

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

RAPTOR INVESTMENTS INC
Form 10QSB
August 17, 2004

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 JUNE 30, 2004.
- TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT FOR THE TRANSITION PERIOD FROM

COMMISSION FILE NUMBER 0-23026

RAPTOR INVESTMENTS, INC.

(EXACT NAME OF SMALL BUSINESS ISSUER AS SPECIFIED IN ITS CHARTER)

FLORIDA

22-3261564

(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER IDENTIFICATION
NO.)

105 N.W. 13 AVENUE, POMPANO BEACH, FLORIDA 33069

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

954-346-5799

(ISSUER'S TELEPHONE NUMBER INCLUDING AREA-CODE)

(FORMER NAME, FORMER ADDRESS AND
FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

CHECK WHETHER THE ISSUER (1) FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE EXCHANGE ACT DURING THE PAST 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS) AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

APPLICABLE ONLY TO CORPORATE ISSUERS

STATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK AS OF THE LATEST PRACTICABLE DATE:

COMMON STOCK, \$.01 PAR VALUE - 48,887,681 SHARES AS OF June 30, 2004.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT (CHECK ONE):

YES X NO
--- ---

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

RAPTOR INVESTMENTS, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AS OF JUNE 30, 2004

RAPTOR INVESTMENTS, INC.
AND SUBSIDIARIES

CONTENTS

PAGE	1	CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2004 (UNAUDITED)
PAGE	2	CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2004 AND 2003 (UNAUDITED)
PAGE	3	CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 2004 AND 2003 (UNAUDITED)
PAGES	4 - 8	NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2004
(UNAUDITED)

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

	ASSETS
CURRENT ASSETS	
Cash	\$
Investments, net	
Accounts receivable, net	
Inventories	
Due from stockholder	
Other current assets	
Total Current Assets	1,
PROPERTY AND EQUIPMENT - NET	
OTHER ASSETS	
Deposits	
Goodwill	1,
Total Other Assets	1,
TOTAL ASSETS	\$ 4, =====
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
CURRENT LIABILITIES	
Cash overdraft	\$
Accounts payable and accrued expenses	
Due to factor	
Line of credit	
Loans payable - related parties	
Capital lease - current	
Total Current Liabilities	2,
LONG-TERM LIABILITIES	
Capital lease - non-current	
Line of credit	2,
Note payable	
Total Long-Term Liabilities	3,
TOTAL LIABILITIES	5,
STOCKHOLDERS' DEFICIENCY	
Preferred stock, \$.01 par value, 5,000,000 shares authorized, Class A, \$.01 par value, 15 shares issued and outstanding	
Common stock, \$.01 par value, 100,000,000 shares authorized, 48,887,681 shares issued and outstanding	
Additional paid-in capital	9,
Note receivable - stockholder	(1,
Treasury stock	
Other comprehensive loss	

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

Accumulated deficit	(9,
Stock subscription receivable	(

Total Stockholders' Deficiency	(1,

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 4,
-----	=====

See accompanying notes to condensed consolidated financial statements.

1

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004
	-----	-----	-----
REVENUE	\$ 2,548,128	\$ 2,907,752	\$ 5,156,128
COST OF GOODS SOLD	1,886,501	2,275,623	3,905,623
	-----	-----	-----
GROSS PROFIT	661,627	632,129	1,250,505
	-----	-----	-----
OPERATING EXPENSES			
Stock compensation	--	--	--
Selling expenses	39,580	202,373	170,000
Settlement of vendor payables	--	(329,999)	--
Other general and administrative	692,923	627,989	1,504,000
	-----	-----	-----
Total Operating Expenses	732,503	500,363	1,674,000
	-----	-----	-----
INCOME (LOSS) FROM OPERATIONS	(70,876)	131,766	(423,495)
	-----	-----	-----
OTHER INCOME (EXPENSE)			
Interest income	--	293	--
Realized loss on investments	(6,100)	--	(6,100)
Factor fees expense	(33,518)	--	(72,000)
Interest expense	(70,917)	(53,079)	(168,000)
	-----	-----	-----
Total Other Income (Expense)	(110,535)	(52,786)	(246,100)
	-----	-----	-----
NET INCOME (LOSS)	\$ (181,411)	\$ 78,980	\$ (671,595)

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

	=====	=====	=====
NET INCOME (LOSS) PER SHARE			
Net income (loss)	\$ (181,411)	\$ 78,980	\$ (671,411)
Preferred stock dividends	(15,000)	(45,000)	(37,500)
	-----	-----	-----
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ (196,411)	\$ 33,980	\$ (708,411)
	=====	=====	=====
Net income (loss) per common share - basic and diluted	\$ --	\$ --	\$ (0.00)
	=====	=====	=====
Weighted average number of common shares outstanding - basic and diluted	48,887,681	48,887,681	48,887,681
	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

2

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)
Adjustments to reconcile net income (loss) to net
cash used in operating activities:
Stock issued for services
Depreciation
Allowance for doubtful accounts
Realized loss on investments
Non-cash gain on settlement of vendor payables
Changes in operating assets and liabilities:
 (Increase) decrease in:
 Accounts receivable
 Inventories
 Other assets
 Deposits
Increase (decrease) in:
 Cash overdraft
 Accounts payable

Net Cash Used In Operating Activities

For the
Ended J

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of marketable securities
Purchases of property and equipment
Restricted cash

Net Cash Provided By (Used In) Investing Activities

CASH FLOWS FROM FINANCING ACTIVITIES:

Due to factor
Payments on line of credit
Payments on loan payable - related party
Payments on capital lease
Proceeds from notes payable
Dividend payment on preferred stock

Net Cash Provided By (Used In) Financing Activities

NET INCREASE (DECREASE) IN CASH

CASH - BEGINNING OF PERIOD

CASH - END OF PERIOD

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest expense

See accompanying notes to condensed consolidated financial statements.

3

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2004
(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

(A) BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in The United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all the information necessary for a comprehensive presentation of financial position and results of operations.

It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

necessary for a fair financial statements presentation. The results for the interim period are not necessarily indicative of the results to be expected for the year.

For further information, refer to the financial statements and footnotes for the year ended December 31, 2003 included in the Company's Form 10-KSB.

(B) USE OF ESTIMATES

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

(C) PRINCIPLES OF CONSOLIDATION

The condensed consolidated financial statements include the accounts of Raptor Investments, Inc. and its wholly owned subsidiaries LBI Properties, Inc., LBI Eweb Communities, Inc., 105 NW 13 Avenue Holding Corporation and J&B Wholesale Produce, Inc., (collectively, the "Company"). All intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 INVENTORIES

Inventories consist of purchased produce, fruit and vegetables and is valued at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

4

NOTE 3 FACTORING AGREEMENT

During 2003, the Company entered into a factoring agreement to sell certain trade receivables, primarily without recourse. Under the agreement, the factor will advance 90% of the face value of the receivable to the Company. The Company will pay a percentage fee of 1.5% and the remaining 8.5% will be applied against the outstanding line of credit balance upon collection. The Company's accounts receivable are pledged as collateral under the agreement. As of June 30, 2004, the Company has received factor advances of \$844,493 on approximately \$1,000,000 of factored accounts receivable and paid factor fees of \$72,927.

NOTE 4 INVESTMENTS

The Company's marketable securities are comprised of equity securities, all classified as available-for-sale, which are carried at their fair value based upon quoted market prices of those investments as of June 30, 2004. Accordingly, unrealized gains and losses are included in stockholders' equity.

The composition of marketable equity securities as of June 30, 2004 is as follows:

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

	Basis -----	Unrealized Gain or (Loss) -----	Fair Value -----
Available-for-sale securities			
Common stock	\$ 20,287 =====	\$ (12,775) =====	\$ 7,512 =====

NOTE 5 LINE OF CREDIT

The Company entered into an agreement and signed a promissory note for a line of credit in the amount of \$2,825,000, which shall cap at \$2,000,000 when the principal balance is reduced to that amount. The note is due and payable on March 3, 2008. The note bears interest at the rate of LIBOR (1.1% at June 30, 2004) plus 10% per annum payable monthly. The note is secured by the assets of J&B Produce and a personal guarantee of the President.

During July 2003, the Company entered into a loan extension agreement with its lender. The extension waived minimum repayment requirement of \$250,000 under the original loan agreement until July 2, 2004. The note balance at June 30, 2004 is \$2,521,495.

5

NOTE 6 STOCKHOLDERS' EQUITY

During August 2003, the Company and the Preferred Class A stockholder agreed to amend the terms and conditions of the payment of dividends and conversion of the Class A Preferred stock. The Preferred stockholder agreed to exchange the original 15 shares of Class A Preferred stock and all accrued dividends for 15 shares of Class A Preferred stock with the following attributes: annual dividends of \$6,000 payable monthly and increasing to \$7,992 annually following the first month the Company reaches sales over \$15 million per annum and increasing to \$9,984 annually for sales of \$16 million and increasing to \$11,976 per annum for all sales over \$17 million. In addition, each share of Class A Preferred stock is convertible into (0.75%) of the total issued and outstanding common shares up to a maximum conversion of 562,500 common shares. During the six months ended June 30, 2004, the Company paid cash dividends of \$37,500 on the Class A Preferred stock. As of June 30, 2004, the Company has accrued dividends of \$7,500 due on the Class A Preferred stock.

NOTE 7 SEGMENT INFORMATION

The Company operates in two business segments, Produce and Other. The Company operates the Produce segment through its wholly owned subsidiaries J&B Wholesale Produce, Inc. and 105 NW 13 Avenue Holdings Corporation ("J&B"). J&B receives its revenues from selling produce wholesale to restaurants and stores. Raptor Investments, Inc., LBI Properties, Inc. and LBI Eweb Communities, Inc. do not meet the quantitative thresholds for a reportable segment and are therefore included in the Other segment. The accounting policies of the segments are the same as described in the summary of significant accounting policies. The Company evaluates segment performance based on income from operations. All intercompany transactions between segments have been eliminated. As a result, the components of operating loss for one segment may not be comparable to another segment. The following is a summary of the Company's segment information for the period ended June 30:

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

2004	Produce	Other	Total
	-----	-----	-----
Revenues	\$ 5,156,194	\$ --	\$ 5,156,194
Segment profit (loss)	(604,844)	(66,571)	(671,415)
Total assets	4,178,294	24,093	4,202,387
Additions to long-lived assets	-	--	-
Depreciation and amortization	49,398	1,072	50,470

6

2003			
Revenues	\$ 5,571,960	\$ --	\$ 5,571,960
Segment profit (loss)	(159,907)	311,648	151,741
Total assets	3,902,550	268,192	4,170,742
Additions to long-lived assets	1,184	15,000	16,184
Depreciation and amortization	45,916	1,070	46,986

NOTE 8 COMPREHENSIVE INCOME (LOSS)

The Company follows SFAS No. 130, "Reporting Comprehensive Income ". This statement establishes standards for reporting and displaying comprehensive income (loss) and its components.

The components of other comprehensive income (loss) are as follows:

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004
	-----	-----	-----
Net income (loss)	\$ (181,411)	\$ 78,980	\$ (671,415)
Change in net unrealized gain on securities	1,010	--	1,010
Comprehensive income (loss)	<u>\$ (180,401)</u>	<u>\$ 78,980</u>	<u>\$ (671,204)</u>

NOTE 9 GOING CONCERN

As shown in the accompanying condensed consolidated financial statements, the Company incurred a negative cash flow from operations of \$110,108, has an accumulated deficit of \$9,670,851, a stockholders' deficiency of \$1,365,438 and a working capital deficiency of \$1,931,150. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Management's plan for the Company in regard to these matters is to

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

continue to grow the produce operations of the business through its J&B Produce subsidiary, which management believes will provide the necessary revenue and earnings to enhance shareholder value. Management intends to focus the business on profitable core customers and reduce marginal costs by expanding its product line and implementing stricter controls. The Company is also actively seeking to refinance its long-term debt on terms

7

more favorable to the Company. Management believes that the actions presently taken to reduce operating costs, increase revenue and obtain refinancing provide for the Company to operate as a going concern.

NOTE 10 SUBSEQUENT EVENTS

During July 2004, the Company issued 3,500,000 shares of common stock to officers and 5,000,000 of common stock to consultants for services.

8

PART I ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FORWARD LOOKING STATEMENTS

When used in this Quarterly Report, the words or phrases "will likely result", "are expected to", "will continue", "is anticipated", "estimate", "projected", "intends to" or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Company's forward-looking statements reflect the company's best judgment based on current information and are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, these statements. Readers are cautioned that they should not place undue reliance on any forward-looking statements because such statements speak only as of the date they are made.

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

This quarterly report should be read in light of the following factors which can be ascertained from our financial disclosure for the quarter ended June 30, 2004:

1. LIQUIDITY. Our financial situation continued to deteriorate in the quarter and our cash resources are limited, and we must take, and have taken, steps to increase sales, improve our profit margins for the foodstuffs we sell, and reduce costs. In order to increase sales, we have hired five additional sales persons, and we have offered a "draw" of funds against sales commissions for our new sales persons. This has resulted in our capturing of several new large accounts, including a large chain of "Dollar" type stores which are placing in excess of \$50,000. per week in new orders.

Our auditors have expressed concern about our ability to function as a going concern going forward. In Note 9 to the Condensed Consolidated Financial Statements, our Auditor states : "As shown in the accompanying consolidated financial statements, the Company incurred a negative cash flow from operations of \$110,108, has an accumulated deficit of \$9,670,150, a stockholders deficiency of \$1,365,438 and a working capital deficiency of \$1,931,150. These factors raise substantial doubt about the Company's ability to continue as a going concern."

We plan to continue to try to resolve these matters by trimming our costs, seeking out new and profitable customers, and we are seeking an infusion of cash into the Company thru debt or equity in the amount of \$300,000 in order to finance our operations until our busy season in the fall and winter of 2004.

9

2. CAPITAL RESOURCES. Our company is highly leveraged and the lack of capital could foreseeable limit our ability to expand. To that end, we have been in discussion with our lenders concerning our cash needs, and have kept our lenders abreast of our situation on a daily basis. We have identified the need to accumulate an additional \$300,000 in cash reserves, either thru increased sales or cost containment, or both, during the next quarter. Our lenders continue to express concern with our level of salaries vs. sales.

3. LOAN OBLIGATIONS. We are not in default on any of our obligations to pay our lenders, or on our obligation to pay a fixed dividend on our preferred stock. We have met our obligation contained within the loan agreement with our lenders to reduce our debt (principal) by \$250,000 for the year on or before July 2, 2004. Our factoring arrangement has been fully extended to the company in the amount of \$990,000. Our factoring account is callable in full be the lender at any time. If the entire factoring account was called we would be unable to repay it in full.

4. MARKET CONDITIONS. The economy and the markets for our products are still in decline, although seem to have leveled off. The restaurants that we serve are ordering less from us that they did for the same period last year, and we recognize the need to increase revenues, since our loan obligations do not change based on our revenues. Fuel costs have stabilized although we are still paying almost double for truck fuel than we paid for the similar period one year ago. We are paying approximately 400% of our year-ago costs for freight charges to bring bulk vegetables to our loading docks. We are trying to buy vegetables and fruits which require as short a distance for freight as possible.

5. RESULTS OF OPERATIONS. We are disappointed with results from current operations and recognize the need to continue to build accounts and to control

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

costs. A short term analysis of our cash flow indicates that we need in the order of \$300,000 more in revenues than we currently project to carry us into our busy season, and we are working to improve revenues, or in the alternative find an equity partner for our company willing to infuse additional funds in that amount.

MATERIAL CHANGES IN FINANCIAL CONDITION FROM JUNE 30, 2003 TO JUNE 30, 2004:

Revenues for the three month period ended June 30, 2004 were essentially static compared to the same time period for 2003. The cost of goods sold was also essentially the same, however dramatic increases in our operating expenses from \$500,363 in 2003 to \$732,503 in 2004 resulted in a deterioration in our results from a \$131,766 net income from operations in 2003 to a net loss from operations of \$70,876 in the like period for 2004. The three month period in 2003 contained a gain from the settlement of a lawsuit in the amount of approximately \$329,000. Net loss for the period was \$181,411 compared with net income for the like period in 2003 of \$78,980.

10

Management considers this unacceptable and is taking the steps necessary to reverse This trend. Operating expenses for the three months ended June 30, 2004 were \$732,503 compared to \$942,337 for the three month period ending March 31, 2004.

MATERIALS CHANGES IN RESULTS FROM OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2004 COMPARED TO THE SAME PERIOD IN PREVIOUS FISCAL YEAR:

Loss from operations were \$423,970 in the six months ending June 30, 2004 compared To income of \$343,253 for the six months ended June 30, 2003. Net loss was \$671,415 for the six months ended June 30, 2004 compared to income of 151,741 for the same period in 2003. Our cash position deteriorated significantly in the six months ended June 30, 2004. We had cash at the end of the period of \$201 as compared with cash on hand at the end of the same period of 2003 of \$164,301.

The decline in our results of operations from the same period in the prior year are Attributable to the following:

1. Increases in fuel costs.
2. Increases in freight costs.
3. Loss of number and volume of customers.
4. Lengthened time periods for customer payments.
5. Price pressures from larger, better capitalized competitors.
6. Over expensed in salaries, especially at executive level.

Our Plan of Operation discusses what we intend to do to resolve these issues.

PLAN OF OPERATION

The Company's primary operations are centered in the J&B Wholesale Produce, Inc. wholly-owned subsidiary. J&B is a regional provider of produce to restaurants in Miami-Dade, Broward, Palm Beach, Martin and Monroe counties in southeast Florida. Management expects 2004 gross sales in the J&B unit of \$11 million.

Management feels that liquidity, cash available for operations, and business

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

conditions generally are becoming more favorable, and expansion, of the Company's J&B Wholesale Produce Operations is needed. The management of J&B continues to pursue more higher yielding produce customers, which should improve long-term liquidity. In addition, management has set minimum daily order amounts, and sought to limit the number of smaller, unprofitable or less profitable accounts which it services, to further expand the business and maximize profit while limiting the cost per delivery of the Company.

Substantial improvements to the product delivery line have greatly increased efficiency, reduced errors and missed deliveries, and reduced product spoilage.

11

Three additional refrigerated trucks have been leased and added to the Company's fleet in order to service new customers.

The Company has released all under-performing salespersons and is constantly seeking and hiring new sales professionals, particularly in the fast-growing northern and western suburbs of the service area. All employees have been placed on a time clock and salaried employees have been changed over to hourly. The Company no longer pays any employees in cash.

The Company has established a new program to hire, train and retain salespersons. The Company pays a "draw" against commission to new hires in sales and has taken a pro-active approach to sales which includes identification and dismissal of under-performing salespersons.

The Company is subject to market conditions in the fresh produce industry taken as a whole. Fresh produce is subject to tremendous variations in quality and consistency, as well as availability, and is the most highly perishable agricultural commodity. On a daily basis, company employees have to visually inspect hundreds of different products for size, shape, consistency, and visual defects. The public is increasingly concerned with the use of pesticides, herbicides, and genetically engineered foodstuffs. While cosmetically imperfect produce is acceptable to enter the processed foods stream, it is not acceptable to the fresh produce stream, and especially to the restaurants served by the company. The Company's buyers have to make daily decisions on where to source each item based on quality, availability, price and location. These factors can change daily for each type of produce. Weather conditions or other factors can effect the price of a major volume product, such as lettuce, potatoes, onions, or tomatoes and have a significant impact on the company for the period. The successful acquisition of produce at a competitive price and of the highest quality will insure the continued success, and growth, of the company.

The Company operates primarily in Miami-Dade, Broward and Palm Beach counties in southeast Florida. Many of the restaurants and other foodservice establishments which the company serves are seasonal in nature. While few of these establishments actually close during the summer months, many have a reduced order volume in the range of up to 40%. The company is attempting to limit the impact of the seasonal nature of the vacation industry in the region by concentrating on restaurants in areas where year-round residents live, particularly in the western suburbs of Miami, Fort Lauderdale and West Palm Beach. Seasonal volume changes are much less pronounced in these "bedroom communities".

The entire tourism industry in Southeast Florida is dependant upon favorable travel conditions for continued success. Terrorism, or a decline in economic conditions, have a negative impact on tourism and could lead to reduced sales both for the company and the restaurants it serves. Downturns in the economy or

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

the threat of terrorism or actual events in the United States and around the world have a direct impact on travel and tourism, affecting the Company as well as other businesses and business sectors, such as lodging and airlines.

The Company has entered into a factoring arrangement with its lender, American Millennium Investment Corporation. Commencing on October 6, 2003, the company has received a line of credit against pledged receivables in the total amount of \$1,100,000. As of June 30, 2004 the company had drawn down \$ 990,000. under the factoring agreement. Gelpid Associates LLC, the company's principal lender, agreed to subordinate its perfected lien position on the company's receivables in order to make the factoring arrangement possible. Gelpid and American Millennium are related entities.

12

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2004, the Company had a stockholder's deficiency of \$1,365,438. As of June 30, 2004 the Company incurred a loss of \$671,415. Almost all of the company's revenues for the quarter ended June 30, 2004 is attributable to the continued operations of the wholesale produce segment, specifically the result of operations of the J&B Wholesale Produce, Inc. subsidiary. The Company plans to generate revenue in the future by retaining business consulting clients in the private and public sector for its Business consulting segment. In addition, the Company plans to seek the acquisition of additional income producing assets such as J&B Wholesale Produce, Inc. and to continue to grow that subsidiary company.

The management of J&B continues to pursue more higher yielding produce customers, which should improve long-term liquidity. In addition, management has set minimum daily order amounts, and sought to limit the number of smaller, unprofitable or less profitable accounts which it services, to further expand the business and maximize profit while limiting the cost per delivery of the company. Management continues to streamline the day-to-day operations of J&B, has moved most back-office activities away from the produce warehouse facility.

FINANCIAL DISCLOSURE AND CONTROLS

Management feels that the company has adequate disclosure controls and procedures in place to insure the accurate and timely reporting of the financial condition of the company to its auditors, and to the public. Specifically, regular, routine meetings are held between and among management, its attorney, and its accountants to resolve financial issues and insure the timely, accurate reporting of the financial condition of the company.

Paul F. Lovito, Jr., our Chief Executive Officer, and Matthew Lovito, our Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures as of June 30, 2004. Based on their evaluation, they concluded that the controls and procedures in place are sufficient to assure that material information concerning the Company which could affect the disclosures in the Company's quarterly and annual reports is made known to them by the other officers and employees of the Company, and that communications occur with promptness sufficient to assure the inclusion of the information in the then-current report.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

date on which Mr. Paul Lovito and Mr. Matthew Lovito made their evaluation.

13

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The company included a full report of all litigation pending in it's annual report for the period ending December 31, 2003. That report is incorporated herein and made a part hereof by reference. Everything contained within this quarterly report is subject to the information contained within that annual report. In the opinion of management there are no outstanding litigation issues which threaten the viability of the company as an ongoing concern. There is no litigation against the company or any of it's subsidiaries which management considers of a material nature to the company.

From time to time, the Company is involved as plaintiff or defendant in various legal proceedings arising in the normal course of its business. While the ultimate outcome of these various legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on the Company's financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On July 2, 2004 the Company filed with the Securities and Exchange Commission on Form S-8 a registration statement for Employee and Consultants Stock Option Agreements. The Company registered 5,000,000 shares of its Common Stock Options at an option price of \$0.04 for employees and 20,000,000 shares of its Common Stock Options at an option price of \$0.04 for consultants. The Company has issued 5,000,000 of the Consultants stock Options to date. Simultaneously the Company filed its Employee Stock Incentive Plan For The Year 2004 and its Non-Employee Directors and Consultants Retainer Stock Plan For The Year 2004. The plans are valid for three years until July 1, 2007. The Form S-8 Registration Statement Under the Securities Act of 1933 is included herein and made a part hereof by reference.

On June 27, 2002 the Company issued fifteen (15) shares of Preferred Stock, Class A, to Mr. Christian T. Chiari in exchange for certain financial consulting services provided to the Company by Mr. Chiari, including the acquisition by Mr. Chiari of funding from Gelpid Associates, LLC in order that the Company could close on it's acquisition of J&B Wholesale Produce, Inc. The acquisition of J&B Wholesale Produce, Inc., and a description of the transaction between the Company and Gelpid Associates LLC is contained within the 8-K filing of the Company which is incorporated herein and made a part hereof by reference.

The Preferred Stock, Class A, had an annual dividend of \$12,000 per share, payable in equal quarterly installments beginning with the date of issue. The Preferred Stock, Class A was convertible, in whole, but not in part, into so many shares of the Common Stock of the Company as equals one half of one percent (0.5%) of the total number of shares of issued and outstanding Common Stock of the Company on the date of conversion. However, no shares of Preferred Stock, Class A, were convertible into more than 375,000 Common shares.

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10QSB

On August 1, 2003, the company, in agreement with the holder thereof, altered the terms of payment on the Class A Preferred Stock. Each share of Class A Preferred Stock, par value \$0.01 features an annual dividend of \$6000.00 per share, payable in equal monthly installments beginning August 1, 2003; said dividend (\$7500.00 per month in total) to increase by a total of \$2500.00 per month beginning in the first full calendar month after the company reaches \$15 million per annum in gross revenues, and thereafter by a total of \$2500.00 per month for each \$1 million in additional gross revenues, up to a maximum of \$17 million in gross revenues, and each share of the Class A Preferred stock is convertible into shares of the Common Capital stock of the Corporation using the following ratio:

14

Each Class A Preferred share shall be convertible, in whole, but not in part, to so many shares of the common capital stock of the Corporation as equals three quarters of one percent (0.75%) of the total number of issued and outstanding common capital shares of the company as exist on the date of conversion. Provided, however, that no Class A Preferred shares is convertible into more than 562,500 common capital shares. Upon conversion, the common capital stock issued for the conversion shall enjoy all of the rights, including voting rights, and dividends, as all of the common capital stock of the Corporation.

On July 15, 2003 the company entered into a loan extension agreement with it's lender, Gelpid Associates LLC. Under the express terms of the 2002 loan to the company in the amount of \$2,825,000, the company was obligated to make a minimum payment to reduce the principal balance of the loan of \$250,000 by July 1, 2003. Under the express terms of the loan extension agreement, the lender waived the requirement of payment of the unpaid sums due for principal reduction under the 2002 loan until July 2, 2004. The payment was made.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

Not Applicable

ITEM 5. OTHER INFORMATION

Paul Lovito, our Chief Executive Officer, and Matthew Lovito, our Chief Financial Officer, performed an evaluation of the Company's disclosure controls and procedures within 90 days prior to the filing date of this report based on their evaluation, they concluded that the controls and procedures in place are sufficient to assure that material information concerning the Company which could affect the disclosures in the Company's quarterly and annual reports is made known to them by the other officers and employees of the Company, and that the communications occur with promptness sufficient to assure the inclusion of the information in the then current report.

There have been no significant changes in the Company's internal controls or in other factors that could significantly affect those controls subsequent to the date on which they performed their evaluation.

ITEM 6. EXHIBITS

(a) EXHIBITS.

The following exhibits are filed herewith.

EXHIBIT NUMBER	DESCRIPTION
(a)	Financial Data Schedule

SIGNATURES

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

RAPTOR INVESTMENTS, INC.

DATED: August 9, 2004

BY: /S/ PAUL LOVITO

PAUL LOVITO,
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

BY: /S/ MATTHEW LOVITO

MATTHEW LOVITO,
TREASURER AND CHIEF FINANCIAL OFFICER
(PRINCIPAL ACCOUNTING OFFICER)