

Edgar Filing: CONSULIER ENGINEERING INC - Form 10QSB

CONSULIER ENGINEERING INC  
Form 10QSB  
May 15, 2002

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

FORM 10-QSB

(MARK ONE)

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

For the quarterly period ended March 31, 2002

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

Commission file number 0-17756

-----  
CONSULIER ENGINEERING, INC.

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

FLORIDA

59-2556878

-----  
(State or other jurisdiction  
of incorporation or organization)

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

2391 OLD DIXIE HIGHWAY, RIVIERA BEACH, FL 33404

-----  
(Address of principal executive offices)

(561) 842-2492

-----  
(Issuer's telephone number)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

As of May 15, 2002, there were 4,951,150 outstanding  
shares of common stock, par value \$0.01 per share.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2002 ----- (Unaudited)	December 31, 2001 -----
ASSETS		

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Current:		
Cash	\$ 208,442	\$ 150,032
Receivables, net	594,911	560,848
Due from principal shareholder (Note 2)	790,128	1,232,182
Receivables - related parties	154,806	67,693
Inventories (Note 3)	1,087,627	1,137,168
Deferred income taxes	158,800	158,800
Other current assets	33,210	38,550
	-----	-----
TOTAL CURRENT ASSETS	3,027,924	3,345,273
Property and equipment, net	1,334,682	1,355,466
Limited partnership interests (Note 4)	2,641,801	2,531,379
Notes receivable - related parties	1,420,247	1,420,714
Deferred income taxes	35,025	35,025
	-----	-----
	\$ 8,459,679	\$ 8,687,857
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
CURRENT :		
Accounts payable and accruals	\$ 204,272	\$ 232,330
Income taxes payable	127,459	710,297
Notes payable - related parties	184,781	65,693
	-----	-----
TOTAL CURRENT LIABILITIES	516,512	1,008,320
Bonds payable	312,265	308,380
	-----	-----
TOTAL LIABILITIES	828,777	1,316,700
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock of \$.01 par value:		
Authorized --- 25,000,000 shares;		
Issued --- 5,198,298 shares	51,983	51,983
Additional paid-in capital	3,110,700	3,110,700
Retained earnings	5,051,346	4,780,265
	-----	-----
	8,214,029	7,942,948
Less: Treasury stock at cost - 247,148 shares	(468,363)	(468,363)
Other comprehensive loss	(38,224)	(26,888)
Notes receivable for common stock	(76,540)	(76,540)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	7,630,902	7,371,157
	-----	-----
	\$ 8,459,679	\$ 8,687,857
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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	Three Months Ended March 31,	
	2002	2001
	----- (Unaudited)	-----
Revenues:		
Net sales	\$ 788,492	\$ 840,894
	-----	-----
OPERATING COSTS AND EXPENSES:		
Cost of goods sold	469,290	500,859
Selling, general and administrative	380,162	500,226
	-----	-----
TOTAL OPERATING COSTS AND EXPENSES	849,452	1,001,085
	-----	-----
OPERATING LOSS	(60,960)	(160,191)
	-----	-----
OTHER INCOME (EXPENSE):		
Investment income - related parties (Note 4)	314,408	86,086
Interest income - related parties	10,885	37,833
Interest expense	(6,140)	(36,482)
Undistributed income of equity investee (Note 4)	110,422	47,957
Other income	54,628	36,080
	-----	-----
TOTAL OTHER INCOME	484,203	171,474
	-----	-----
Income before income taxes	423,243	11,283
Income tax provision	152,162	7,433
	-----	-----
NET INCOME	\$ 271,081	\$ 3,850
	=====	=====
BASIC AND DILUTED EARNINGS PER SHARE (NOTE 5)	\$ 0.05	\$ 0.00
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March	
	2002	2001
	(Unaudited)	
<b>OPERATING ACTIVITIES:</b>		
Net income	271,081	271,081
Adjustments to reconcile net income to net cash (used in) provided by operations:		
Depreciation	26,450	26,450
Amortization	3,885	3,885
Provision (recovery) for doubtful accounts	--	--
Undistributed income of equity investee	(110,422)	(110,422)
Investment income - related party	(314,408)	(314,408)
Deferred income taxes	--	--
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and other current assets	(39,752)	(39,752)
Decrease in inventories	49,541	49,541
Decrease in income tax payable	(582,838)	(582,838)
Decrease in accounts payable and accruals	(28,058)	(28,058)
	(724,521)	(724,521)
<b>NET CASH (USED IN) PROVIDED BY OPERATIONS</b>	<b>(724,521)</b>	<b>(724,521)</b>
<b>INVESTING ACTIVITIES:</b>		
Property and equipment additions, net of dispositions	(5,666)	(5,666)
Distributions from partnership interest	314,101	314,101
Increase (decrease) in related party loans	32,442	32,442
Decrease in due from principal shareholder	442,054	442,054
	782,931	782,931
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>782,931</b>	<b>782,931</b>
<b>FINANCING ACTIVITIES:</b>		
Net repayments of bank and other loans	--	--
	--	--
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>--</b>	<b>--</b>
<b>INCREASE IN CASH</b>	<b>58,410</b>	<b>58,410</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>150,032</b>	<b>150,032</b>
	<b>\$ 208,442</b>	<b>\$ 208,442</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 208,442</b>	<b>\$ 208,442</b>

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SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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## CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2001.

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

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

#### NOTE 2. DUE FROM PRINCIPAL SHAREHOLDER

Prior to 2001, capital and income distributions from the Company's investment in AVM (see Note 4) 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 its principal shareholder. These distributions are included in due from principal shareholder of \$790,128 and \$1,232,182, respectively, at March 31, 2002 and December 31, 2001 on the consolidated balance sheets.

#### NOTE 3. INVENTORIES

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

	March 31, 2002	December 31, 2001
	-----	-----
Raw materials	\$ 15,817	\$ 5,719
CRA-Z Soap	22,147	24,123
Finished goods	1,179,663	1,237,326

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Obsolescence Reserve	(130,000)	(130,000)
	-----	-----
	\$ 1,087,627	\$ 1,137,168
	=====	=====

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PARTNERSHIP INTERESTS AND CONCENTRATION OF CREDIT RISK

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

AVM, L.P

Consulier owns approximately 10% of AVM's capital as of March 31, 2002 and December 31, 2001. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 5% and 8%, respectively, of AVM's earnings during the three-month periods ended March 31, 2002 and 2001. Under the partnership agreement, Consulier may withdraw all or any portion of its capital account upon 30 days written notice. AVM's general partner may also expel Consulier from the partnership through payment of the balance of Consulier's capital account.

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

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Revenue	\$13,500	\$ 6,458
Costs and expenses	6,903	5,442
	-----	-----
Net income	\$ 6,597	\$ 1,016
	=====	=====
Consulier's share of earnings	\$ 314	\$ 86
	-----	-----

BIOSAFE SYSTEMS, LLC

The Company owns a 40% interest in BioSafe Systems, LLC. Bio Safe Systems, LLC's total assets (unaudited) at March 31, 2002 and December 31, 2001 were approximately \$1,083,000 and \$965,000 respectively. The investment is recorded at \$577,586 and \$467,164 at March 31, 2002 and December 31, 2001, respectively, further, equity in income for the three-month periods ended March 31, 2002 and 2001 was \$110,422 and \$47,957, respectively.

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. EARNINGS PER SHARE

	Three Months Ended March 31,	
	2002	2001
	-----	-----
NUMERATOR:		
Net income, numerator for basic and diluted earnings per share	\$ 271,081	\$ 3,850
DENOMINATOR:		
Denominator for basic earnings per share, weighted - average shares	4,951,150	4,951,150
EFFECT OF DILUTIVE SECURITIES:		
Stock options	--	17,904
Warrants	11,124	7,742
	-----	-----
Dilutive potential common shares	11,124	25,646
	-----	-----
DENOMINATOR FOR DILUTED EARNINGS per share, adjusted weighted - average shares	4,962,274	4,976,796
	-----	-----
BASIC EARNINGS PER SHARE	\$ 0.05	\$ 0.00
	=====	=====
Diluted earnings per share	\$ 0.05	\$ 0.00
	=====	=====

Options to purchase 10,000 and 35,000 shares of common stock at prices ranging from \$1.50 \$2.50 per share were not included for the three month period ended March 31, 2001 in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

At March 31, 2002, no stock options were outstanding.

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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### NOTE 6. - 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 May 15, 2002, the outstanding amount drawn on the line of credit was approximately \$278,000. 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

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

##### RESULTS OF OPERATIONS

THE FOLLOWING COMPARES THE RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2002 TO THE THREE MONTHS ENDED MARCH 31, 2001:

During the quarter ended March 31, 2002, sales and cost of goods sold decreased \$52,402 and \$31,569, respectively, from the comparable amounts recorded during the quarter ended March 31, 2001. Gross profit for the three months ended March 31, 2002 decreased \$20,833 compared to the three months ended March 31, 2001. Net Income for the first quarter of 2002 was \$271,081, or \$0.05 per share, compared to \$3,850, or \$0.00 per share, in the first quarter of 2001. The increase in net income is related primarily to an increase of \$228,322 in investment income from related parties, and of \$62,465 in undistributed income of equity investee.

Interest expense declined \$30,342 due to the reduction in notes payable banks and the partial redemption of bonds payable in the second quarter of 2001.

Other income consisting of investment income and interest income/expense increased \$312,729, from \$484,203 in the first quarter of 2002 compared to \$171,474 in 2001, primarily attributable to the \$228,322 increase in earnings from AVM, and the \$62,465 increase in undistributed income of BioSafe. Income before income taxes increased \$411,960 from income of \$11,283 in the first quarter of 2001 to income of \$423,243 in the first quarter of 2002.

The effective tax rate decreased to approximately 36 % in the first quarter of 2002 compared to 66% in 2001 due to an increase of approximately \$14,000 in deferred income tax expense in the first quarter of 2001.

Consulier's consolidated income for the quarter ended March 31, 2002 was \$271,081, or \$0.05 basic and diluted earnings per share compared to income of \$3,850, or \$0.00 basic and diluted earnings per share, for first quarter 2001.

AUTOMOTIVE PARTS DISTRIBUTION - Net sales of Consulier's Southeast automotive parts distribution represented 99% and 94% of Consulier's net sales in the first quarters of 2002 and 2001 respectively. This segment's sales decreased by less than 2%, or \$10,980, in the 2002 quarter to \$776,708, compared to \$787,688 in the 2001 quarter.

The automotive parts distribution segment had income before income taxes of

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\$95,989 in the first quarter of 2002 compared to \$47,758 in the first quarter of 2001. The increase is primarily attributable to a decrease of approximately \$29,000 in payroll and related expenses as a result of decreasing the number of employees from 20 to 12 during 2001.

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### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

HOUSEHOLD AND TOOL PRODUCTS - C-6 incurred a net loss of \$6,276 in the first quarter of 2002, consisting primarily of freight charges, compared to a net loss of \$9,000 in the first quarter of 2001.

INVESTMENT IN AVM - Investment income from Consulier's AVM limited partnership interest was \$314,408 in the first quarter of 2002, a 265% increase from the comparable 2001 quarter's income of \$86,086. This represents annualized returns of 61% and 17%, respectively, on Consulier's average investment during each year.

INVESTMENT IN BIOSAFE - Equity in income of BioSafe was \$110,422 in the first quarter of 2002, a 130% increase over the comparable 2001 quarter's income of \$47,957. This represents the Company's 40% interest in BioSafe's net income of approximately \$276,000 in the first quarter of 2002, compared to \$120,000 in the first quarter of 2001.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, Consulier's cash totaled \$208,442 as compared to \$150,032 at December 31, 2001, an increase of \$58,410. Net cash used in operations increased to \$724,521 in the first three months of 2002 compared to \$99,737 of net cash provided in the first three months of 2001. Net cash provided by investing activities increased from \$94,459 in the first three months of 2001 to \$782,931 in the first three months of 2002, resulting primarily from a decrease of \$442,054 in due from principal shareholder, and a \$190,270 increase in distributions from partnership interest.

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

During the first quarter of 2002, a significant portion of the Company's excess cash funds continued to be advanced to the Company's principal shareholder, under demand receivables.

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 approximately \$278,000 is outstanding at May 15, 2002. Sources for funding the line of credit are expected to be investment income from AVM and repayments of outstanding amounts/advances by the principal shareholder.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

FUTURE OUTLOOK

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 annualized return of 61% in the first quarter of 2002 will be maintained.

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.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

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

Except for the historical information contained in this report, certain matters discussed in Management's Discussion and Analysis are forward looking statements which involve risks and uncertainties including, but not limited to statements regarding Consulier's planned capital expenditure requirements, cash and working capital requirements. Consulier's expectations regarding the adequacy of current financing arrangements, product demand and market growth, other statements regarding future plans and strategies, anticipated events or trends, and similar

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expressions concerning matters that are not historical facts. It should be noted that Consulier's actual results could differ materially from those contained in such forward looking statements mentioned above due to adverse changes in any number of factors that affect Consulier's business including, without limitation, risks associated with investing in BioSafe and AVM and the marketing of Consulier's Captain CRA-Z Soap products, manufacturing and supply risks, reliance upon distributors, regulatory risks, risks of expansion, product liability and other risks described herein.

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### CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

#### PART II. OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS

As of March 31, 2002, there were no legal proceedings pending against the Company or its subsidiaries nor did the Company have any knowledge of any proceedings, which were being contemplated.

##### ITEM 2. CHANGES IN SECURITIES

During the first quarter of 2002, there were no changes in the instruments defining the rights of the holders of any class of registered securities, nor were the rights evidenced by any class of registered securities limited or qualified by the issuance or modification of any other class of securities.

##### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

During the first quarter of 2002, there have been no material defaults in the payment of principal, interest, or any other material default with respect to any indebtedness, nor has there been any arrearage in the payment of dividends of any class of stock.

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

During the first quarter of 2002, the Company did not submit any matters to a vote of security holders.

##### ITEM 5. OTHER INFORMATION

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

##### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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

None

###### (a) CURRENT REPORTS ON FORM 8-K

The Company did not file any reports on Form 8-K during the three month period ended March 31, 2002.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

SIGNATURE

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

CONSULIER ENGINEERING, INC.  
(Registrant)

Date: May 15, 2002

By: /s/ Alan R Simon

-----  
Alan R. Simon, Esq.  
Secretary/Treasurer