- 9 Incorporated by reference to Registrant's Quarterly Report on Form 10-QSB for the quarter ended September 30, 1994.