

RAPTOR TECHNOLOGY GROUP, INC.
Form 10-Q/A
November 22, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q /A
Amendment #1

QUARTERLY REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2011

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 333-148076

RAPTOR TECHNOLOGY GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction of
Incorporation of Organization)

20-8-182
(I.R.S. Employer Identification No.)

7064 Sampey Road Groveland Florida
34736

(Address of principal executive
offices) (ZIP Code)

321-274-9675

(Registrant's telephone number,
including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant as required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large
accelerated filer
Non-accelerated
filer

Accelerated filer
Smaller reporting
company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes No

Number of common shares outstanding at September 30, 2011 was 70,346,538.

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EXPLANATORY NOTE

On January 3, 2011, the Registrant [formerly Giddy-Up Productions, Inc., a Nevada Corporation] changed its name from Giddy-Up Productions, Inc. to Raptor Technology Group, Inc. (“RAPT”) in anticipation of the reorganization with Raptor Fabrication and Equipment, Inc., a Florida Corporation (“RFAB”).

On June 30, 2011, the parties completed the Plan of Merger and Reorganization and directed management to file any required documentation to complete the merger as of that date. All parties have undertaken to make all required share/ownership exchanges and issuances effective as of that date. All business operations of Raptor Fabrication and Equipment, Inc., a Florida Corporation continue and have become the operations of Raptor Technology Group, Inc. (the “Company”), however the separate existence of Raptor Fabrication and Technology, Inc. ceased to exist as a result of being the disappearing entity pursuant to the merger.

The terms “the Company,” “we,” “us,” and “our” refer to RAPT and RFAB, after giving effect to the Merger, unless otherwise stated or the context clearly indicates otherwise. The term “RAPT” refers to Raptor Technology Group, Inc., a Nevada Corporation before giving effect to the Merger, and the term “RFAB” refers to Raptor Fabrication and Equipment, Inc., a Florida Corporation before giving effect to the Merger.

On June 30, 2011 we changed our fiscal year end to December 31 to match that of RFAB. This Quarterly Report on Form 10-Q contains the financial statements of RFAB for the period ended September 30, 2011 who has become the accounting acquirer on a going forward basis.

This Amendment #1 makes only a minor change in the presentation of information in the statement of cash flows and the management discussion to address an XBRL technical issue resulting from a negative number field value. The change enabled XBRL interactive data to be furnished with this amendment #1.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

RAPTOR TECHNOLOGY GROUP, INC.
CONDENSED BALANCE SHEETS

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|--------------------------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ - | \$ 1,893 |
| Accounts receivable | 2,026,095 | 2,005,116 |
| Inventory | 601,447 | 704,012 |
| Total current assets | 2,627,542 | 2,711,021 |
| Property and equipment, net | 553,650 | 414,926 |
| Other assets | | |
| Security deposit | 21,000 | 21,000 |
| Total assets | \$ 3,202,192 | \$ 3,146,947 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current liabilities | | |
| Bank indebtedness | \$ 16,487 | \$ - |
| Accounts payable and accrued expenses | 367,282 | 57,593 |
| Billings in excess of costs | 2,242,926 | 2,323,139 |
| Loan payable - related party | 12,500 | - |
| Loan payable | 5,000 | - |
| Note payable - related party | 600,000 | 538,462 |
| Current portion of long term debt | 87,517 | 154,648 |
| Total current liabilities | 3,331,712 | 3,073,842 |
| Long term debt, net of current portion | 27,303 | 101,720 |
| Derivative liabilities | 19,355 | - |
| | 46,658 | 101,720 |
| Total liabilities | 3,378,369 | 3,175,562 |

| | | |
|---|--------------|--------------|
| Stockholders' equity (deficit) | | |
| Preferred stock, \$0.0001 par value, 100,000,000 shares authorized, -0- shares issued | | |
| and outstanding | - | - |
| Common stock, par value \$0.0001 per share, 100,000,000 shares authorized; 70,346,538 shares outstanding at September 30, 2011 and 42,000,000 | | |
| shares outstanding at December 31, 2010 | 4,899 | 4,200 |
| Additional paid-in capital | 1,654,997 | 541,380 |
| Accumulated deficit | (1,836,073) | (574,195) |
| Total stockholders' equity (deficit) | (176,178) | (28,615) |
| Total liabilities and stockholders' equity (deficit) | | |
| | \$ 3,202,192 | \$ 3,146,947 |

See accompanying notes to these unaudited condensed financial statements.

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RAPTOR
TECHNOLOGY
GROUP, INC.
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---------------|--|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 196,837 | \$ 17,158 | \$ 552,411 | \$ 55,498 |
| Cost of revenues | (14,634) | - | (72,102) | - |
| Gross profit | 182,203 | 17,158 | 480,309 | 55,498 |
| Operating expenses | | | | |
| Professional services | 23,410 | - | 122,096 | 27,746 |
| Payroll | 142,964 | 35,494 | 562,872 | 96,086 |
| Rent | 63,534 | 63,534 | 195,702 | 155,521 |
| Other general and administrative expenses | 128,112 | 41,129 | 794,487 | 312,508 |
| Total operating expenses | 358,020 | 140,157 | 1,675,157 | 591,861 |
| Loss from operations | (175,817) | (122,999) | (1,194,848) | (536,363) |
| Other income (expenses) | | | | |
| Interest expense | (3,072) | (494) | (73,676) | (2,200) |
| Change in fair value of derivative liabilities | 11,809 | - | (19,355) | - |
| Gain/(Loss) on settlement of debt | 26,000 | - | 26,000 | - |
| Interest income | - | - | - | 26 |
| Net loss before income tax | (141,080) | (123,493) | (1,261,878) | (538,538) |
| Income tax expense | - | - | - | - |
| Net loss | \$ (141,080) | \$ (123,493) | \$ (1,261,878) | \$ (538,538) |
| Basic and diluted loss per common share | \$ (0.00) | \$ (0.00) | \$ (0.02) | \$ (0.01) |
| Weighted average common shares outstanding | 70,213,929 | 42,000,000 | 52,006,379 | 42,000,000 |

See accompanying notes to these unaudited condensed financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended September 30, | |
|---|--|---------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net loss | \$ (1,261,878) | \$ (538,538) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation | 53,276 | 56,061 |
| Amortization of loan fee | 61,538 | - |
| Stock based compensation | 762,560 | - |
| Changes in fair value of derivative liabilities | 19,355 | - |
| Gain on settlement of debt | (26,000) | - |
| Net changes in operating assets and liabilities: | | |
| Accounts receivable | (20,979) | (1,603,858) |
| Employee advances | - | (6,323) |
| Inventory | 102,565 | 313,977 |
| Billing in excess of cost | 82,426 | 1,675,261 |
| Prepaid expenses and other current assets | - | - |
| Accounts payable and accrued expenses | 309,690 | 187,368 |
| Net cash provided by (used in) operating activities | 82,552 | 83,948 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (2,000) | (21,155) |
| Net cash used in investing activities | (2,000) | (21,155) |
| Cash flows from financing activities: | | |
| Bank indebtedness | 16,487 | - |
| Borrowings on short term debt | 67,500 | - |
| Principal reduction on notes payable | (141,548) | (6,102) |
| Distributions to shareholders | (24,884) | (59,908) |
| Net cash provided by (used in) financing activities | (82,445) | (66,010) |
| Net increase (decrease) in cash and cash equivalents | | |
| | (1,893) | (3,217) |
| Cash and cash equivalents - Beginning of period | | |
| | 1,893 | 21,718 |
| Cash and cash equivalents - End of period | | |
| | \$ - | \$ 18,501 |

Supplemental disclosure of cash flow activity:

| | | |
|--|-----------|--------|
| Cash paid during the period for income taxes | \$ - | \$ - |
| Cash paid during the period for interest expense | \$ 12,138 | \$ 965 |

See accompanying notes to these unaudited condensed financial statements.

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Supplemental disclosure of noncash investing and financing activities:

In May 2011, the Company issued 1,000,000 shares of its common stock for the purchase of equipment valued at \$190,000.

In June 2011, the Company issued 5,670,000 shares of its common stock to employees and consultants for services rendered valued at \$907,200. of which \$744,560 was charged to operations and \$162,640 was allocated to construction still in progress and is included in the accompanying balance sheet in Billings in excess of costs.

On August 19, 2011, the Company issued 120,000 shares of its common stock to employees for services rendered valued at \$18,000.

See accompanying notes to these unaudited condensed financial statements.

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RAPTOR TECHNOLOGY GROUP, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Note 1 – Organization and Summary of Significant Accounting Policies

Raptor Technology Group, Inc. (the “Company”) was formed on August 30, 2007 under the laws of the State of Nevada under the name of Giddy-up Productions, Inc. with planned principal operations in producing motion pictures.

The Company entered into and completed the Agreement and Plan of Merger with Branded Beverages, Inc., and instituted a forward-split of its Common Stock on the basis of twenty-one new Shares of Common Stock for each one Share of Common Stock issued and outstanding on December 15, 2010. As a result of this Merger, the name of the Company was changed to Branded Beverages, Inc. On December 20, 2010, the Company entered into a Rescission of the Agreement and Plan of Merger due to the inability to obtain required financial statements in a timely manner.

In connection with and prior to the above forward-split of the Company’s Common Stock, the principal shareholder of the Company returned and cancelled 6,100,000 shares of the Company’s common stock. Upon the forward-split of the Company’s Common Stock on December 15, 2010 the Company had 63,356,538 common shares issued and outstanding.

On January 6, 2011, the Company changed its name to Raptor Technology Group, Inc. and entered into a definitive Plan of Merger and Reorganization with Raptor Fabrication and Equipment, Inc. (“RFEI”). In accordance with the terms of the Agreement, Raptor Technology Group, Inc. is the surviving corporation. The merger was completed on June 30, 2011. Under the terms of and upon the Merger and Reorganization, the Company issued 48,670,000 shares of its common stock for all of the outstanding shares of RFEI and the Company’s former president returned and cancelled 42,000,000 shares of the Company’s. Upon the completion of the Merger and Reorganization, the total number of the Company’s common stocks issued and outstanding was 70,026,538 and RFEI’s shareholders owned approximately 70% of the issued and outstanding shares. The merger between the two companies is being treated for financial reporting purposes as a reverse acquisition whereby RFEI’s operations continue to be reported as if it had actually been the acquirer. The net liabilities of \$2,133 of the Company upon the Merger and Reorganization was accounted as a recapitalization and recorded as a reduction to the deficit. Further, the Company adopted the December 31st year-end of RFEI.

The Company currently manufactures multi-feedstock biodiesel production facilities, specializing in modular system packages. Raptor provides a scalable commercialization platform for advanced patents in the fields of biofuel and bio-energy production, as well as highly efficient precious metal extraction from mined ores and mine tailings. The Company provides services throughout the United States.

The accompanying unaudited condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. During the nine months ended September 30, 2011, the Company incurred a loss of \$1,261,878 (nine months ended September 30, 2010 – a loss of \$536,413) and as of September 30, 2011, the Company had a working capital deficit of \$704,170 (December 31, 2010 – working capital deficit of \$362,821). These and other factors raise doubt about the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments or classifications that may result from the possible inability of the Company to continue as a going concern. The management’s plan is to raise additional capital through public equity investment in order to support existing operations and there is no assurance that such additional funds will be available for the Company on

acceptable terms, if at all.

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Basis of presentation

The accompanying unaudited condensed financial statements contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of September 30, 2011, and the results of its operations and cash flows for the three months and nine months ended September 30, 2011 and 2010. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the U.S. Securities and Exchange Commission (the "Commission"). The Company believes that the disclosures in the unaudited condensed financial statements are adequate to present an overview of the Company's financial position that is not misleading. The unaudited condensed financial statements included herein should be read in conjunction with RFEI's audited financial statements for the year ended December 31, 2010 that are included in Form 8-K filed with the Commission on July 7, 2011.

The accompanying unaudited condensed financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Reclassification

Certain reclassifications have been made to conform the prior period financial statement amounts to the current period presentation for comparative purposes.

Use of Estimates

The preparation of unaudited condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. We regularly evaluate estimates and judgments based on historical experience and other relevant facts and circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, we consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Revenue Recognition

The Company utilizes the completed contract method of accounting for revenue recognition. The Company recognizes revenue upon the completion of the scope of work required under its contracts, which is when the Company considers amounts to be earned (evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured). Accordingly, monies received or invoices sent for services for which contracts have not been completed have been recorded as deferred revenue. Direct costs, including but not limited to payroll, fuel, equipment rental, transportation expense and strapping costs for contracts which have not been completed are also deferred until the related revenue recognition process is complete. Deferred revenue and related contract costs are netted on a per-job basis. Any anticipated contract losses are accrued. No such accruals are present as of September 30, 2011 and December 31, 2010.

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Accounts Receivable, Uncollectible Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are generated from billing on contracts. We carry our accounts receivable at cost less an allowance for doubtful accounts. The allowance for doubtful accounts is based on our prior experience of collections and existing economic conditions. As of September 30, 2011 and December 31, 2010, no amounts were reserved as uncollectible.

Inventory

Inventory consists of parts and equipment used in its facilities and equipment fabrication business and is stated at the lower of cost or market using the first-in, first-out (FIFO) cost method of accounting. Costs of inventories include purchase and related costs incurred in bringing the products to their present location and condition. Market value is determined by reference to selling prices after the balance sheet dates or to management's estimates based on prevailing market conditions. The management writes down the inventories to market value if it is below cost. The management also regularly evaluates the composition of its inventories to identify slow-moving and obsolete inventories to determine if a valuation allowance is required.

Property and Equipment

Property and equipment are stated at cost. We provide for depreciation of property and equipment using the straight-line method over their estimated useful lives. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged against income as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income.

Impairment of Long-Lived Assets

The carrying values of long-lived assets, which include property and equipment, are evaluated periodically for impairment. Impairment losses are recognized when indicators of impairment are present and discounted cash flow estimated to be generated by long-lived assets is less than the carrying amount of such assets. The amount of impairment loss, if any, is determined by comparing the amount of long-lived assets to its estimated fair value. No impairment losses have been recognized for the nine months ended September 30, 2011 and September 30, 2010.

Federal Income Taxes

Prior to the merger with RFEI, the Company elected to be taxed as an S Corporation. The election was revoked upon the merger. Subsequent to the merger, income taxes are being accounted for under the asset and liability method in accordance with ASC Topic 740-10, formerly SFAS 109 "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. 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. 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. When it is considered to be more likely than not that a deferred tax asset will not be realized, a valuation allowance is provided for the excess.

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Basic and Diluted Loss Per Share

Basic earnings or loss per share (EPS) is based on the weighted average number of common shares outstanding. Diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net income/loss available to common stockholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. As the Company has incurred net losses for the three and nine months ended September 30, 2011, the Company's potentially dilutive securities included convertible debt that is convertible into 7,741,935 shares of the Company's common stock were not included in the computation of loss per share as their inclusion would be anti-dilutive.

Financial Instruments

The estimated fair values for financial instruments under ASC 825, Financial Instruments, are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The Company's financial instruments includes cash, accounts receivable, accounts payable and accrued expenses, loans payable, note payable, long term debt and derivative liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company adopted ASC 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity's own assumptions (unobservable inputs). The hierarchy consists of three levels:

Level one – Quoted market prices in active markets for identical assets or liabilities;

Level two – Inputs other than level one inputs that are either directly or indirectly observable; and

Level three – Unobservable inputs developed using estimates and assumptions, which are developed by the reporting entity and reflect those assumptions that a market participant would use.

For the period ended September 30, 2011, the fair value of cash was measured using Level one inputs and the fair value of derivative liabilities were measured using Level two inputs.

The estimated fair value of cash, accounts receivable, accounts payable and accrued expenses, loans payable and note payable approximate their respective carrying values due to the short-term nature of these instruments. The estimated fair values of long-term debt approximate their carrying value as interest rates on comparable debt have not changed significantly since issuance of the debt.

Convertible Debentures

If the conversion feature of conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. The Company amortizes the discount to

interest expense over the life of the debt using the effective interest method.

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Derivative Financial Instruments

In the case of non-conventional convertible debt, the Company bifurcates its embedded derivative instruments and records them under the provisions of ASC Topic 815-40 “Contracts in Entity’s Own Stock”. The Company’s derivative financial instruments consist of embedded derivatives related to the non-conventional note (“Note”) entered into with Spencer Douglas (see Note 6). The embedded derivative includes the conversion feature of the Note. The accounting treatment of derivative financial instruments requires that the Company record the derivatives and related warrants at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, the Company will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record non-operating, non-cash income.

Recent Accounting Pronouncements

Raptor does not expect the adoption of recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flow.

Note 2 – Liquidity

Raptor substantially completed three jobs in 2010 for which \$2,005,116 have been billed and included in the accounts receivable as of September 30, 2011 and December 31, 2010. None of these amounts are due per their contract terms until testing has been completed, which had not occurred as of September 30, 2011. Because Raptor does not yet have a long history of completing projects and being paid on a predictable timetable, revenues on these jobs will not be recognized until such payments are received. Payments are anticipated to be received during the fourth quarter of 2011. Raptor has funded operations to date from owner financing. Although management is actively seeking third-party funding, it believes that sufficient owner financing is available to fund operations for the next twelve months.

Note 3 – Property and Equipment

Major classes of property and equipment together with their estimated useful lives, consisted of the following at September 30, 2011 and December 31, 2010:

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|------------------------------------|--------------------------------------|----------------------|
| Furniture and fixtures (10 years) | \$ 18,164 | \$ 18,164 |
| Machinery and equipment (10 years) | 441,383 | 249,383 |
| Office equipment (5 to 10 years) | 36,261 | 36,261 |
| Vehicles (5 years) | 174,968 | 174,968 |
| Building improvements (10 years) | 68,916 | 68,916 |
| | 739,692 | 739,692 |
| Less: accumulated depreciation | (186,042) | (132,766) |
| Property and equipment – net | \$ 553,650 | \$ 414,926 |

Depreciation expense for the nine months ended September 30, 2011 and 2010 was \$53,276 and 56,061, respectively. Depreciation expense for the three months ended September 30, 2011 and 2010 was \$17,778 and \$18,944, respectively. The portion of depreciation expense for the nine months ended September 30, 2011 and 2010 attributable to equipment used in fabrication that has been deferred and is included in cost of construction is \$46,315 and \$50,470, respectively.

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Note 4 – Uncompleted Contracts

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|--|--------------------------------------|----------------------|
| Costs incurred on uncompleted contracts | \$ 1,990,853 | \$ 1,213,310 |
| Less: Billings to date | (4,233,779) | (3,536,449) |
| Billings in excess of costs and estimated earnings on uncompleted contracts | \$ (2,242,926) | \$ (2,323,139) |

Note 5 – Long Term Debt

Long term debt consisted of the following at September 30, 2011 and December 31, 2010:

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|--------------------------------------|----------------------|
| Installment note payable, due in equal monthly payments of \$906 including interest at 5.9% collateralized by a vehicle and maturing in May 2015 | \$ 36,315 | \$ 42,035 |
| Installment note payable, due to an individual in equal monthly payments of \$13,280 including interest at 5% maturing in May 2012 and secured by various property and equipment | 78,505 114,820 | 214,333 256,368 |
| Less: principal amounts due within 12 months | (87,517) | (154,648) |
| Long-term debt | \$ 27,303 | \$ 101,720 |

Non-current notes payable mature according to the following schedule:

| Period Ending September 30, | |
|--------------------------------|-----------|
| 2013 | \$ 9,558 |
| 2014 | 10,137 |
| 2015 | 7,608 |
| Total | \$ 27,303 |

Note 6 – Convertible Note Payable

In October 2010, Raptor borrowed \$500,000 from Spencer Douglass under a Secured Convertible Note. The convertible note, with fees of \$100,000, totaling \$600,000 is payable in full on demand at the option of Mr. Douglass on the earlier of (i) that date which is six months from the date of full funding or (ii) two business days after Raptor receives funding in a proposed PIPE offering for a minimum of \$1,000,000. As of September 30, 2011, there has

been no funding and the note is past its maturity date was April 22, 2011 (six months from the date of full funding). Subsequent to any reverse acquisition of a public company by Raptor, the Convertible Note may be converted at the option of the holder into common stock of Raptor at the lower of (i) a discount of 20% from the average weighted average closing price of the Raptor common stock for the 30 trading days immediately preceding such conversion, or (ii) \$0.50 per share. The Convertible Note shall be automatically converted into Raptor common stock at the rate set forth above in the event the weighted average closing price of the Raptor common stock shall equal or exceed \$1.00

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for ten consecutive trading days. Per ASC Topic 815-20-15-78, these convertible debentures do not meet the definition of a “conventional convertible debt instrument” since the debt is not convertible into a fixed number of shares. The debt can be converted into common stock at a conversion price that is a percentage of the market price as yet to be determined; therefore, the number of shares that could be required to be delivered upon “net-share settlement” is essentially indeterminate. Therefore, the convertible debenture is considered “non-conventional,” which means that the conversion feature must be bifurcated from the debt and shown as a separate derivative liability. The Company recognized a derivative liability of \$19,355 on September 30, 2011 with an offsetting charge to operations.

The convertible debt was recorded net of the \$100,000 loan fee. The fee is being amortized into the principal loan balance over the estimated six-month life of the loan. The outstanding balance of the convertible debt net of the unamortized portion of the loan fee at September 30, 2011 and December 31, 2010 was \$600,000 and \$538,462, respectively. The amortized portion of the loan fee charged to interest at September 30, 2011 totaled \$100,000. The note is personally guaranteed by the President of the Company.

Note 7 – Concentration of Credit Risk

Accounts receivable consists of receivable balances from three customers totaling \$2,005,116 at September 30, 2011 and December 31, 2010.

The Company maintains its cash with major domestic banks, which from time to time exceed the federally insured limit of \$250,000. The terms of these deposits are on demand to minimize risk. The Company has not incurred losses related to these deposits, and no amounts were uninsured as of September 30, 2011 and December 31, 2010.

Note 8 – Backlog

The following schedule summarizes changes in backlog on contracts during the nine months ended September 30, 2011. Backlog represents the amount of revenue the Company expects to realize from work to be performed on uncompleted contracts in progress at period end and from contractual agreements on which work has not yet begun.

| | |
|--|--------------------|
| Balance as of December 31, 2010 | \$3,584,915 |
| New contracts and contracts adjustments | 725,935 |
| Less: contract revenues earned for the period ended September 30, 2011 | - |
| Balance at September 30, 2011 | \$4,310,850 |

Note 9 – Commitments and Contingencies

In August 2010, Raptor entered into a five-year commercial lease of a building requiring base monthly payments of \$21,178. Each anniversary the base rent increases by 1%. At September 30, 2011, future minimum contractual obligations were as follows:

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| | | |
|--------------------------------|----|-----------|
| Period Ending September 30, | | |
| 2012 | \$ | 256,671 |
| 2013 | | 258,868 |
| 2014 | | 261,086 |
| 2015 | | 262,949 |
| Total | \$ | 1,039,574 |

Note 10 – Stockholders’ Equity (Deficit)

On June 30, 2011, the Company issued 48,670,000 common shares to the shareholders of RFEI to effect the Plan of Merger and Reorganization. Prior to the Merger and Reorganization, RFEI engaged in the following equity transactions which have been restated using the exchange ratio established in the Plan of Merger and Reorganization to reflect 48,670,000 common shares issued in the reverse acquisition:

- On February 6, 2008, RFEI issued 2,000 common shares at \$0.01 per share.
- On May 2, 2011, RFEI amended the articles of incorporation to increase the authorized common shares to 100,000,000 at \$0.0001 per share. At the same time, RFEI effected a stock split of 21,000 to 1 of the existing issued and outstanding common share, resulting in 42,000,000 common shares issued and outstanding.

On May 27, 2011, the Company purchased equipment in exchange for issuing 1,000,000 shares of its common stock. The equipment was valued at the estimated value of the issued common shares of \$190,000. The Company’s president was a former manager of the Seller.

- On June 12, 2011, the Company issued a total of 5,670,000 shares of its common stock to employees and consultants for services. The Company valued the services at the estimated value of the issued common shares of \$907,200.

On June 30, 2011 and prior to the Merger and Reorganization, the Company had 63,356,538 common stocks issued and outstanding. Upon the Merger and Reorganization, the former president of the Company canceled 42,000,000 shares under the Plan of Merger and Reorganization and the remaining 21,356,538 common stocks were considered as a recapitalization to RFEI.

On July 31, 2011, the Company issued 200,000 shares of its common stock to settle a debt of \$50,000. The Company recognized \$26,000 as the gain on the settlement of the debt as the fair value of shares issued on the date of settlement was \$24,000 (\$0.12 per share).

On August 19, 2011, the Company issued 120,000 shares of its common stock to employees as stock compensation. The Company recorded the issuance of the shares at \$0.15 per share and a total of stock based compensation of \$18,000.

During the period from January 1, 2011 through June 30, 2011, distributions to shareholders of \$24,884, was charged against additional paid-in capital.

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Note 11 – Related Party Transactions

- As at September 30, 2011, the note payable to a related party was \$600,000 (December 31, 2010 - \$538,462). Refer to Note 6 for further details.
- A loan payable to a major shareholder was \$12,500 as of September 30, 2011 (December 31, 2010 - \$ nil). The loan was due on demand, non-interest bearing and unsecured.
- Included in accounts payable and accrued expenses, \$60,008 (December 31, 2010 - \$18,732) was payable to the president of the Company for payroll accrual.
- During the nine months ended September 30, 2011, the Company paid \$10,000 fees to a shareholder of the Company (nine months ended September 30, 2010 - \$nil).

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Item 2. Management's Discussion and Analysis of Financial Condition and Result of Operations.

Cautionary Note Regarding Forward-Looking Statements

This section of this report may include a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements, which apply only as of the date of our report. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results and predictions.

The following discussion should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this quarterly report. The discussions of results, causes and trends should not be construed to imply any conclusion that these results or trends will necessarily continue into the future.

Critical Accounting Policies

Revenue Recognition

The Company utilizes the completed contract method of accounting for revenue recognition. The Company recognizes revenue upon the completion of the scope of work required under its contracts, which is when the Company considers amounts to be earned (evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured). Accordingly, monies received or invoices sent for services for which contracts have not been completed have been recorded as deferred revenue. Direct costs, including but not limited to payroll, fuel, equipment rental, transportation expense and strapping costs for contracts which have not been completed are also deferred until the related revenue recognition process is complete. Deferred revenue and related contract costs are netted on a per-job basis. Any anticipated contract losses are accrued.

Inventory

Inventory consists of parts and equipment used in its facilities and equipment fabrication business and is stated at the lower of cost or market using the first-in, first-out (FIFO) cost method of accounting. Costs of inventories include purchase and related costs incurred in bringing the products to their present location and condition. Market value is determined by reference to selling prices after the balance sheet dates or to management's estimates based on prevailing market conditions. The management writes down the inventories to market value if it is below cost. The management also regularly evaluates the composition of its inventories to identify slow-moving and obsolete inventories to determine if a valuation allowance is required.

Property and Equipment

Property and equipment are stated at cost. We provide for depreciation of property and equipment using the straight-line method over their estimated useful lives. Expenditures for additions, major renewals and betterments are capitalized, and expenditures for maintenance and repairs are charged against income as incurred. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income.

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Impairment of Long-Lived Assets

The carrying values of long-lived assets, which include property and equipment, are evaluated periodically for impairment. Impairment losses are recognized when indicators of impairment are present and discounted cash flow estimated to be generated by long-lived assets is less than the carrying amount of such assets. The amount of impairment loss, if any, is determined by comparing the amount of long-lived assets to its estimated fair value.

Convertible Debentures

If the conversion feature of conventional convertible debt provides for a rate of conversion that is below market value, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. The Company amortizes the discount to interest expense over the life of the debt using the effective interest method.

Derivative Financial Instruments

In the case of non-conventional convertible debt, the Company bifurcates its embedded derivative instruments and records them under the provisions of ASC Topic 815-40 "Contracts in Entity's Own Stock". The accounting treatment of derivative financial instruments requires that the Company record the derivative at their fair values as of the inception date of the agreement and at fair value as of each subsequent balance sheet date. Any change in fair value will be recorded as non-operating, non-cash income or expense at each reporting date. If the fair value of the derivatives is higher at the subsequent balance sheet date, the Company will record a non-operating, non-cash charge. If the fair value of the derivatives is lower at the subsequent balance sheet date, the Company will record non-operating, non-cash income.

Three month period ended September 30, 2011 compared to three month period ended September 30, 2010

Revenue and Related Costs

We account for our revenue under the completed-contracts-method. Under this method, revenue is recognized when customer contracts are completed and title of the respective product transfers to customer. We had contracts from five customers that were in process at September 30, 2011. Our gross revenue during the three months ended September 30, 2011 amounted to \$196,837 compared to \$17,158 earned during the same three month period in the prior year. All the \$196,837 earned in the period ended September 30, 2011 was generated from one contract for testing services. The \$17,158 earned in the period ended September 30, 2010 was from the sale of grease. Costs of revenue incurred during the three months ended September 30, 2011 amounted to \$14,634.

On our uncompleted equipment contracts, we billed \$4,233,779 of which we collected \$2,228,663 on the five contracts in progress through September 30, 2011. The \$4,233,779 is being deferred and will be credited to revenue as each of the five equipment contracts is completed. The balance of \$2,005,116 is reflected as part of our accounts receivable for the period ended September 30, 2011.

The costs associated with these five equipment contracts as of September 30, 2011 amounted to \$1,990,853 and are being deferred until the contracts are completed. Once completed, the costs will be charged to operations as cost of revenues. The \$1,990,853 is currently being netted against the above indicated deferred revenue of \$4,233,779 and the difference of \$2,242,926 is reflected as billings in excess of cost.

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As of September 30, 2010, we were still constructing four of the five equipment contracts currently in progress. Our total billings on these four contracts through September 30, 2010 totaled \$3,457,571 on which we collected \$1,452,455. The costs associated with these four contracts through September 30, 2010 amounted to \$921,935 and are being deferred until the contracts are completed. Once completed, the costs will be charged to operations as cost of revenues

Operating Expenses

A schedule of comparing our operating expenses for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 is as follows:

| | For the Three Months Ended September 30, | | Increase (decrease) 2011 v 2010 |
|---|---|------------|--|
| | 2011 | 2010 | |
| Professional services | \$ 23,410 | \$ - | \$ 23,410 |
| Payroll | 142,964 | 35,494 | 107,470 |
| Rent | 63,534 | 63,534 | - |
| Other general and administrative expenses | 128,112 | 41,129 | 86,983 |
| Total operating expenses | \$ 358,020 | \$ 140,157 | \$ 217,863 |

The increase in accounting and legal expense in 2011 as compared to 2010 was due to fees incurred in the preparation and audit of financial statements and for the costs relating to our filings with the Securities and Exchange Commission. During the three month period ended September 30, 2011, we issued 120,000 shares of our common stock to four employees. The total value of the 120,000 common shares was \$18,000 which was included in payroll.

Nine month period ended September 30, 2011 compared to Nine month period ended September 30, 2010

Revenue and Related Costs

Our gross revenue during the nine months ended September 30, 2011 amounted to \$552,411 compared to \$55,498 earned during the same nine month period in the prior year. Of the \$552,411 earned in 2011, \$520,621 was generated from a testing contract and \$31,790 was earned from the sale of grease and biodiesel. The \$55,498 earned in 2010 was from the sale of grease. Costs of revenue incurred during the nine months ended September 30, 2011 amounted to \$72,102.

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Operating Expenses

A schedule of comparing our operating expenses for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 is as follows:

| | For the Nine Months Ended September 30, | | Increase (decrease) 2011 v 2010 |
|--|--|-------------------|--|
| | 2011 | 2010 | |
| Professional services | \$ 122,096 | \$ 27,746 | \$ 94,350 |
| Payroll | 562,872 | 96,086 | 466,786 |
| Rent | 195,702 | 155,521 | 40,181 |
| Other general and administrative expenses | 794,487 | 312,508 | 481,979 |
| Total operating expenses | \$ 1,675,157 | \$ 591,861 | \$ 1,083,296 |

As indicated above, the increase in accounting and legal expense in 2011 as compared to 2010 was due to fees incurred in the preparation and audit of our financial statements and for the costs relating to our filings with the Securities and Exchange Commission. Payroll of \$562,872 for the nine months ended September 30, 2011 includes stock based compensation \$389,360. Other general and administrative expenses of \$794,487 include \$373,200 of stock based compensation relating to shares issued to consultants. Payroll for the nine months ended September 30, 2011 excluding the \$389,360 of stock based compensation amounts to \$173,512 which is \$77,426 more than our total payroll expensed during the nine months ended September 30, 2010. General and administrative expenses excluding stock based compensation for the nine months ended September 30, 2011 amounted to \$421,287, which is \$108,779 more than our general and administrative expenses we incurred during the nine months ended September 30, 2010.

Liquidity and Capital Resources

During the nine months ended September 30, 2011, cash provided by operating activities totaled \$82,552; cash used in investing activities totaled \$2,000, for purchase of equipment; and cash used in financing activities of \$82,445 was derived from net borrowings from related parties of \$67,500 and bank indebtedness of \$16,487 less \$141,584 in principal debt repayments and \$24,884 in distributions to the shareholders of Raptor Fabrication and Equipment, Inc. prior to the merger.

During the nine months ended September 30, 2010, cash provided by operating activities totaled \$83,948; cash used in investing activities totaled \$21,155, for purchase of equipment; and cash used in financing activities of \$66,010 includes \$6,102 in principal debt repayments and \$59,908 in distributions to the shareholders of Raptor Fabrication and Equipment, Inc. prior to the merger.

Raptor has funded operations to date from owner and third party financing. Management is actively seeking third-party funding.

Off-Balance Sheet Arrangements

As of September 30, 2011 we had no off balance sheet transactions that have or are reasonably likely to have a current or future effect on our financial condition, changes in our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures.

Tom Gleason, our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)), has concluded that, as of September 30, 2011, our disclosure controls and procedures are effective.

Changes in Internal Control

There were no changes in internal control over financial reporting, as defined in Rule 13a-15(f) promulgated under the Exchange Act, during the quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

No disclosure required

Item 1A. Risk Factors.

Not applicable to smaller reporting companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 31, 2011, the Company issued 200,000 shares of its common stock to a creditor in complete settlement of all claims including the cancelation of a \$50,000 demand loan.

On August 19, 2011, the Company issued 120,000 shares of its common stock to four employees as consideration for services the shares were valued at \$18,000.

The offerings of the securities described in this Item 2 were exempt from registration under Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

No disclosure required.

Item 4. [Removed and Reserved]

Item 5. Other Information.

No disclosure required.

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Item 6. Exhibits

EXHIBIT DESCRIPTION

Raptor Technology Group, Inc. includes by reference the following exhibits:

- 3.1 Articles of Incorporation, exhibit 3.1 filed with the registrant's Registration Statement on Form SB -2, as amended; filed with the Securities and Exchange Commission on December 14, 2007.
- 3.2 Bylaws, filed as exhibit 3.2 with the registrant's Registration Statement on Form SB-2, as amended; filed with the Securities and Exchange Commission on December 14, 2007.
- 3.2 Amended Articles of Incorporation, filed as exhibit 3.3 with the registrant's Quarterly Report on Form 10-Q; filed with the Securities and Exchange Commission on April 22, 2011.
- 10.1 Plan of Merger and Reorganization with Raptor Fabrication and Equipment, Inc. entered into on January 6, 2011, amended, restated and replaced in its entirety, April 21, 2011, filed as exhibit 10.1 with the registrant's Quarterly Report on Form 10-Q; filed with the Securities and Exchange Commission on April 22, 2011.

Raptor Technology Group, Inc. includes the following exhibits:

- 31.1 Certification of Principal Executive Officer and Principal Financial Officer, pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer, pursuant to Rule 13a-14(b)/ 18 U.S.C. Section 1350.

SIGNATURES

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

Raptor Technology Group, Inc.

Date: November 22 , 2011

By: /s/ Tom Gleason
Tom Gleason
President,
Principal Executive
Officer
Principal Financial Officer

