

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

RAPTOR INVESTMENTS INC  
Form 10KSB  
May 21, 2004

ANNUAL REPORT 12/31/03

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

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

1934 For the fiscal year ended  
December 31, 2003.

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

For the transition period from to

COMMISSION FILE NUMBER 0-23026

RAPTOR INVESTMENTS, INC.

-----  
(Exact name of registrant as specified in its charter)

Florida

22-3261564

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

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

105 NW 13th Street  
Pompano Beach, Florida

33069

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

-----  
(Zip Code)

Registrant's telephone number including area code: (954) 346-5799  
-----

SECURITIES REGISTERED PURSUANT TO SECTION 12 (B) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12 (G) OF THE ACT:

COMMON STOCK  
(Title of Class)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is contained in this Form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendments to this Form 10-KSB. Yes X No



## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

reliance on any such forward-looking statements, which speak only as of the date made. See Risk Factors Business and Management's Discussion and Analysis of Financial Condition and Results of Operations.

2

### GENERAL

For a discussion of certain factors, which should be considered in evaluating the Company and its business, see Risk Factors.

Raptor Investments, Inc., formerly Paramark Enterprises, Inc., (the Company), a Florida corporation, was originally formed in December 1985, under the name T.J. Cinnamons, Inc., as a franchiser of specialty retail bakeries. Previous management acquired the Company from its founders in 1992, sold the retail bakeries and franchise system in 1996 to Triarc Restaurant Group, and subsequently developed the Company into a wholesale manufacturer and distributor of specialty bakery products. The majority of the wholesale bakery operations were sold to Rich Products Manufacturing Group in December 2000 with the remaining assets sold to Brooks Street Companies, Inc. in October 2000. In August 2001, the Company completed the sale of 500,000 shares of the Company's common stock in a privately negotiated transaction for a purchase price of \$30,000. The shares were sold to a group of investors. Pursuant to the transaction, the former officers and directors resigned and were replaced by the investors. In December 2001, the Company entered into agreements to acquire LBI Properties, Inc., a development stage real estate holding company, and LBI E Web Communities, Inc., an internet-related holding company. The acquisition of these companies was closed on January 7, 2002. These companies were held by the current management prior to their acquisition by the Company. In October 2001 the Company changed its name to Raptor Investments, Inc. and changed its trading symbol to RAPT. The Company's Common Stock is publicly traded on the OTC Bulletin Board under the symbol RAPT.

In August 2001, the Company completed and closed upon the sale of 500,000 shares of the Company's common stock in a privately negotiated transaction for a purchase price of \$30,000 to investors, Paul, Matthew and Marc Lovito (the "Lovitos"). Pursuant to the Agreement, on September 22, 2001, the Company's officers and directors, Charles Loccisano, Alan Gottlich, Philip Friedman and Paul Begun, resigned and were replaced by the Lovitos on the board. In addition, on September 26, 2001, Paul Lovito became the Chairman, President and Chief Executive Officer replacing Alan Gottlich and Charles Loccisano. Marc Lovito became Vice President and Secretary replacing Alan Gottlich, and Matthew Lovito became the Company's Treasurer and Chief Financial Officer replacing Alan Gottlich.

This transaction is referred to as the "Lovito Transaction" and is described in full in the Company's previous reports. Reference is made to Form 10-KSB for the period ended December 31, 2002 which is incorporated herein and made a part hereof by reference.

3

LBI Properties, Inc. Transaction. In December 2001, the Company entered into an Acquisition Agreement with LBI Properties, Inc., a Florida corporation, and the shareholders of LBI Properties. The shareholders of LBI Properties include the Company's Chairman, President and CEO Paul F. Lovito, Jr., the Company's CFO and

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Treasurer Matthew J. Lovito and the Company's Vice President and Director Marc A. Lovito, officers and directors of the Company. Pursuant to the Acquisition Agreement, the Company effected the stock exchange at the rate of 1:5. The Company acquired all of the issued and outstanding shares of the Common Stock of LBI Properties in exchange for the issuance of 19,974,298 shares of the Common Stock of the Company to be delivered to the LBI Properties shareholders on a pro-rata basis. This acquisition closed on January 7, 2002.

LBI E Web Communities, Inc. Transaction. In December 2001, the Company entered into a Stock Acquisition Agreement with the Company's Chairman, President and CEO Paul F. Lovito, Jr., the Company's CFO and Treasurer Matthew J. Lovito, Company's Vice President and Director Marc A. Lovito, Darrin Lovito and LBI Capital Partners, L.P., a limited partnership in which the Company's Chairman, President and CEO is a general partner, as shareholders of LBI E Web Communities, Inc., a Florida corporation. Pursuant to the Stock Agreement, the Company effected the stock exchange at the rate of 1:3. The Company acquired all of the issued and outstanding shares of the Common Stock of LBI E Web in exchange for the issuance of 19,800,000 shares of the Common Stock of the Company to be delivered to the LBI E Web shareholders on a pro-rata basis. This acquisition closed on January 7, 2002. LBI E Web is an Internet related holding company that currently owns the following five domain names: FinanceItOnTheWeb.com (a financial services directory site), Brassbulls.com (a public relations and financial information site), MyEnumber.com (an online address book and one stop Rolodex), Homewaiter.com (a food delivery and information site), and Mimesaro.com (a Spanish food delivery and information site).

Raptor Merger Transaction. In December 2001., current management and the majority shareholders approved and effected a corporate reorganization, the principal feature of which was to transfer the Company's legal domicile from Delaware to Florida pursuant to an Agreement and Plan of Merger between the Company and its wholly-owned subsidiary, Raptor Investments, Inc., a Florida corporation, wherein the Florida corporation was the surviving corporation.

The J&B Wholesale Produce, Inc. transaction. Effective July 2, 2002 Raptor acquired 100% of the issued and outstanding stock of J&B Wholesale Produce, Inc., from Gennaro Mugnano, in exchange for \$2,325,000., as described in the 8-K document filed with the SEC on July 2, 2002. Raptor and J&B borrowed \$2,825,000. from Gelpid Associates, LLC, a Florida Limited Liability Company, in order to complete the acquisition. A true and correct copy of the Stock Purchase Agreement is included in the 8-K filing and is incorporated herein by reference. The loan to Raptor by Gelpid Associates LLC was personally guaranteed by the President of Raptor, Mr. Paul Lovito. J&B is engaged in the wholesale produce industry. Pursuant to the Stock Purchase Agreement, Raptor acquired 1000 shares of J&B common Stock, par value \$0.01, and J&B became a wholly-owned subsidiary of Raptor. J&B was incorporated in Florida as a for-profit corporation on May 16, 1994. The loan from Gelpid Associates is evidenced by a note, which has a term of three years and bears interest at the rate of LIBOR plus ten percent per annum. The minimum monthly payment due under the note is accrued interest only. There is no prepayment penalty under the note. The note is secured by the

machinery, equipment, furniture, fixtures, inventory, accounts receivable, works in progress, motor vehicles, and computer hardware and software of J&B. Raptor has received an additional loan from Gelpid in the amount of \$800,000. With which Raptor (1) closed on the purchase of the cold storage warehouse housing J&B located in Pompano Beach, Florida in the amount of \$400,000., and (2) utilized approximately \$400,000. to expand J&B as a retail seller of fruits,

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

vegetables, dairy products and prepared foods.

On July 15, 2003 the Company entered into a loan extension agreement with its 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 foregoing summaries of the Lovito Agreement, the LBI Properties, Inc. Agreement, the LBI E Web Agreement, the J&B Wholesale Produce, Inc. agreement and the Raptor Merger are only a brief description of the agreements and are qualified in their entirety by the detailed provisions of the agreements which were filed as exhibits to the Company's Current Report on Form 8-K filed on August 23, 2001 (Lovito Transaction), Schedule 14C filed on December 3, 2001 (Raptor Merger) and Form 8-K filed on January 7, 2002 (LBI Properties, Inc. and LBI E Web Communities, Inc. Transaction) and the Form 8-K filed on July 2, 2003 (J&B transaction) are incorporated herein by reference.

The Factoring Arrangement.

The Company has entered into a factoring arrangement with 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 December 31, 2003 the Company had drawn down \$805,000. under the factoring agreement. Gelpid Associates LLC, the Company's principal lender, agreed to subordinate its first perfected lien position on the Company's receivables in order to make the factoring arrangement possible. Gelpid Associates LLC and American Millennium Investment Corporation are related entities.

Management believes that the factoring arrangement will allow the Company to expand at a faster rate, and more broadly, than would have been possible without factoring. The factoring arrangement has allowed the Company to compete for larger, national chain restaurant accounts which frequently require terms as long as sixty days for payment. Also, the Company can pursue large accounts such as cruise lines and tourist facilities which would otherwise be out of the reach of the Company.

### Risk Factors

In addition to the other information in this report, the following information should be considered carefully by investors in evaluating the Company and its business.

5

(a) History of Operating Losses; Operating Cash Flow Deficit. The Company has had net operating losses since 1988. For the fiscal year ended December 31, 2003, the Company's net operating income on a going concern basis was \$ 49,911. See Management's Discussion and Analysis of Financial Conditions and Results of Operations.

(b) Lack of Liquidity; Volatility of Market Price of Common Stock. The Common Stock of the Company was delisted from the Nasdaq SmallCap Market on January 7, 1998 and is presently quoted and traded on the OTC Bulletin Board. As a result, the purchaser of the Company's securities may find it more difficult to dispose

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

of, or to obtain accurate quotations as to the market value of the Common Stock. Consequently, there can be no assurance that an active and liquid market for the Common Stock or the uniform quotation of prices for the Common Stock can be sustained. The market price for the Company's Common Stock may also be significantly affected by such factors as the introduction of new products by the Company or its competitors. Additionally, in recent years, the stock market has experienced a high level of price and volume volatility, and market prices for many companies, particularly small and emerging growth companies, the securities of which trade in the over-the-counter market, have experienced wide price fluctuations not necessarily related to the operating performance of such companies. The market price and liquidity of the Company's Common Stock may also be significantly affected by the general business condition of the Company.

As a result of the delisting of the Company's securities from the Nasdaq SmallCap Market, sales of the Company's securities are within the scope of Securities and Exchange Commission rules that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than their established customers and accredited investors (generally institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouses). For transactions covered by that rule, the broker-dealer must make a special suitability determination with respect to each purchaser, and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell the Company's securities and also may affect the ability of current shareholders to sell their securities in the secondary market. There can be no assurance that trading of the Company's securities will not be adversely affected by the Company's failure to comply with these or other regulations that could adversely effect the market for such securities.

(c) Effect of Penny Stock Rules on Liquidity for the Company's Securities. The Securities and Exchange Commission (the Commission) regulations define a penny stock to be an equity security not registered on a national securities exchange, or for which quotation information is disseminated on the Nasdaq SmallCap Market that has a market price (as therein defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to a transaction in a penny stock, of a disclosure schedule prepared by the Commission relating to the penny stock market. Disclosure is also required to be made about commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

The foregoing required penny stock restrictions apply to the Company's securities if such securities continue to be listed on the OTC Bulletin Board, and have certain price and volume information provided on a current and continuing basis or meet certain minimum net tangible assets or average return criteria. In any event, even if the Company's securities were exempt from such restrictions, the Company would remain subject to Section 15(b)(6) of the Securities Exchange Act of 1934, as amended, which gives the Commission the authority to prohibit any person that is engaged in unlawful conduct while participating in a distribution of a penny stock from associating with a broker-dealer or participating in a distribution of a penny stock, if the Commission finds that such a restriction would be in the public interest. Since the Company's securities are subject to the rules on penny stocks, the market

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

liquidity for the Company's securities could be materially and adversely affected. Any disruption in the liquid market of the Company's Common Stock could limit the Company's access to the equity markets in the future, and could have a materially adverse effect on the Company's business, financial conditions and results of operations.

(d) Dividend Policy. To date, the Company has not paid any dividends on its Common Stock. The Board of Directors does not anticipate declaring any cash dividends on its Common Stock in the foreseeable future. Future dividends, if any, will be dependent upon the results of operations and financial condition of the Company, tax considerations, industry standards, economic conditions, general business practices and other factors.

The company has an obligation to pay dividends on it's preferred stock, Class A, as noted below.

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.

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:

7

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 Company 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 share 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 Company.

The management of the Company will not pay a dividend on the common stock until and unless the dividends payable on the preferred stock are current. Mr. Christian Chiari Transferred ownership of the Preferred Stock, Class A to

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

American Millennium Investment Corporation, which does not alter the Company's obligations.

The Loan Extension Agreement.

On July 15, 2003 the Company entered into a loan extension agreement with its 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.

(e) Control by Directors and Executive Officers. The directors, executive officers and their affiliates own approximately 76% of the Company's outstanding Common Stock and, therefore, are in a position to elect a majority of the Company's directors who, in turn, elect all of the Company's executive officers. The Company's lender has the right to appoint one member to the Board. Members of management, if acting in concert, will have sufficient voting power to control the outcome of all corporate matters submitted to the vote of shareholders, including the election of directors, changes in the size and composition of the Board of Directors, mergers, tender offers, and open-market purchase programs that could give shareholders of the Company the opportunity to realize a premium over the then-prevailing market price for their shares. In addition, the concentration of ownership in several members of management could have the effect of delaying or preventing a change in control of the Company and may effect the market price of the Company's common stock.

The Company is in the process of an active search for one or more independent Directors to serve on the Board.

### ITEM 2. PROPERTIES

The corporate offices of Raptor Investments, Inc. are in Pompano Beach, Florida, and consist of approximately 2000 square feet of office space located within the cold storage facility of J&B Wholesale Produce, Inc.

8

### ITEM 3. LEGAL PROCEEDINGS

All of the specific litigation items enumerated in the Company's Form 10-KSB for the period ended December 31, 2002 have been settled or dismissed in a manner favorable to the Company, with the following exception:

In May of 2002, the Company (through LBI Group, Inc.) was named as a Defendant in a Civil Action brought by John Lary in the Circuit Court of Madison County, Alabama. The suit alleged a violation under the Telephone Consumer Protection Act of 1991, in that the Company, in concert with other individuals and corporations, is alleged to have delivered an unsolicited facsimile communication to one person. The management of the Company deems the amount in controversy to be not material to the business of the Company.

In addition, the Company from time to time has been involved in routine litigation, including litigation with various vendors and creditors. None of these litigation matters in which the Company has been involved is material to its financial condition or results of operations. The company has from time to time placed collection matters into the hands of its attorney concerning



## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

delinquent accounts receivable in the J&B Wholesale Produce, Inc. segment. The total amount placed for collection to date is less than \$50,000.00. The company from time to time sues delinquent accounts in small claims court.

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

None

## PART II

### ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

The Company's Common Stock is currently traded on the OTC Bulletin Board (OTC) under the symbol RAPT. Prior to November 1, 2001, the Company's Common Stock was traded on the OTC Bulletin Board (OTC) under the symbol TJCI.

The following table sets forth, for the periods indicated, the range of high and low bid prices of the Common Stock as reported by OTC Bulletin Board for the twelve months ended December 31, 2002 and December 31, 2003. These prices reflect inter-dealer prices and do not include retail mark-ups, markdowns or commissions, and do not necessarily represent actual transactions.

	High	Low
	-----	-----
Quarters Ending:		
-----		
March 31, 2002 .....	\$ .10	\$ .035
June 30, 2002 .....	.12	.03
September 30, 2002 .....	.15	.09
December 31, 2002 .....	.12	.07
Quarters Ending:		
-----		
March 31, 2003 .....	\$ .037	\$ .039
June 30, 2003 .....	.037	.039
September 30, 2003 .....	.037	.039
December 31, 2003 .....	.037	.039

9

The Company has not paid any dividends in the past. Declaration of dividends in the future will remain within the discretion of the Company's Board of Directors. Future dividends, if any, will be dependent upon the results of operations and financial condition of the Company, tax considerations, industry standards, economic conditions, general business practices, the position of the company as regards its obligations to the preferred shareholders, and other factors.

### SALES OF UNREGISTERED SECURITIES

The following sales of unregistered securities occurred during the Company's fiscal years ended December 31, 2000, 2001, 2002 and 2003:

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

1. In 2000, the Company authorized the issuance of 50,000 shares of the Company's Common Stock to Charles Loccisano, the Company's Chairman and Chief Executive Officer. These shares were issued without an underwriter or placement agent in consideration for providing the Company with a loan in the amount of \$150,000. The exemption from registration for the issuance was claimed pursuant to Section 4(2) of the Securities Act of 1933, as amended, in reliance upon the fact that such sale did not involve a public offering.

2. In 2000, the Company authorized the issuance of 150,000 shares of the Company's Common Stock to Charles Loccisano, the Company's Chairman and Chief Executive Officer. These shares were issued without an underwriter or placement agent in consideration for providing the Company with a working line of credit in the amount of \$150,000. The exemption from registration for the issuance was claimed pursuant to Section 4(2) of the Securities Act of 1933, as amended, in reliance upon the fact that such sale did not involve a public offering.

3. In 2000, the Company authorized the issuance of 20,000 shares of the Company's Common Stock to Gelt Financial Corporation. These shares were issued without an underwriter or placement agent in consideration for providing the Company with a working capital line of credit. The exemption from registration for the issuance was claimed pursuant to Section 4(2) of the Securities Act of 1933, as amended, in reliance upon the fact that such sale did not involve a public offering.

4. In 2001, the Company sold 500,000 shares of the Company's Common Stock to Paul Lovito, Matthew Lovito and Marc Lovito for a total of \$30,000. These shares were sold without an underwriter or placement agent. The exemption from registration for the issuance was claimed pursuant to Section 4(2) of the Securities Act of 1933, as amended, in reliance upon the fact that such sale did not involve a public offering.

10

5. 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.

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

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

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:

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 Company 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 Company.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. Except for historical information contained herein, certain statements herein are forward-looking statements that are made pursuant to the safe harbor provisions of the private securities litigation reform act of 1995.

Forward-looking statements involve estimates of the Company's financial position, business strategy and other plans and objectives future operations. Although the Company believes that these expectations are reasonable, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected effects on its business or operations.

11

### 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 \$14 million.

Management feels that liquidity, cash available for operations, and business conditions generally are favorable to the continued operations, and expansion, of the Company's J&B Wholesale Produce Operations. The material positive changes in the financial condition of the Company, from fiscal 2002, are attributable to the acquisition of and operations of J&B Wholesale Produce. 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, and has upgraded the computers of the Company.

Management has taken steps to streamline the customer order process, to reduce errors and to prevent theft and employee pilfering. Substantial improvements to the product delivery line have greatly increased efficiency, reduced errors and missed deliveries, and reduced product spoilage.

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

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 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.

12

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.

The Company has entered into a factoring arrangement with it's 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 December 31, 2003 the company had drawn down \$805,000. under the factoring agreement. Gelpid Associates LLC, the company's principal lender, agreed to subordinate it's first perfected lien position on the company's receivables in order to make the factoring arrangement possible. Gelpid Associates LLC and American Millennium Investment Corporation are related entities.

Management believes that the factoring arrangement will allow the Company to expand at a faster rate, and more broadly, than would have been possible without factoring. The factoring arrangement has allowed the company to compete for larger, national chain restaurant accounts which frequently require terms as long as sixty days for payment. Also, the company can pursue large accounts such as cruise lines and tourist facilities which would otherwise be out of the reach of the company.

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### OTHER ACTIVITIES

In addition to its consulting services, the Company plans to develop the Company into a holding company through the acquisition of various business operations. In December 2001, the Company entered into an agreement to acquire LBI Properties, Inc. LBI Properties is an early stage real estate holding company.

In addition to the agreement to acquire LBI Properties, the Company entered into an agreement in December 2001 to acquire LBI E Web Communities, Inc. LBI E Web is an Internet related holding company that currently owns the following five domain names: FinanceItOnTheWeb.com (a financial services directory site), Brassbulls.com (a public relations and financial information site), MyEnumber.com (an online address book and one stop Rolodex), Homewaiter.com (a food delivery and information site), and Mimesaro.com (a Spanish food delivery and information site). Brassbulls.com is operational.

### RESULTS OF OPERATIONS.

Revenues for the fiscal year ended December 31, 2003 were \$ 11,135,407, from \$ 5,129,759. in revenues for 2002. This increase in revenues was a result of Increases in sales at the J&B Wholesale Produce, Inc. subsidiary of \$ 6,058,648 and a decrease in consulting revenue of \$ 53,000..

Cost of goods sold in 2003 was \$ 9,345,202 compared with \$ 3,931,640 in 2002. Our operating income for 2003 was \$ 102,328.

13

### LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2003, the Company had a stockholder's deficit of \$ 8,999,436.

As of December 2003 the Company had operating income of \$ 16,053 . The Company plans to continue to grow its wholesale Produce business in the J&B subsidiary,. In addition, the Company plans to seek the acquisition of income producing assets in exchange for its securities.

Due to the Company's shareholder's deficiency of \$656,364, the Company's net loss of \$36,364, and the Company's negative cash flow from operations of \$853,518, our auditors, Webb & Company PA, have raised substantial doubt about our Company's ability to continue as a going concern.

Management believes that the Company will derive sufficient cash flow from the J&B Wholesale Produce, Inc. operations to continue as a going concern over the next twelve months. The company was faced with unusual, one-time legal and accounting fees during the integration of the produce company. These expenses are not continuing in nature.

During 2003, downward pressure was exerted on our profit margins for wholesale produce, and on our profitability as a whole, by several different factors which can be enumerated. These factors were:

1. The price of diesel fuel to fuel our produce delivery trucks rose substantially over the course of the year. A shortage of crude oil combined with world political conditions have caused fuel charges to continue to rise. We are constantly reviewing our truck routing to insure that we use fuel efficiently.
2. Our workman's compensation insurance was retrospectively rated by our

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

insurance carrier, and our premiums for this coverage increased. In addition, our carrier added several members of management to the payroll for purposes of computing our premiums. We are in the process of disputing certain of these charges.

3. A major customer, a restaurant chain, required us to upgrade the temperature monitoring systems in our warehouse, which we did. This was a one-time expense which is now behind us.

4. We incurred a one-time expense to upgrade the electrical service to our produce warehouse.

5. We have felt downward pressure on our price structure for produce as a result of considerable competition in the wholesale produce industry in south Florida. As our company grows, larger produce distributors have challenged us on price, and we have had to respond with lower prices. We do not sell any goods to any customer at a loss. We continually seek out better prices for our purchases so that we can continue to be competitive.

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.

On March 1, 2003 the Board of Directors appointed Matthew Lovito and Don A. Paradiso to it's newly-formed audit committee.

The audit committee shall ensure compliance with the Sarbanes-Oxley Act of 2002; address all issues of auditor independence; assess on a regular basis the integrity of the Corporation's financial reporting structures; serve as a conduit of communication between and among the Corporation, the Board, the auditors and the management of the Corporation; appoint, terminate, compensate and oversee the work of the auditors in connection with the annual audit report; have authority to settle any dispute between the auditors and management regarding financial reporting; analyze all of the work performed by the auditors and eliminate any services done by the auditors which may pose a potential conflict of interest; insure audit quality; determine the scope of any non-audit services to be performed by the auditors; and arrange for tax planning advice for the Corporation.

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

On March 4, 2002 the Company dismissed Amper, Politziner & Mattia ("AP&M") as its independent auditors. Such dismissal was approved by the Company's Board of Directors. AP&M's report upon the Company's financial statements for its fiscal years ended December 31, 2000 and 1999 did not contain an adverse opinion or a disclaimer of opinion, nor was such report qualified or modified as to audit scope or accounting principles. The report was prepared assuming that the Company will continue as a going concern. During the Company's fiscal years ended December 31, 2000 and 1999 to the date of AP&M's dismissal (the "Interim Period"): (i) there were no disagreements (of the nature contemplated by Item 304 (a) (1) (iv) of Regulation S-K ("Disagreements") between the Company and AP & M; and (ii) there were no reportable events of the nature contemplated by Item 304(a) (2) (i) - (ii) of Regulation S-K.

On March 6, 2002 the Company engaged Weinberg & Company, P.A. ("WC") as its

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

independent public accountants for the Company's fiscal year ended December 31, 2001. During the Company's two fiscal years ended December 31, 2002, the Interim Period and the Second Interim Period, the Company did not consult with WC with respect to any of the matters contemplated by Item 304 (a) (2) (i) - (ii) of Regulation S-K.

At a meeting held on June 24, 2003, the Board of Directors of Raptor Investments, Inc. (the "Company") approved the engagement of Webb & Company, P.A. as independent auditors of the Company for the fiscal quarter ended June 30, 2003, to replace the firm of Weinberg & Company, P.A., who were dismissed as the Company's independent accountants effective June 24, 2003.

Webb & Company, P.A.  
Derek M. Webb, CPA  
1375 Gateway Boulevard  
Boynton Beach, Florida 33426  
(561) 752-1721

The audit report of Weinberg & Company, P.A. for the year ended December 31, 2002 and for the year ended December 31, 2001 contained a modification expressing substantial doubt about the Company's ability to continue as a going concern. The audit reports of Weinberg & Company, P.A. for December 31, 2002 and December 31, 2001 did not contain any other adverse opinion or disclaimer of opinion, or qualification, audit scope or accounting principles other than the modification noted above.

In connection with the audits of the Company's consolidated financial statements as of and for the years ended December 31, 2002 and December 31, 2001 and in the interim period from December 31, 2002 until June 23, 2003:

Weinberg & Company, P.A. did not, during the applicable periods, advise the Company of any of the enumerated items described in Regulation SK, Item 304 (a) (1)v.

There were no disagreements with the former auditors on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of the former auditors would cause them to make reference to the subject matter in their report.

Reference is made to the audit report contained within the Company's 10KSB as of December 31, 2002 and the same is incorporated herein by reference.

Prior to the engagement of Webb & Company, P.A., the Company did not consult with Webb & Company, P.A. regarding the application of accounting principles to a specific transaction or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and no written or oral advice was provided by Webb & Company, P.A. that was a factor considered by the Company in reaching a decision as to the accounting, auditing, or financial reporting issues of the Company.

### ITEM 8A. CONTROLS AND PROCEDURES

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 December 31, 2003. 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.

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

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 Mr. Paul Lovito and Mr. Matthew Lovito made their evaluation.

15

### PART III

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

The Company's executive officers and directors are as follows:

Name	Age	Position with the Company	Director Since
Paul F. Lovito Jr.	35	Chairman, President, Chief Executive Officer and Director	2001
Matthew J. Lovito	31	Chief Financial Officer, Treasurer and Director	2001
Marc A. Lovito	28	Vice President and Director	2001
Don A. Paradiso, Esq.	46	Director	2003

Paul F. Lovito Jr. has been the Chairman, President, Chief Executive Officer and Director of the Company since September 2001. Mr. Lovito has been President and Chairman of LBI Group, Inc., a business consulting company, since June 1994. Mr. Lovito is Chairman and Chief Executive Officer of LBI Properties, Inc., a development stage real estate holding company, a position he has held since February 1998. He also serves as Chairman of LBI E Web Communities, Inc., an internet holding company, a position he had held since June 2000. Mr. Lovito has been the Chairman and President of LBI Asset Management, LP, a Delaware partnership, which provides management, services to the related companies, a position he had held since July 1998. Mr. Lovito is also the general partner in LBI Capital Partners, LP, a hedge fund, a position he has held since July 1998. All of the foregoing entities are located in Coral Springs, Florida.

Matthew J. Lovito has been the Chief Financial Officer, Treasurer and Director of the Company since September 2001. He has been a Vice President with LBI Group, Inc. since June 1994. In addition, Mr. Lovito is a Vice President of LBI Properties, Inc. and LBI E Web Communities, Inc., positions he has held since February 1998 and June 2000. Mr. Lovito is also a partner in LBI Asset Management LP and LBI Capital Partners LP, positions he has held since July 1998.

16



## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Marc A. Lovito has been a Vice President and Director of the Company since September 2001. He has been a Vice President with LBI Group, Inc., since June 1994. Mr. Lovito is President of LBI Properties, Inc., a position he has held since February 1998, and Vice President of LBI E Web Communities, Inc. Mr. Lovito is also a partner in LBI Asset Management LP and LBI Capital Partners LP, positions he has held since July 1998.

Don A. Paradiso was elected as a Director of the company in 2003. Mr. Paradiso has been a member of the State Bar of New York since 1983 and of Florida since 1993. Mr. Paradiso was Special Assistant United States Attorney for the Eastern District of New York from 1983 until 1987. From 1987 until 1989, he was counsel to Xerox Corporation. From 1989 until 1991, he was counsel to Globe Security Systems. From 1992 until 1994, Mr. Paradiso was counsel to the National Workers Compensation Insurance Reinsurance Pools. In 1994 he founded the law firm of Don A. Paradiso, P.A. and is actively engaged in the practice of law in Pompano Beach, Florida. Mr. Paradiso received a B.A. from Wake Forest University in 1979 and a J.D. from Pepperdine University School of Law in 1982.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act (Section 16(a)) requires the Company's directors, executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by the SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and representations that no other reports were required, during the fiscal year ended December 31, 2003, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

### ITEM 10. EXECUTIVE COMPENSATION

#### SUMMARY COMPENSATION TABLE

The following table sets forth the total annual compensation paid or accrued by the Company for services in all capacities for the Chief Executive Officer and each other officer who made in excess of \$100,000 (salary plus bonuses) (the Named Officers) for the fiscal years ended December 31, 2003, 2002 and 2001. No other executive officers of the Company who were serving as such at the end of such fiscal years received salary and bonus in excess of \$100,000.

17

#### Long Term Compensation Awards

Name and Principal Position	Year	Annual Compensation		Other Annual Comp. (1)	Securities Underlying Options
		Salary	Bonus		
Paul Lovito, Chairman, President and Chief Executive Officer	2003	\$123,450.	\$0	\$0	-0-

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Matthew Lovito, Chief Financial Officer and Treasurer	2003	\$72,800.	\$4500.	\$0	-0-
Marc Lovito, Vice President	2003	\$72,800.	\$4500.	\$0	-0-

### STOCK OPTION GRANTS IN LAST FISCAL YEAR

The company granted 2,500,000 options to purchase one share per option of the Company's common stock at the exercise price of \$0.10 per share to Mr. Jose Caraballo on February 14, 2002. The options were granted pursuant to a consulting services agreement between Mr. Caraballo and the company dated February 14, 2002.

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

The following table sets forth information, as of December 31, 2003 as to the beneficial ownership of Common Stock (including shares which may be acquired within sixty days pursuant to stock options) of each director of the Company and the executive officers of the Company listed in the Summary Compensation Table below, all directors and executive officers as a group and persons known by the Company to beneficially own more than 5% of the Common Stock. Except as set forth below, no person beneficially owns more than 5% of the Common Stock.

Name and Address of Beneficial Owner (1)	Number of Shares of Common Stock Beneficially Owned (2)	Percent Beneficially Owned
-----	-----	-----
Paul Lovito (1)	27,959,600	57.19%
LBI Capital Partners, LP	7,900,000	16.16%
LBI Holdings, Inc.	3,420,000	7.00%
Matthew Lovito (2)	2,780,000	5.60%
Marc Lovito (3)	2,578,000	5.30%
Darrin Lovito	2,402,000	4.90%
 All directors and executive officers as a group	 33,317,600	 96.22%

- (1) Includes 23,600 shares held by Mr. Lovito's daughter, 6,000 shares held by a partnership in which Mr. Lovito is a general partner with sole voting and dispositive power over the Raptor shares, 3,420,000 shares held by LBI Holdings, Inc., a corporation wholly owned by Mr. Lovito, and 7,900,000 shares held by LBI Capital Partners, LP, a limited partnership in which Mr. Lovito is a general partner with sole voting and dispositive power over the Raptor shares. Mr. Lovito expressly disclaims beneficial ownership of shares held by his brothers.

18

- (2) Mr. Lovito expressly disclaims beneficial ownership of shares held by his brothers.
- (3) Mr. Lovito expressly disclaims beneficial ownership of shares held by his brothers.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### POLICY FOR RELATED PARTY TRANSACTIONS

The Company believes that all transactions with officers, directors, or affiliates to date are on terms no less favorable than those available from unaffiliated third parties.

### THE LOVITO TRANSACTION

In August 2001, the Company completed the sale of 500,000 shares of the Company's common stock in a privately negotiated transaction for a purchase price of \$30,000 to investors, Paul, Matthew and Marc Lovito (the "Lovitos"). Pursuant to the Agreement, on September 22, 2001, the Company's current officers and directors, Charles Loccisano, Alan Gottlich, Philip Friedman and Paul Begun, resigned and were replaced by the Lovitos on the board. In addition, on September 26, 2001, Paul Lovito became the Chairman, President and Chief Executive Officer replacing Alan Gottlich and Charles Loccisano. Marc Lovito became Vice President and Secretary replacing Alan Gottlich, and Matthew Lovito became the Company's Treasurer and Chief Financial Officer replacing Alan Gottlich.

All of the obligations concerning the Lovito transaction have been fulfilled or settled. For a complete description of the transaction refer to the Company's Form 10-KSB for the period ended December 31, 2002.

### LBI PROPERTIES, INC. TRANSACTION

In December 2001, the Company entered into an Acquisition Agreement with LBI Properties, Inc., a Florida corporation, and the shareholders of LBI Properties. The shareholders of LBI Properties include the Company's Chairman, President and CEO Paul F. Lovito, Jr., the Company's CFO and Treasurer Matthew J. Lovito and the Company's Vice President and Director Marc A. Lovito, officers and directors of the Company. Pursuant to the Acquisition Agreement, the Company effected the stock exchange at the rate of 1:5. The Company acquired all of the issued and outstanding shares of the Common Stock of LBI Properties in exchange for the issuance of 19,974,298 shares of the Common Stock of the Company to be delivered to the LBI Properties shareholders on a pro-rata basis. This acquisition closed on January 7, 2002.

### LBI E WEB COMMUNITIES, INC. TRANSACTION

In December 2001, the Company entered into a Stock Acquisition Agreement with the Company's Chairman, President and CEO Paul F. Lovito, Jr., the Company's CFO and Treasurer Matthew J. Lovito, Company's Vice President and Director Marc A. Lovito, Darrin Lovito and LBI Capital Partners, L.P., a limited partnership in which the Company's Chairman, President and CEO is a general partner, as shareholders of LBI E Web Communities, Inc., a Florida corporation. Pursuant to the Stock Agreement, the Company effected the stock exchange at the rate of 1:3. The Company acquired all of the issued and outstanding shares of the Common Stock of LBI E Web in exchange for the issuance of 19,800,000 shares of the Common Stock of the Company to be delivered to the LBI E Web shareholders on a pro-rata basis. This acquisition closed on January 7, 2002.

### ITEM 12A. PRINCIPAL ACCOUNTANT FEES AND SERVICES

#### Audit Fees

Webb & Company PA billed \$8,853.00 to the company for professional services rendered for the audit of our 2003 financial statements and review of the financial statements included in our 3rd quarter 10-QSB.

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### Audit-Related Fees

Webb & Company PA billed \$0 to the company in 2003 for assurance and related services that are reasonably related to the performance of the 2003 audit or review of the quarterly financial statements.

### Tax Fees

Webb & Company PA billed \$0 to the company in 2003 for professional services rendered for tax compliance, tax advice and tax planning.

### All Other Fees

Webb & Company PA billed \$0 to the company in 2003 for services not described above.

Weinberg & Company, P.A. billed \$34,243 in 2003 and \$40,147 in 2002 to the company for professional services rendered for the audit of our 2003 and 2002 financial statements.

It is the policy of the company's audit committee that all services other than audit, review or attest services, must be pre-approved by the audit committee. All of the services described above were approved by the audit committee.

19

## PART IV

ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

RAPTOR INVESTMENTS, INC.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2003

RAPTOR INVESTMENTS, INC.  
AND SUBSIDIARIES

## CONTENTS

PAGES	1 - 2	INDEPENDENT AUDITORS' REPORTS
PAGE	3	CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2003
PAGE	4	CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

PAGE	5	CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
PAGE	6 - 7	CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
PAGES	8 - 19	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:  
Raptor Investments, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Raptor Investments, Inc. and subsidiaries as of December 31, 2003 and the related statements of operations, changes in stockholders' deficiency and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. The financial statements of Raptor Investments, Inc. and subsidiaries as of December 31, 2002 were audited by other auditors whose report dated April 11, 2003 included a paragraph describing conditions that raised substantial doubt about the Company's ability to continue as a going concern. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the consolidated financial position of Raptor Investments, Inc. and subsidiaries as of December 31, 2003 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 16 to the financial statements, the Company has a net loss of \$36,364, a negative cash flow from operations of \$853,518 and a stockholders deficiency of \$656,643. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also described in Note 16. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEBB & COMPANY, P.A.

/s/ WEBB & COMPANY, P.A.

-----  
Boynton Beach, Florida  
May 10, 2004

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:

Raptor Investments, Inc. and Subsidiaries

We have audited the accompanying consolidated statements of operations, changes in stockholders' equity and cash flows of Raptor Investments, Inc. and subsidiaries (the "Company") for the period from August 20, 2002 (inception) through December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the results of operations and cash flows of Raptor Investments, Inc. and subsidiaries for the period from August 20, 2002 (inception) through December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a net loss of \$577,299 and a negative cash flow from operations of \$419,734 for the period from August 20, 2002 (inception) through December 31, 2002. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

WEINBERG & COMPANY, P.A.

/s/ WEINBERG & COMPANY, P.A.

-----  
Boca Raton, Florida  
April 4, 2003

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### ASSETS

CURRENT ASSETS	
Cash	\$ 285,214
Investments, net	4,385
Accounts receivable, net	1,322,881
Inventories	165,020
Due from shareholder	16,470
Deposits	8,775
Total Current Assets	1,802,745
PROPERTY AND EQUIPMENT, NET	2,021,630
OTHER ASSETS	
Goodwill	1,111,077
Total Other Assets	1,111,077
TOTAL ASSETS	\$ 4,935,452

### LIABILITIES AND STOCKHOLDERS' DEFICIENCY

CURRENT LIABILITIES	
Accounts payable and accrued expenses	620,841
Due to factor	807,790
Line of credit	250,000
Loans payable - related party	80,000
Capital lease payable - current portion	127,136
Total Current Liabilities	1,885,767
LONG-TERM LIABILITIES	
Capital lease payable - long-term portion	542,100
Line of credit	2,364,228
Loan payable - long-term portion	800,000
Total Long-Term Liabilities	3,706,328
TOTAL LIABILITIES	5,592,095

### COMMITMENTS AND CONTINGENCIES

#### STOCKHOLDERS' DEFICIENCY

Preferred stock, \$.01 par value, 5,000,000 shares authorized Series A Preferred stock, 15 shares authorized, 15 shares issued and outstanding	1
Common stock, \$.01 par value, 100,000,000 shares authorized, 48,887,681 shares issued and outstanding	488,878
Additional paid-in capital	9,675,020
Subscription receivable	(178,700)
Other comprehensive loss	(12,895)
Note receivable - stockholder	(1,580,404)
Treasury stock	(49,107)
Accumulated deficit	(8,999,436)
Total Stockholders' Deficiency	(656,643)

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 4,935,452 =====
--	-----------------------

See accompanying notes to consolidated financial statements.

3

### RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31,

	2003	2002
	-----	-----
REVENUE		
Sales	\$ 11,135,407	\$ 5,076,759
Consulting income	--	53,000
	-----	-----
Total Revenue	11,135,407	5,129,759
	-----	-----
COST OF GOODS SOLD	9,345,202	3,931,640
	-----	-----
GROSS PROFIT	1,790,205	1,198,119
	-----	-----
OPERATING EXPENSES		
Selling expense	542,550	269,723
Professional fees	313,393	942,705
Other general and administrative expense	918,209	1,160,278
	-----	-----
Total Operating Expenses	1,774,152	2,372,706
	-----	-----
INCOME (LOSS) FROM OPERATIONS	16,053	(1,174,587)
	-----	-----
OTHER INCOME (EXPENSE)		
Loss on settlement of note receivable	556,385	(13,901)
Gain on sale of property	(89,226)	--
Realized loss on investments	(1,375)	--
Interest expense	(518,792)	(261,034)
Interest income	591	143,904
	-----	-----
Total Other Expense	(52,417)	(131,031)
	-----	-----
NET LOSS	\$ (36,364)	\$ (1,305,618)
	=====	=====
LOSS PER SHARE		
Net loss	(36,364)	(1,305,618)
Less: preferred stock dividends	150,000	90,000
	-----	-----



Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	\$ (186,364)	\$ (1,395,618)
	=====	=====
LOSS PER SHARE - BASIC AND DILUTED	\$ --	\$ (0.03)
	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	48,887,681	47,328,777
	=====	=====

See accompanying notes to consolidated financial statements.

4

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Subscription Receivable
	-----	-----	-----	-----	-----
Balance, December 31, 2001	--	\$ --	43,887,681	\$ 438,878	\$ (185,200)
Issuance of common stock for services	--	--	2,000,000	20,000	--
Issuance of preferred stock for cash	15	1	--	--	--
Issuance of options for services	--	--	--	--	--
Exercise of options	--	--	3,000,000	30,000	6,500
Cash received on note receivable, net of interest income	--	--	--	--	--
Other comprehensive loss	--	--	--	--	--
Net loss, 2002	--	--	--	--	--
Total comprehensive loss	--	--	--	--	--
	-----	-----	-----	-----	-----
Balance, December 31, 2002	15	1	48,887,681	488,878	(178,700)
Issuance of options for services	--	--	--	--	--
Payment of preferred dividends	--	--	--	--	--

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Other comprehensive loss	--	--	--	--	--
Net loss, 2003	--	--	--	--	--
Total comprehensive loss	--	--	--	--	--
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2003	15	\$ 1	48,887,681	\$ 488,878	\$ (178,700)
	=====	=====	=====	=====	=====

	Treasury Shares	Stock Amount	Other Comprehensive Loss	Accumulated Deficit	
	-----	-----	-----	-----	-----
Balance, December 31, 2001	3,040,800	\$ (49,107)	\$ --	\$ (7,657,454)	\$
Issuance of common stock for services	--	--	--	--	
Issuance of preferred stock for cash	--	--	--	--	
Issuance of options for services	--	--	--	--	
Exercise of options	--	--	--	--	
Cash received on note receivable, net of interest income	--	--	--	--	
Other comprehensive loss	--	--	(6,885)	--	
Net loss, 2002	--	--	--	(1,305,618)	
Total comprehensive loss	--	--	--	--	
	-----	-----	-----	-----	-----
Balance, December 31, 2002	3,040,800	(49,107)	(6,885)	(8,963,072)	
Issuance of options for services	--	--	--	--	
Payment of preferred dividends	--	--	--	--	
Other comprehensive loss	--	--	(6,010)	--	
Net loss, 2003	--	--	--	(36,364)	
Total comprehensive loss	--	--	--	--	
	-----	-----	-----	-----	-----
BALANCE, DECEMBER 31, 2003	3,040,800	\$ (49,107)	\$ (12,895)	\$ (8,999,436)	\$

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

See accompanying notes to consolidated financial statements.

5

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (36,364)	\$ (1,305,618)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of property and equipment	89,226	--
Allowance for doubtful accounts	52,012	18,387
Depreciation	118,834	45,793
Common stock and options issued for services	167,150	564,132
Loss on sale of investments	1,375	--
Settlement of vendor payables	(556,385)	--
Interest income accrued	--	(143,904)
Contract receivable settlement	--	13,901
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(423,767)	(339,431)
Inventories	(26,431)	(51,106)
Royalty receivable	--	29,280
Other current assets	7,726	(7,006)
Increase (decrease) in:		
Accounts payable	(219,566)	792,132
Accrued interest expense	--	54,405
Cash overdraft	(27,328)	27,328
	-----	-----
Net Cash Used In Operating Activities	(853,518)	(301,707)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(18,845)	(7,885)
Sale of investments	8,075	--
Purchase of property and equipment	(399,331)	--
Proceeds from sale of property and equipment	13,178	--
Restricted cash	355,635	(355,635)
Building purchase option	--	(500,000)
Acquisition of subsidiary	--	(2,325,000)
Proceeds from notes receivable	--	277,320
Due from stockholder	--	1,400
	-----	-----
Net Cash Used In Investing Activities	(41,288)	(2,909,800)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Proceeds (payments) from line of credit	(210,772)	2,825,000
Payments on loans payable - related party	(70,125)	--
Payments on capital leases	(121,250)	(56,808)
Dividend payments to preferred stockholders	(35,000)	--
Proceeds from note payable	800,000	--
Due to factor	807,790	--
Proceeds from notes receivable - stockholder	--	14,500
Proceeds from loan payable - related party	--	100,000
Proceeds from loan payable - former officers	--	(13,442)
Proceeds from sale of common and preferred stock	--	246,500
	-----	-----
Net Cash Provided By Financing Activities	1,170,643	3,115,750
	-----	-----
NET INCREASE (DECREASE) IN CASH	275,837	(95,757)
CASH - BEGINNING OF YEAR	9,377	105,134
	-----	-----
CASH - END OF YEAR	\$ 285,214	\$ 9,377
	=====	=====

See accompanying notes to consolidated financial statements.

6

	2003	2002
	-----	-----
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest expense	\$ 496,059	\$ 206,629
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property acquired under capital lease	\$ 217,770	\$ 68,553
	=====	=====
Exercise of building purchase option	\$ 500,000	\$ --
	=====	=====
Exchange of contract receivable for accrued expenses	\$ --	\$ 393,730
	=====	=====

See accompanying notes to consolidated financial statements.

7

RAPTOR INVESTMENTS, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### (A) ORGANIZATION AND NATURE OF OPERATIONS

Raptor Investments, Inc. formerly Paramark Enterprises, Inc. (Delaware), a Delaware corporation was merged with and into Raptor Investments, Inc., a Florida corporation on December 24, 2002. Upon completion of the merger, the Delaware corporation ceased existence as of the date of the merger and Raptor Investments, Inc. became the reporting entity.

Effective January 7, 2002, Raptor Investments, Inc. acquired LBI Properties, Inc. and LBI Eweb Communities, Inc. by issuing 19,974,298 and 19,800,000 shares, respectively of its common stock for all of the outstanding common stock of LBI Properties, Inc. and LBI Eweb Communities, Inc., respectively. LBI Properties, Inc. operations include acquiring, managing and developing real estate properties. LBI Eweb Communities, Inc. operates various information websites for investors. The merger has been accounted for as a business combination of entities under common control because all of the entities had common ownership interests, and accordingly, the consolidated financial statements have been prepared to include the combined results of operations, financial position and cash flows of Raptor Investments, Inc. and its subsidiaries for all the period presented (See Note 10(A)).

On July 2, 2002, Raptor Investments, Inc. acquired 100% of the issued and outstanding common stock of J&B Produce, Inc. in exchange for cash of \$2,325,000. The acquisition was recorded under the purchase method of accounting. J&B Produce, Inc.'s operations consist of produce sales to restaurants in South Florida (See Note 10(B)).

### (B) PRINCIPLES OF CONSOLIDATION

The 2003 financial statements include the accounts of Raptor Investments, Inc. and its wholly owned subsidiaries LBI Properties, Inc., LBI EWeb Communities, Inc., J&B Produce, Inc. and 105 NW Avenue Holdings Corporation (from March 10, 2003, date of formation) All intercompany accounts have been eliminated in the consolidation.

The 2002 financial statements include the accounts of Raptor Investments, Inc. and its wholly owned subsidiaries LBI Properties, Inc. and LBI EWeb Communities, Inc. and J&B Produce, Inc. (from July 2, 2002, date of acquisition). All intercompany accounts have been eliminated in the consolidation.

Raptor Investments, Inc. and its subsidiaries LBI Properties, Inc., LBI EWeb Communities, Inc., 105 NW 13 Avenue Holding Corporation and J&B Produce, Inc. are hereafter referred to as the "Company".

8

### (C) 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.

### (D) CASH

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

The Company maintains cash at financial institutions. The Company, at times maintains cash in banks in excess of FDIC insurance limits. At December 31, 2003, the Company had cash of approximately \$155,000 in excess of FDIC insurance limits.

### (E) INVESTMENTS

The Company's investments are comprised of marketable equity securities, all classified as available-for-sale. These investments are carried at their fair value.

### (F) INVENTORY

Inventory consists 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.

### (G) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets from three to thirty nine years.

### (H) LONG-LIVED ASSETS, GOODWILL AND INTANGIBLE ASSETS

In accordance with SFAS 142 and 144, long-lived assets, goodwill and certain identifiable intangible assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, goodwill and intangible assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets.

### (I) INCOME TAXES

The Company accounts for income taxes under the Financial Accounting Standards Board Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax

9

consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### (J) STOCK-BASED COMPENSATION

In accordance with Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), the Company has elected to account for stock options issued to employees under Accounting Principles Board Opinion No. 25 ("APB Opinion No. 25") and related interpretations.

### (K) REVENUE RECOGNITION AND DEFERRED REVENUE

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

The Company recognizes revenue at the time of delivery and acceptance of produce products by its customers. The Company recognizes revenue from service contracts over the life of the services. The Company recognizes royalty income upon receipt.

### (L) FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's marketable securities, notes payable and capital leases, approximates fair value due to the relatively short period to maturity for these instruments.

### (M) BUSINESS SEGMENTS

The Company's operations are classified into two reportable segments, Produce and Other.

### (N) LOSS PER SHARE

Net loss per common share for the period ended December 31, 2003 and 2002 is required to be computed based on the weighted average common stock and dilutive common stock equivalents outstanding during the year as defined by Statement of Financial Accounting Standards, No. 128; "Earnings Per Share". The effect of common stock equivalents was not used since the effect was antidilutive.

10

### (O) NEW ACCOUNTING PRONOUNCEMENTS

In January 2003, the Financial Accounting Standards Board ("FASB") issued FIN No. 46, "Consolidation of Variable Interest Entities, and Interpretation of ARB 51". FIN No. 46 provides guidance on the identification of entities of which control is achieved through means other than voting rights ("variable interest entities" or "VIE's") and how to determine when and which business enterprise should consolidate the VIE (the "Primary Beneficiary"). In addition, FIN No. 46 required that both the Primary Beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The transitional disclosure requirements of FIN No. 46 are required in all financial statements initially issued after January 31, 2003, if certain conditions are met.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. This statement is effective for contracts

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

entered into or modified after June 30, 2003 and all of its provisions should be applied prospectively.

In May 2003, the FASB issued SFAS No. 150, "Accounting For Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 changes the accounting for certain financial instruments with characteristics of both liabilities and equity that, under previous pronouncements, issuers could account for as equity. The new accounting guidance contained in SFAS No. 150 requires that those instruments be classified as liabilities in the balance sheet.

SFAS No. 150 affects the issuer's accounting for three types of freestanding financial instruments. One type is mandatorily redeemable shares, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type includes put options and forward purchase contracts, which involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are liabilities under this Statement is obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuer's shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety.

Most of the provisions of SFAS No. 150 are consistent with the existing definition of liabilities of FASB Concepts Statement No. 6, "Elements of Financial Statements". The remaining provisions of this statement are consistent with the FASB's proposal to revise that definition to

11

encompass certain obligations that a reporting entity can or must settle by issuing its own shares. This statement is effective for financial instruments entered into or modified after May 31, 2003 and otherwise shall be effective at the beginning of the first interim period beginning after June 15, 2003.

The adoption of these pronouncements did not have a material effect on the Company's financial position or results of operations.

### NOTE 2 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 December 31, 2003. Accordingly, unrealized gains and losses are included in stockholders' equity.

The composition of marketable equity securities as of December 31, 2003 is as follows:

	Basis	Unrealized Gain or (Loss)	Fair Value
	-----	-----	-----
Available-for-sale securities			
Common stock	\$ 17,280	\$ (12,895)	\$ 4,385
	=====	=====	=====

During 2003, the Company recognized a loss on the sale of investment



## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

securities of \$1,375. At December 31, 2003, unrealized losses of \$12,895 are included in stockholders deficiency as other comprehensive loss.

### NOTE 3 ACCOUNTS RECEIVABLE AND FACTOR AGREEMENT

On September 30, 2003, the Company entered into a factoring agreement to sell certain trade receivables, 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 December 31, 2003, the Company has received factor advances of \$807,790 on approximately \$1,100,000 of factored accounts receivable and paid factor fees of \$ 32,666.

Accounts receivable as of December 31, 2003 consisted of the following:

Accounts receivable	\$ 1,394,303
Less allowance for doubtful accounts	71,422
	-----
	\$ 1,322,881
	=====

12

The Company maintains an allowance for doubtful accounts based on management's analysis of historical customer collections and risk. For the years ended December 31, 2003 and 2002, the Company recorded a provision for doubtful accounts of \$52,012 and \$18,387, respectively.

### NOTE 4 INVENTORIES

Inventories (net) at December 31, 2003 consist of the following:

Produce, fruits and vegetables	\$ 165,020
	-----
	\$ 165,020
	=====

### NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2003 consisted of the following:

Capitalized lease assets	\$ 975,466
Land	525,000
Computer and office equipment	120,962
Office furniture	9,088
Building and building improvements	731,053
Vehicles	78,972
	-----
	2,440,541
Less accumulated depreciation	418,911
	-----
	\$ 2,021,630
	=====

Depreciation expense for the years ended December 31, 2003 and 2002 was \$118,834 and \$45,793, respectively. Accumulated depreciation on

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

capitalized lease assets totaled \$164,828 at December 31, 2003. During 2003, the Company recognized a loss on disposal of property and equipment of \$89,226.

### NOTE 6 NOTE RECEIVABLE - STOCKHOLDER

During 2000, the Company sold an oil and gas lease for a note receivable of \$1,700,000 with interest at 10% per annum, is unsecured and due on demand. Also during 2000, the Company assigned its rights under the agreement to its President on the same terms. During 2003 and 2002, the Company received payments of \$0 and \$14,500, respectively. At December 31, 2003, the balance was \$1,436,500 and accrued interest receivable was \$143,904. These amounts are included as a reduction of stockholders' equity at December 31, 2003.

13

### NOTE 7 NOTE PAYABLE

During 2003, the Company issued a 10% note payable of \$800,000 due March 8, 2008 with interest only payments due monthly. The note is secured by the assets of J&B Produce and 105 NW 13 Avenue Holding Corporation as of December 31, 2003, the outstanding note payable balance is \$800,000.

### NOTE 8 LOANS PAYABLE - RELATED PARTY

During 2002 a related party loaned the Company \$100,000. The loan bears interest at 21%, is unsecured and due on demand. The outstanding balance at December 31, 2003 is \$80,000

During 2002, two former stockholders converted accounts payable and accrued expenses to loans payable. The loans are non-interest bearing, secured by the funds held in escrow and will be paid upon the final settlement of outstanding professional fees. The balance was paid in full during 2003.

### NOTE 9 LINE OF CREDIT

In order to effectuate the purchase of J&B and an option to purchase a building (Note 10), 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 (1.12% at December 31, 2003) 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 December 31, 2003 is \$2,614,228.

### NOTE 10 BUSINESS COMBINATIONS

#### (A) ACQUISITION OF REAL ESTATE AND INTERNET MARKETING COMPANIES

Effective January 7, 2002, the Company acquired LBI Properties, Inc. and LBI Eweb Communities, Inc. by issuing 19,974,298 and 19,800,000 common

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

shares of the Company's stock for all of the outstanding common stock of LBI Properties, Inc. and LBI Eweb Communities, Inc., respectively. The merger has been accounted for as a business combination of entities under common control because all of the entities had common ownership interests, and accordingly, the financial statements have been prepared to include the combined results of operations, financial position and cash flows of the Company and these subsidiaries for all the period presented.

14

### (B) ACQUISITION OF PRODUCE COMPANY

On June 21, 2002, Raptor Investments, Inc. ("Raptor") entered into a stock purchase agreement to acquire J&B Wholesale produce, Inc. ("J&B"). Under the terms of the agreement, which closed July 2, 2002, Raptor acquired all the issued and outstanding common stock of J&B in exchange for cash of \$2,325,000.

### NOTE 11 COMMITMENTS AND CONTINGENCIES

#### (A) LAWSUITS

As of December 31, 2003, the Company and its insurance company have come to an agreement to settle all unresolved legal fees related to the prior operations and management of the Company. During 2003, management recorded a gain on the settlement of vendor payables and accrued legal fees of \$556,385.

#### (B) CAPITAL LEASES

The Company leases delivery vehicles under non-cancelable capital lease agreements. Future minimum lease payments under the capital leases are as follows as of December 31, 2003:

YEAR	Amount
----	-----
2004	\$ 260,748
2005	259,417
2006	222,851
2007	189,006
Thereafter	224,353
	-----
	1,156,375
Less: interest	487,139
	-----
	669,236
Less: current portion	127,136
	-----
Capital lease obligations - non-current	\$ 542,100
	=====

#### (C) OPERATING LEASES

The Company leases office space under non-cancelable operating leases expiring through June 2006. Rental expense totaled approximately \$75,300 and \$128,000 for the years ended December 31, 2003 and 2002, respectively.

Future minimum lease payments and operating leases consist of the following:

2004	\$	75,300
2005		75,300
2006		37,650
		-----
Total	\$	188,250
		=====

(D) STOCK REPURCHASE

The Company entered into an agreement to repurchase certain outstanding shares of common stock from two former officers and directors at a tender price of \$0.20 per share. The tender price offer is guaranteed by the Company's President and Chief Financial Officer. The total shares owned by the former officers and directors is approximately 1,691,000. As of December 31, 2003, an agreement has been reached and the Company has been released from its obligation under the agreement.

NOTE 12 EQUITY

(A) SERIES A CONVERTIBLE PREFERRED STOCK

During 2002, the Company designated 15 shares of preferred stock as "Class A Preferred" with the following preferences: annual dividend of \$12,000 payable quarterly; convertible in whole only into one half of one percent of the total number of issued and outstanding common shares of the Company on the date of conversion limited to a maximum conversion of 375,000 common shares.

During June 2002, the Company issued 15 shares of Class A Preferred stock for cash of \$90,000.

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.

(B) COMMON STOCK ISSUED FOR SERVICES

During 2002, the Company issued 2,000,000 shares of Common stock for services to a consultant having a fair value of \$200,000.

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

### (C) COMMON STOCK WARRANTS

During 2002, the Company issued 3,000,000 common stock warrants at an exercise price of \$0.05 to a consultant for services. The warrants expire in 2004. Using the Black-Scholes model, the warrants were valued at \$114,132 under the following assumptions; no annual dividend, volatility of 242%, risk-free interest rate of return of 3.0% and a term of one year. The warrants were exercised in 2002 and the Company received cash proceeds of \$150,000.

During 2002, the Company issued 2,500,000 common stock warrants at an exercise price of \$0.10 to a consultant for services. Using the Black-Scholes model, the warrants were valued at \$250,000 under the following assumptions; no annual dividend, volatility of 242%, risk-free interest rate of return of 3.0% and a term of 1 year.

During 2003, the Company issued 1,500,000 common stock warrants at an exercise price of \$0.05 to consultants for services. Using the Black-Scholes model, the warrants were valued at \$167,150 using the following assumptions: no annual dividend, volatility of 315%, risk-free interest rate of return of 3.0% and a term of one year.

### NOTE 13 INCOME TAXES

Income tax expense (benefit) for the period ended December 31, 2003 and 2002 is summarized as follows:

	2003	2002
	-----	-----
Current:		
Federal	\$       --	\$       --
State	--	--
Deferred - Federal and State	--	--
	-----	-----
Income tax expense (benefit)	\$       --	\$       --
	=====	=====

The Company's tax expense differs from the "expected" tax expense for the period ended December 31, 2003 and 2002 as follows:

	2003	2002
	-----	-----
U.S. Federal income tax expense (benefit)	\$   (12,364)	\$ (442,975)
Effect on net operating loss carryforward	12,364	442,975
	-----	-----
	\$       --	\$       --
	=====	=====

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2003 and 2002 are as follows:

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

	2003	2002
	-----	-----
Deferred tax assets:		
Net operating loss carryforward	\$ 3,058,864	\$ 3,046,500
	-----	-----
Total gross deferred tax assets	3,058,864	3,046,500
Less valuation allowance	(3,058,864)	(3,046,500)
	-----	-----
Net deferred tax assets	\$ --	\$ --
	=====	=====

At December 31, 2003, the Company had a net operating loss carryforward of approximately \$8,996,000 for U.S. Federal income tax purposes available to offset future taxable income expiring through 2024. The net change in the valuation allowance during the year ended December 31, 2003 was an increase of \$12,364.

NOTE 14 SEGMENT INFORMATION

The Company operates in two reportable business segments, Produce and Other. The Company operates the produce segment through its wholly owned subsidiary J&B Wholesale Produce, Inc. ("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. that operate in the Internet Marketing and Real Estate segments, do not meet the quantitative thresholds for a separate reportable segment and are therefore included in the Other segment category. 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 periods ended December 31:

	Produce	Other	To
	-----	-----	-----
2003			
Revenues	\$ 11,135,407	\$ --	\$ 11,1
Segment profit (loss)	(236,740)	200,376	(3
Total assets	4,872,682	62,770	4,93
Additions to long-lived assets	602,101	15,000	61
Goodwill	1,111,077	-	1,11
Depreciation and amortization	115,624	3,210	11

18

	Produce	Other	T
	-----	-----	-----
2002			
Revenues	\$ 5,076,759	\$ 53,000	\$ 5

## Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

Segment profit (loss)	(143,533)	(1,162,085)	(1
Total assets	3,838,527	387,015	4
Additions to long-lived assets	2,325,000	-	2
Goodwill	1,111,077	-	1
Depreciation and amortization	45,793	-	

### NOTE 15 RELATED PARTY TRANSACTIONS

LBI Properties, Inc. and LBI Eweb Communities, Inc. are beneficially owned by the Board of Directors and their beneficiaries (See Notes 1 and 10(A)).

See Notes 6 and 8 for additional related party transactions.

### NOTE 16 GOING CONCERN

As reflected in the accompanying financial statements, the Company has a net loss of \$36,364, a negative cash flow from operations of \$853,518 and a stockholders deficiency of \$656,643. These factors raise substantial doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

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

19

### SIGNATURES

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

RAPTOR INVESTMENTS, INC.

BY: /S/ PAUL F. LOVITO JR.

-----  
PAUL F. LOVITO JR., CHAIRMAN

In accordance with the Exchange Act, this report has been signed by the following person on behalf of the Company and in the capacities and on the dates stated.

Edgar Filing: RAPTOR INVESTMENTS INC - Form 10KSB

20

SIGNATURE -----	TITLE(S) -----	DATE -----
/S/ PAUL F. LOVITO JR. ----- PAUL F. LOVITO JR.	CHAIRMAN, PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)	April 8, 2004
/S/ MATTHEW J. LOVITO ----- MATTHEW J. LOVITO	CHIEF FINANCIAL OFFICER, TREASURER AND DIRECTOR (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)	April 8, 2004
/S/ MARC A. LOVITO ----- MARC A. LOVITO	VICE PRESIDENT AND DIRECTOR	April 8, 2004

21