CONSULIER ENGINEERING INC
Form 10QSB
August 14, 2007

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

(Mark One)

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF1934**

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

o **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 of incorporation or organization)	(I.R.S. Employer Identification No.)

2391 Old Dixie Highway
Riviera Beach, FL 33404

(Address of principal executive offices)
(561) 842-2492

(Issuer s telephone number)

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the Exchange Act).
Yes x No o

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 June 30, 2007, there were 5,368,501 outstanding shares of common stock, par value $0.01 per share.

Transitional Small Business Disclosure Format (check one): Yes o No x

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report on Form 10Q-SB contains forward-looking statements within the meanings of the Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words may, could, would, should, believe, expect, anticipate, plan, estimate, intend, or similar expressions. The statements include, among others, statements regarding our prospects, opportunities, outlook, plans, intentions, anticipated financial and operating results, our business strategy and means to implement the strategy, and objectives.

Forward-looking statements are only estimates or predictions and are not guarantees of performance. These statements are based on our management s beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products and services, competition from existing and new competitors, our ability to introduce new products, expected pricing levels, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Among other things, continued unfavorable economic conditions may impact market growth trends or otherwise impact the demand for our products and services; competition from existing and new competitors and producers of alternative products will impact our ability to penetrate or expand our presence in new or growing markets. Uncertainties relating to our ability to develop and distribute new proprietary products to respond to market needs in a timely manner may impact our ability to exploit new or growing markets; our ability to successfully identify and implement productivity improvements and cost reduction initiatives may impact profitability.

In addition, unless otherwise specifically provided herein, the statements in this Report are made as of end of the period for which the Report is filed. We expect that subsequent events or developments will cause our views to change. We undertake no obligation to update any of the forward-looking statements made herein, whether as a result of new information, future events, changes in expectations or otherwise. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the end of the period for which the Report is filed.

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
June 30, 2007
(UNAUDITED)

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 258,205
Receivables, Net of Allowance for Doubtful Accounts of $81,167	427,536
Due from Related Parties	13,386
Income Tax Receivable	651,068
Inventories	51,027
Deferred Implementation Costs	2,349,516
Other Current Assets	114,103
Deferred Income Taxes	41,832
Total Current Assets	3,906,673
PROPERTY AND EQUIPMENT, Net	1,681,919
CAPITALIZED SOFTWARE DEVELOPMENT COSTS	277,028
PARTNERSHIP AND LIMITED LIABILITY COMPANIES INVESTMENTS	2,983,839
NOTE RECEIVABLE RELATED PARTY	200,000
DEFERRED INCOME TAXES	756,699
INTANGIBLE ASSET	617,747
	$ 10,423,905
LIABILITIES AND STOCKHOLDERS EQUITY	
CURRENT LIABILITIES	
Accounts Payable and Accrued Liabilities	$ 1,294,742
Unearned Revenue	928,982
Related Party Payable	603,372
Total Current Liabilities	2,827,096
NOTES PAYABLE RELATED PARTY	3,405,062
COMMITMENTS AND CONTINGENCIES	
MINORITY INTEREST	

STOCKHOLDERS EQUITY:	
Common Stock $.01 Par Value:	
Authorized 25,000,000 Shares; Issued 5,485,122 Shares	54,851
Additional Paid-in Capital	4,107,503
Retained Earnings	345,018
	4,507,372
Less:	
Treasury Stock, Cost 116,621 Shares	(308,974)
Notes Receivable for Common Stock	(6,651)
Total Stockholders Equity	4,191,747
	$ 10,423,905

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

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
Revenue:				
Software Licensing Fees	$ 397,592	$ 391,606	$ 764,953	$ 851,210
Other Revenue	4,513	5,937	8,516	15,499
Total Revenue	402,105	397,543	773,469	866,709
Operating Costs and Expenses:				
Cost of Revenue	71,010	297,208	192,945	480,554
Payroll and Related Expense	1,041,786	1,046,456	2,092,386	2,627,781
Selling, General and Administrative	610,365	654,011	1,329,551	1,455,718
Professional Services	391,119	612,394	824,347	1,091,780
Depreciation and Amortization	252,313	337,076	504,079	671,222
Total Operating Costs and Expenses	2,366,593	2,947,145	4,943,308	6,327,055
Operating Loss	(1,964,488)	(2,549,602)	(4,169,839)	(5,460,346)
Other Income (Expense):				
Investment Income Related Parties	406,554	538,163	1,035,361	951,226
Net Undistributed Income of Equity Investees	178,559	74,873	272,835	24,264
Interest Expense	(85,465)	(165,303)	(183,058)	(320,120)
Other Income	37,448	31,698	79,146	63,396
Total Other Income (Expense)	537,096	479,431	1,204,284	718,766
(Loss) from Operations Before Minority Interest and Income Taxes	(1,427,392)	(2,070,171)	(2,965,555)	(4,741,580)
Minority Interest in Consolidated Subsidiary Losses	1,796,387	2,025,000	3,933,393	2,025,000
Income (Loss) from Operations Before Income Taxes	368,995	(45,171)	967,838	(2,716,580)
Provision for Income Taxes	(172,196)	(10,844)	(395,521)	(10,844)

Net Income (Loss)		$	196,799	$	(56,015)	$	572,317	$	(2,727,424)
Income (Loss) Per Share	Basic and Diluted:	$	0.04	$	(0.01)	$	0.11	$	(0.52)

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
SIX MONTHS ENDED JUNE 30, 2007
(UNAUDITED)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Notes Receivable for Common Stock	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2006	5,485,122	$ 54,851	104,936	$ (264,512)	$ 4,107,503	$ (227,299)	$ (6,651)	$ 3,663,892
Net Income						572,317		572,317
Purchase of Treasury Stock			11,685	(44,462)				(44,462)
Balance, June 30, 2007	5,485,122	$ 54,851	116,621	$ (308,974)	$ 4,107,503	$ 345,018	$ (6,651)	$ 4,191,747

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CONSULIER ENGINEERING, INC. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Cash Flow (Used in) Operating Activities	$ (3,750,070)	$ (2,380,131)
Investing Activities:		
Increase in Related Party Receivables	(13,386)	
Distributions from Partnership Interest	1,035,361	951,226
Undistributed Loss of Equity Investee	(272,835)	(24,263)
Net Acquisition of Property and Equipment	(51,649)	(151,517)
Acquisition of Software Upgrades	(93,200)	
Net Cash Provided by Investing Activities	604,291	775,446
Financing Activities:		
Proceeds from Minority Shareholder in ST, LLC	3,933,393	3,334,066
Repayments of Notes Payable-Related Party	(96,649)	
Repayments on Line of Credit	(800,000)	(2,000,000)
Purchase of Treasury Stock	(44,462)	
Proceeds from the Sale of Treasury Stock		18,175
Increase in Related Party Payables	170,274	21,560
Net Cash Provided by Financing Activities	3,162,556	1,373,801
Increase (Decrease) in Cash and Cash Equivalents	16,777	(230,884)
Cash and Cash Equivalents Beginning of Period	241,428	286,442
Cash and Cash Equivalents End of Period	$ 258,205	$ 55,558
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	$ 14,136	$

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

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

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

Description of Business

Consulier Engineering, Inc., and its subsidiaries (collectively called Consulier or the Company) are engaged in three primary business lines: ownership in medical software activities, distribution of Captain Cra-Z Soap and minority ownership of other business entities.

Consulier International, Inc. (a subsidiary) markets and distributes Captain Cra-Z Soap . Consulier s income is also derived from ownership of limited liability companies and limited partnership interests (Note 4) in BioSafe Systems, LLC (BioSafe), and AVM, L.P. (AVM), an Illinois limited partnership. BioSafe develops and markets environmentally safe products, alternatives to traditionally toxic pesticides. AVM is a broker-dealer in government securities and other fixed income instruments. Consulier s Chairman and majority stockholder, Warren B. Mosler (Mosler), is a general partner of the general partner of AVM.

ST, LLC, a majority-owned limited liability company, is a majority member (75%) of Patient Care Technology Systems, LLC (PCTS), which develops and licenses data-based integrated emergency room information systems marketed as Amelior ED . PCTS is also a provider of passive tracking technologies for emergency departments and operating rooms. Its software technologies track the status and location of patients and assets through wireless badges worn by people or attached to equipment in the emergency department and ancillary areas. PCTS also designs, customizes, markets, sells and distributes paper templates used for diagnostic purposes in emergency medical departments. Mosler s ownership in ST, LLC was approximately 30% as the Class A member and Consulier s ownership was approximately 51% as of June 30, 2007.

Basis of Consolidation

The accompanying condensed interim consolidated financial statements include Consulier and its wholly-owned subsidiary, Consulier International, Inc., and ST, LLC, with its majority- owned subsidiary, PCTS. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company uses the equity method of accounting for investments where its ownership is between 20% and 50%.

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

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

Basis of Consolidation (Continued)

On April 1, 2005 (date of the amendment to the operating agreement), the Company s ownership in ST, LLC increased to 58%, thereby requiring consolidation. As of June 30, 2007, the Company owns 51% of ST, LLC.

Interim Financial Data

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-QSB and Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, management believes the accompanying unaudited condensed interim consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of Consulier Engineering, Inc. and subsidiaries as of June 30, 2007, and the results of their operations and cash flows for the three and six months ended June 30, 2007 and 2006. The results of operations and cash flows for the period are not necessarily indicative of the results of operations or cash flows that can be expected for the year ending December 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in Consulier s annual report on Form 10-KSB for the year ended December 31, 2006.

Accounting Estimates

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

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

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

Concentrations

Financial instruments, which potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards No. 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, consist primarily of accounts receivable. ST, LLC s accounts receivable are concentrated in the healthcare industry. Although, ST, LLC s customers typically have been well-established hospitals or medical facilities, some hospitals and medical facilities have experienced significant operating losses as a result of limits on third-party reimbursements from insurance companies and governmental entities, and extended payment of receivables from these entities is not uncommon.

To date, PCTS has relied on a limited number of customers for a substantial portion of its total revenues. The Company expects that a significant portion of its future revenues will continue to be generated by a limited number of customers. The failure to obtain new customers or expand sales through remarketing partners, the loss of existing customers, or the reduction in revenues from existing customers could materially and adversely affect the Company s operating results.

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

Capitalized Software Development Costs

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

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

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

Capitalized Software Development Costs (Continued)

Amortization is provided on a product-by-product basis over the estimated economic life of the software, not to exceed three years, using the straight-line method. Amortization commences when a product is available for general release to customers. Unamortized capitalized costs determined to be in excess of the net realizable value of a product are expensed at the date of such determination. Amortization expense on capitalized software development costs totaled $108,803 and $154,988 for the six months ended June 30, 2007 and 2006, respectively. Accumulated amortization totaled $1,038,699 at June 30, 2007.

The Company required third party expertise for the development of a new data-based integrated emergency room information system to enhance the functionality, reliability and flexibility of the Company s existing products, which has not achieved the criteria for capitalization. For the six months ended June 30, 2007 and 2006, research and development costs totaled $622,268 and $927,785, respectively. These expenses are included with professional services in the accompanying condensed interim consolidated statements of operations.

Intangible Assets

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

Partnership and Limited Liability Companies Investments

The Company s investments in AVM and Biosafe are less than 50% ownership and are accounted for using the equity method. ST, LLC was consolidated under the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 46(R) Consolidation of Variable Interest Entities (FIN 46R) from December 31, 2004, through March 31, 2005. Effective April 1, 2005, the Company owned in excess of 50% of ST, LLC (Note 4), thereby requiring consolidation. The Company owns less than 10% in AVM; however, the Company has the ability to significantly influence this investee under the terms of the partnership agreement. Income or loss is allocated to Consulier based on the partnership and LLC agreements. The Company reviews its partnership and limited liability company investments for other than temporary declines in value on a monthly basis by analyzing the underlying investee s actual revenue, earnings capacity and estimated future undiscounted cash flows.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Partnership and Limited Liability Companies Investments (Continued)

Due to the Company s membership interest in ST, LLC and ST, LLC s operating agreement with PCTS, the Company was exposed to the majority of risk related to the activities of ST, LLC and PCTS. Therefore, in accordance with FIN 46(R), the Company considered ST, LLC as a variable interest entity that required consolidation with the Company s financial statements as of December 31, 2004. However, effective April 1, 2005, the operating agreement was amended to reallocate membership interests in this LLC based upon historical contributions. The Company receives allocated losses to the extent of its contributions from inception. Consequently, the losses allocated to Consulier can be greater than or less than the Company s ownership percentage.

As a result of consolidating ST, LLC, a minority interest was created representing the other members. As of June 30, 2007, there were no amounts related to the minority interest available to offset future losses.

Effective April 1, 2006, ST, LLC s partnership operating agreement was amended to create a Class A membership interest. The Class A members are entitled to a cumulative annual priority return of 10% on their investment, and cash available for distribution after payment of that return is distributable to all of the members in accordance with their percentage membership interests. In accordance with this amendment to the operating agreement, allocations of losses are based upon historical annual contributions. As of June 30, 2007, the Class A member had invested $11,165,571, which includes an investment of $3,933,393 during the six months ended June 30, 2007. Unpaid cumulative priority returns on the Class A membership interest totaled approximately $677,000 at June 30, 2007.

Consulier can require its principal stockholder to purchase its interest in ST, LLC for cash equal to Consulier s capital account as of the closing date. Consulier has contributed to ST, LLC approximately $15 million since inception. As of June 30, 2007, Consulier s capital account was $0.

Stock-Based Compensation

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

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

Stock-Based Compensation (Continued)

The Company adopted SFAS 123(R) using the modified-prospective-transition method. Under this method, compensation cost recognized for the six months ended June 30, 2007 includes: a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all share-based payments granted subsequent to December 31, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). In addition, deferred stock compensation related to non-vested options is required to be eliminated against additional paid-in capital upon adoption of SFAS 123(R). The results for the prior periods have not been restated.

All previously granted stock options had fully vested at December 31, 2005 and during the six months ended June 30, 2007 and June 30, 2006, the Company did not grant any new stock options. The Company s results of operations for the six months ended June 30, 2006 include compensation expense related to the modification of previously existing stock options under the provisions of SFAS 123R.

Revenue Recognition

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

New software license revenues represent all fees earned from granting customers licenses to use the Company s database and tracking technology as well as applications software, and exclude revenue derived from software license updates, which is included in software license updates and product support. While the basis for software license revenue recognition is substantially governed by the provisions of Statement of Position (SOP) No. 97-2, Software Revenue Recognition, issued by the American Institute of Certified Public Accountants, the Company exercises judgment and uses estimates in connection with the determination of the amount of software and services revenues to be recognized in each accounting period.

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NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

For software license arrangements that do not require significant modification or customization of the underlying software, the Company recognizes new software license revenue when: (1) the Company enters into a legally binding arrangement with a customer for the license of software; (2) the Company delivers the products; (3) a customer payment is deemed fixed or determinable and free of contingencies or significant uncertainties; and (4) collection is probable. Substantially all new software license revenues are recognized in this manner. The vast majority of software license arrangements include software license updates and product support, which are recognized ratably over the term of the arrangement, typically one year. Software license updates provide customers with rights to unspecified software product upgrades, maintenance releases and patches released during the term of the support period. Product support includes internet access to technical content, as well as internet and telephone access to technical support personnel. Software license updates and product support are generally priced as a percentage of the net new software license fees. Many of the Company s software arrangements include consulting implementation services sold separately under consulting engagement contracts. Consulting revenue from these arrangements is generally accounted for separately from new software license revenue because the arrangements qualify as service transactions as defined in SOP No. 97-2. The more significant factors considered in determining whether the revenue should be accounted for separately include the nature of services (i.e. consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments and impact of milestones or acceptance criteria on the realizability of the software license fee.

Revenue for consulting services is generally recognized as the services are performed. If there is a significant uncertainty about the project completion or receipt of payment for the consulting services, revenue is deferred until the uncertainty is sufficiently resolved. Contracts with fixed or not to exceed fees are recognized on a proportional performance basis.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then new software license revenue is generally recognized together with the consulting services based on contract accounting using either the percentage-of-completion or completed-contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services.

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

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

Revenue Recognition (Continued)

Advanced product services revenue is recognized over the term of the service contract, which is generally one year. Education revenue is recognized as the classes or other education offerings are delivered.

For arrangements with multiple elements, the Company allocates revenue to each element of a transaction based upon its fair value as determined by vendor specific objective evidence. Vendor specific objective evidence of fair value for all elements of an arrangement is based upon the normal pricing and discounting practices for those products and services when sold separately, and for software license updates and product support services, is additionally measured by the renewal rate offered to the customer.

The Company defers revenue for any undelivered elements, and recognizes revenue when the product is delivered or over the period in which the service is performed, in accordance with the revenue recognition policy for such element. If the Company cannot objectively determine the fair value of any undelivered element included in bundle software and service arrangements, the Company defers revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements. When the fair value of a delivered element has not been established, the residual method is used to record revenue if the fair value of all undelivered elements is determinable. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered elements and is recognized as revenue.

Sales of the Company s soap products are recorded upon shipment of goods to customers.

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

Reclassifications

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

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax liabilities and assets are determined based on the difference between the consolidated financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

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

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

Newly Issued Accounting Pronouncements

In July 2006, the FASB issued Financial Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes.* FIN No. 48 clarifies the accounting for uncertain tax positions recognized in an entity s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes.* This interpretation is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 as of January 1, 2007, as required. The Company is currently in the process of determining the effects that adoption of FIN 48 will have on its financial statements, but does not expect the impact upon adoption will be material.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements.* The standard provides guidance for using fair value to measure assets and liabilities. Under the standard, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, the standard establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the Statement to determine what impact it will have on the Company.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for our Company January 1, 2008. The Company is evaluating the impact that the adoption of SFAS No. 159 will have on the consolidated financial statements.

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

NOTE 2. DEFERRED IMPLEMENTION COSTS

Deferred implementation costs as of June 30, 2007, totaled $2,349,516 and represented equipment purchased for customers, payroll and payroll related expenses for customer contracts which have not met certain milestones, customer acceptance or go-live dates. Implementation costs are deferred and recognized ratably over the initial licensing term or upon reaching certain milestones, acceptance criteria or go-live dates depending on the applicable revenue stream. Deferred implementation costs are stated at the lower of cost or market.

NOTE 3. CONCENTRATION OF CREDIT RISK

The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company places its cash with high credit quality financial institutions. Cash held by these financial institutions in excess of FDIC limits amounted to approximately $145,000 at June 30, 2007.

The Company grants credit to customers, substantially all of whom are businesses located in the United States and Canada. The Company typically does not require collateral from customers. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary in the circumstances.

Approximately 20% of the Company s software licensing fees were derived from one customer for the six months ended June 30, 2006. Approximately 42% of the Company s software licensing fees was derived from 3 customers for the six months ended June 30, 2007. Customer A, B and C represented approximately 21%, 11% and 10%, respectively, of total software licensing fees for the six months ended June 30, 2007.

NOTE 4. INVESTMENTS PARTNERSHIP AND LIMITED LIABILITY COMPANY

The Company s limited partnership and limited company interests consist of Consulier s investments in AVM, L.P. and BioSafe Systems, LLC, respectively.

AVM, L.P.

Consulier owned an approximate 7.5% limited partnership interest in AVM as of June 30, 2007 and 2006. Based on capital and earnings distributions provided in the partnership agreement, Consulier was allocated approximately 5.4% of AVM s earnings during the six months ended June 30, 2007 and 2006, respectively. 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.

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

NOTE 4. INVESTMENTS PARTNERSHIP AND LIMITED LIABILITY COMPANY (CONTINUED)

AVM, L.P. (Continued)

The following is a summary of the results of operations (unaudited) of AVM and the income allocated to the Company:

	Three Months Ended June 30, (In Thousands) (Unaudited)		Six Months Ended June 30, (In Thousands) (Unaudited)	
	2007	**2006**	**2007**	**2006**
Revenues	$ 18,606	$ 19,820	$ 41,520	$ 36,842
Cost and Expenses	10,901	9,818	22,420	19,116
Net Income	$ 7,705	$ 10,002	$ 19,100	$ 17,726
Consulier s Share of Earnings	$ 406	$ 538	$ 1,035	$ 951

Cost of the Company s interest in AVM, L.P. at June 30, 2007 was $1,852,133.

BIOSAFE SYSTEMS, LLC

Consulier owns a 40% interest in BioSafe Systems, LLC (BioSafe). The following is a summary of the results of operations of BioSafe and the income allocated to Consulier:

	Three Months Ended June 30, (In Thousands) (Unaudited)		Six Months Ended June 30, (In Thousands) (Unaudited)	
	2007	**2006**	**2007**	**2006**
Revenues	$ 2,360	$ 1,928	$ 4,049	$ 3,316
Cost and Expenses	1,913	1,740	3,367	3,255
Net Income	$ 447	$ 188	$ 682	$ 61
Consulier s Share of Earnings	$ 179	$ 75	$ 273	$ 24

Net investment in BioSafe Systems, LLC at June 30, 2007 was $1,131,706.

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

NOTE 5. TREASURY STOCK

Treasury stock consists of 116,621 shares of the Company s common stock, shown at cost. During April 2007, the Company adopted a plan to repurchase up to 50,000 shares of its common stock on the open market at a price not to exceed $3.75 per share excluding transaction costs. During the quarter ended, June 30, 2007, the Company repurchased 11,685 shares of its common stock for $44,462, representing the market value of the Company s common shares on the date of purchase and broker commissions.

NOTE 6. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income (loss) available to stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and dilutive potential common shares outstanding during the period. Dilutive potential common shares consist of shares issuable upon the exercise of stock awards (calculated using the treasury stock method) warrants, convertible debt and convertible preferred stock during the period they were outstanding.

Basic and diluted earnings per share for the three and six months ended June 30, 2007 and 2006 were calculated as follows:

As of June 30, 2007 and 2006, the Company did not have any dilutive outstanding common stock instruments to be included in its diluted earnings per share computation.

	Three Months Ended June 30		Six Months Ended June 30,	
	2007	**2006**	**2007**	**2006**
BASIC AND DILUTED EARNINGS PER SHARE COMPUTATION:				
NUMERATOR:				
Net Income (Loss)	$ 196,799	$ (56,015)	$ 572,317	$ (2,727,424)
DENOMINATOR:				
Common Shares Actual number of common shares outstanding	5,314,363	5,243,105	5,316,628	5,243,105
Earnings (Loss) per share weighted average shares outstanding	$ .04	$ (.01)	$ .11	$ (.52)

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

NOTE 7. 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: distribution of household and tool products, ownership of limited liability entities, medical software activities, and corporate. The household and tool products manufacturing segment is engaged in sales of the Captain Cra-Z soap product line and tool and ladder related products. The investments segment maintains investment interests in a limited partnership and a limited liability company (which are together called Limited Liability Companies in the following tables). The corporate segment is engaged in management of the business and finance activities. Segment information as of and for the three and six months ended June 30, 2007 and 2006 are as follows:

	Three Months Ended June 30, 2007				
	Distribution Activities	**Income (Loss) Derived From Ownership of Limited Liability Companies**	**Corporate Activities**	**Medical Software Activities**	**Total**
Revenue (b)	$ 4,513	$	$	$ 397,592	$ 402,105
Operating (Loss)	(11,968)		(187,647)	(1,764,873)	(1,964,488)
Other Income (Loss)		585,113	29,691	(77,708)	537,096
Minority Interest				1,796,387	1,796,387
Income Tax Benefit (Provision)	4,069	(257,014)	53,705	27,044	(172,196)
Net Income (Loss) (a)	(7,899)	328,099	(104,251)	(19,150)	196,799
Total Assets	$ 57,231	$ 2,983,839	$ 2,801,725	$ 4,581,110	$ 10,423,905

	Three Months Ended June 30, 2006				
	Distribution Activities	**Income (Loss) Derived From Ownership of Limited Liability Companies**	**Corporate Activities**	**Medical Software Activities**	**Total**
Revenue (b)	$ 5,937	$	$	$ 391,606	$ 397,543
Operating (Loss)	(22,081)		(171,074)	(2,356,447)	(2,549,602)
Other Income (Loss)		613,036	(696)	(132,909)	479,431
Minority Interest				2,025,000	2,025,000
Income Tax Benefit (Provision)		(10,844)			(10,844)
Net Income (Loss) (a)	(22,081)	602,192	(171,770)	(464,356)	(56,015)
Total Assets	$ 65,228	$ 2,607,929	$ 3,885,674	$ 4,690,211	$ 11,249,042

(a)

All interest expense incurred by the Company was allocated to the Corporate Activities Segment.

(b) There was no intersegment revenue during the period.

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

NOTE 7. SEGMENT INFORMATION (CONTINUED)

	Six Months Ended June 30, 2007				
	Distribution Activities	**Income (Loss) Derived From Ownership of Limited Liability Companies**	**Corporate Activities**	**Medical Software Activities**	**Total**
Revenue (b)	$ 8,516	$	$	$ 764,953	$ 773,469
Operating (Loss)	(24,001)		(332,042)	(3,813,796)	(4,169,839)
Other Income (Loss)		1,308,196	58,933	(162,845)	1,204,284
Minority Interest				3,933,393	3,933,393
Income Tax Benefit (Provision)	8,160	(534,613)	92,857	38,075	(395,521)
Net Income (Loss) (a)	(15,841)	773,583	(180,252)	(5,173)	572,317
Total Assets	$ 57,231	$ 2,983,839	$ 2,801,725	$ 4,581,110	$ 10,423,905

	Six Months Ended June 30, 2006				
	Distribution Activities	**Income (Loss) Derived From Ownership of Limited Liability Companies**	**Corporate Activities**	**Medical Software Activities**	**Total**
Revenue (b)	$ 15,499	$	$	$ 851,210	$ 866,709
Operating (Loss)	(24,416)		(898,630)	(4,537,300)	(5,460,346)
Other Income (Loss)		975,490	(2,270)	(254,454)	718,766
Minority Interest				2,025,000	2,025,000
Income Tax Benefit (Provision)		(10,844)			(10,844)
Net Income (Loss) (a)	(24,416)	964,646	(900,900)	(2,766,754)	(2,727,424)
Total Assets	$ 65,228	$ 2,607,929	$ 3,885,674	$ 4,690,211	$ 11,249,042

(a) All interest expense incurred by the Company was allocated to the Corporate Activities Segment.

(b)

There was no intersegment revenue during the period.

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

NOTE 8. INCOME TAXES

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Current:				
Federal	$	$	$	$
State		10,844		10,844
		10,844		10,844
Deferred:				
Federal	158,607		360,389	
State	13,589		35,132	
	172,196		395,521	
Total income tax provision	$ 172,196	$ 10,844	$ 395,521	$ 10,844

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2006	2006
Tax provision (benefit) at statutory rate	$ 142,527	$	$ 338,743	$
State income tax expense (benefit) net of federal tax effect	13,394	10,844	35,132	10,844
Other	16,275		21,646	
Income tax provision	$ 172,196	$ 10,844	$ 395,521	$ 10,844

As of June 30, 2007, the Company had Federal and state tax loss carry-forwards totaling approximately $417,000 and $6,300,000, respectively, available to reduce future years income through 2023.

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

NOTE 8. INCOME TAXES (CONTINUED)

The approximate tax effects of temporary differences that give rise to deferred tax assets (liabilities) as of June 30, 2007, are as follows:

Depreciation and Amortization	$ 386,266
Allowance for doubtful accounts	30,543
Tax loss carry forward	370,433
Accrued Wages	11,289
Total Net Deferred Tax Asset	$ 798,531

Deferred tax assets and liabilities are reflected on the balance sheet as of June 30, 2007 as follows:

Net Short-Term Deferred Tax Assets	$ 41,832
Net Long-Term Deferred Tax Assets	756,699
Net Deferred Tax Assets	$ 798,531

NOTE 9: COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in lawsuits and claims in the ordinary course of business. Management does not believe the outcome of any litigation against the Company would have a material adverse effect on the Company s financial position or results of operations.

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

On August 2, 2006, PCTS was made a defendant to a lawsuit filed by Hill-Rom Services, Inc. et al. vs. Versus Technology, et al., United States District Court, Middle District of North Carolina, Civil Action No. 1:03CV01227, as a successor in interest to Healthcare Information Technology, Inc., and as a customer of a vendor concerning the vendor s disputed patent ownership and unauthorized use of such patents. The plaintiffs also requested a determination that they did not violate their license agreement with PCTS s vendor. The amount of liability, if any, from this claim cannot be determined with certainty; however, management is of the opinion that the outcome of the claims will not have a material adverse impact on the consolidated financial position. Due to uncertainties in the settlement process, it is at least reasonably possible that management s estimate of the outcome may change within the next year.

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

NOTE 10. RELATED PARTY TRANSACTIONS

DUE FROM RELATED PARTIES

Amounts due from related parties totaled $200,000 and represent advances to certain members of management. These amounts are unsecured, non-interest bearing and due on demand. The Company has no intention of demanding $200,000 due from these employees within one year as of June 30, 2007. Accordingly, the Company has classified $200,000 as a non-current asset on the condensed interim consolidated balance sheet as of June 30, 2007.

NOTE PAYABLE RELATED PARTY

ST, LLC has unsecured promissory notes to the majority stockholder totaling $3,405,062 as of June 30, 2007, the proceeds of which have been used to meet operating funding requirements. These promissory notes accrue interest at 10% per annum, compounding monthly. Interest only is payable annually on the anniversary date of each of the promissory notes. The promissory notes and any accrued interest are due on demand anytime after 10 years from the applicable date of the note. Accordingly, the total unpaid principal balance is included in long-term liabilities on the accompanying condensed interim consolidated balance sheet. The Company may not prepay the principal balance without prior consent of the majority stockholder. Accrued interest on this note totaled $603,372, which is included in related party payable on the accompanying condensed interim consolidated balance sheet as of June 30, 2007.

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

RESULTS OF OPERATIONS

The following compares the results of operations for the three and six months ended June 30, 2007, with the comparable period in the prior year.

During the quarter ended June 30, 2007, revenue increased approximately $6,000 from revenue for the quarter ended June 30, 2006 primarily related to the operations of ST, LLC. Although more sales orders occurred during the second quarter, they will not be recognized until the third and fourth quarters of 2007 or until the Company has reached its contractual obligations.

Operating loss for the six months ended June 30, 2007 was approximately $4,170,000, or $(.76) per share, compared to the operating loss of approximately $5,460,000, or $(1.00) per share, for the six months June 30, 2006, primarily due to a reduction in ST, LLC s operating expenses.

During the quarter ended June 30, 2007, other income (loss)/(expense) increased by approximately $58,000 from the quarter ended June 30, 2006, primarily as a result of increased income from BioSafe and a reduction of interest expense which offset the reduced income from AVM.

The Company s income from its interest in BioSafe was approximately $179,000 in the second quarter of 2007, compared to income of approximately $75,000 for the quarter ended June 30, 2006. This represents the Company s 40% interest in BioSafe s net income of approximately $447,000 in the second quarter of 2007, compared to income of approximately $188,000 in the second quarter of 2006.

The Company s income from its interest in AVM was approximately $406,000 in the second quarter of 2007, compared to income of approximately $538,000 for the quarter ended June 30, 2006. This represents the Company s 5.4% interest in AVM s net income of approximately $7,705,000 in the second quarter of 2007, compared to income of approximately $10,002,000 in the second quarter of 2006.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)

Management continues to monitor these activities as they relate to budgeted amounts. See Liquidity and Capital Resources and Outlook, below. The Company maintains an open option to sell its interest in ST, LLC to the primary stockholder of the Company for its total investment as noted in the accompanying financial statements.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, Consulier s cash totaled approximately $258,000 compared to approximately $241,000 at December 31, 2006. Net cash used in operations was approximately $3,750,000 for the six months ended June 30, 2007, compared to approximately $2,380,000 of net cash used in the six months ended June 30, 2006. Net cash provided by investing activities totaling approximately $604,000 was primarily due to the distribution of approximately $1 million from AVM during the six months ended June 30, 2007. Net cash provided from financing activities totaling approximately $3.2 million mainly came from the proceeds from the Company s minority interest in ST, LLC of approximately $3.9 million.

Consulier can require its principal stockholder to purchase its interest in ST, LLC for cash equal to Consulier s capital account as of the closing date. Consulier has contributed to ST, LLC approximately $15,000,000 since inception. As of June 30, 2007, Consulier s capital account balance was $0. It is anticipated that the cash requirements for ST, LLC will decrease in the future as ST, LLC s sales increase.

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 interest in AVM as well as obtaining additional financing proceeds. Consulier cannot, with any degree of assurance, predict whether there will be a continuation of the net return experienced in the period from AVM limited partnership, nor the continued ability to obtain additional funding. However, Consulier does not expect that the rate of return will decline to the point where Consulier has negative cash flow. Furthermore, although AVM has given Consulier no indication of any intention on its part to redeem the partnership interest, there can be no assurance that AVM will not do so in the future.

The Company allowed its $2,000,000 line of credit available from a bank to expire on May 15, 2007.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION (CONTINUED)
OUTLOOK

Based on AVM s operations over the past five years, management expects continued annualized returns in 2007 on its interest in AVM; however, there is no guarantee that the annualized return in the second quarter of 2007 will be maintained throughout fiscal 2007.

Consulier International, Inc. has been developing new retail and distribution outlets locally, nationally and internationally. There are several trade shows scheduled for marketing the Captain Cra-Z Hand and All Purpose Cleaner throughout 2007 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, although sales have decreased.

A 22% increase in the agriculture market accounted for BioSafe s strong quarterly performance. Investments in research and development, new product development and exploration of new market opportunities continue to remain a BioSafe priority.

In the second quarter, Patient Care Technology Systems (PCTS) continued to manage several active implementations of its automatic patient tracking and charting software which will be completed in the third and fourth quarters of 2007. Implementations at two sites were delayed because of delays in receiving locating hardware, used with the Company s software. PCTS announced a strategic partnership with Sonitor Technologies, a leading provider of ultrasound-based locating, further broadening the Company s range of real-time locating systems that integrate with its automatic tracking software.

Implementations of the Company s workflow automation software at Christiana Care Health System, Providence St. Vincent Medical Center and Albert Einstein Health System were featured in national healthcare IT publications during the quarter. The Company was an invited speaker on the role of Radio Frequency enabled workflow solutions at conferences in the United States and Canada.

PCTS currently supports 22 completed installations of its core product line of electronic tracking and documentation solutions with 13 implementations in progress. Including its non-core solutions, PCTS supports a total customer base of 63 hospitals, representing over 1.7 million annual patient encounters.

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ITEM 3. CONTROLS AND PROCEDURES

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

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

On August 1, 2006, a shareholder derivative lawsuit was filed by a number of shareholders of Patient Care Technology Systems, Inc., formerly ER Quick, Inc., which owns a 25% interest in PCTS. The suit, Richard Aranda, et al. vs. Geoffrey M. Hosta. Et al., San Diego County, CA, Superior Court, Case No. GIC867297 alleges that PCTS misappropriated unspecified assets of Patient Care Technology Systems, Inc. Although plaintiffs had named PCTS, LLC as a defendant in their initial pleadings on November 13, 2006, plaintiffs filed a second amended complaint which did not name PCTS, LLC as a defendant. PCTS, LLC did not settle with plaintiffs and it has not been a party to this lawsuit since November 13, 2006.

On August 2, 2006, PCTS was made a defendant to a lawsuit filed by Hill-Ron Services, Inc. et al. vs. Versus Technology, et al., United States District Court, Middle District of North Carolina, Civil Action No. 1:03CV01227, as a successor in interest to Healthcare Information Technology, Inc., and as a customer of a vendor concerning the vendor s disputed patent ownership and unauthorized use of such patents. The plaintiffs also requested a determination that they did not violate their license agreement with PCTS s vendor.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On July 17, 2006, The Company s majority shareholder purchased 166,204 shares of common stock by exchanging $600,000 of The Company s indebtedness to the shareholder. The transaction was exempt from registration pursuant to Section 4(2) of The Securities Act of 1933.

In April 2007, the Company adopted a plan to repurchase up to 50,000 shares of its common stock on the open market at a price not to exceed $3.75 per share. During the quarter ended, June 30, 2007, the Company repurchased 11,685 shares of its common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

None

(b) CURRENT REPORTS ON FORM 8-K

None

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

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

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

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSULIER ENGINEERING, INC.
(Registrant)

Date: August 14, 2007

By: /s/ Alan R Simon
Alan R. Simon, Esq.
Secretary and Treasurer (Principal Financial and Accounting Officer)

Date: August 14, 2007

By: /s/ Warren B. Mosler
Warren B. Mosler
Chairman of the Board, President & Chief Executive Officer (Principal Executive Officer)