

PLANET TECHNOLOGIES, INC

Form 10QSB

August 03, 2005

Table of Contents

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

(MARK ONE)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
For Quarterly Period Ended June 30, 2005**

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

Commission File Number: 0-26804

PLANET TECHNOLOGIES, INC.
(Formerly Planet Polymer Technologies, Inc.)

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

CALIFORNIA 33-0502606
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6835 Flanders Drive, Suite 100, San Diego, California 92121
(Address of principal executive offices) (Zip Code)

(858) 457-4742
(Issuer's telephone number, including area code)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 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 NO

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

Class	Outstanding at June 30, 2005
Common Stock, no par value	2,280,368

INDEX

PART I Financial Statements

Page No.

<u>Item 1</u>	<u>Condensed Balance Sheet (Unaudited) June 30, 2005</u>	2
	<u>Condensed Statements of Operations (Unaudited) Three and Six Months Ended June 30, 2005 and 2004</u>	3
	<u>Condensed Statement of Shareholders' Deficiency (Unaudited) Six Months Ended June 30, 2005</u>	4
	<u>Condensed Statements of Cash Flows (Unaudited) Six Months Ended June 30, 2005 and 2004</u>	5
	<u>Notes to Unaudited Condensed Financial Statements</u>	6
<u>Item 2</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	9
<u>Item 3</u>	<u>Controls and Procedures</u>	13
<u>PART II Other Information</u>		
<u>Item 1</u>	<u>Legal Proceedings</u>	13
<u>Item 2</u>	<u>Changes in Securities and Use of Proceeds Unregistered Sales of Securities and Use of Proceeds</u>	13
<u>Item 3</u>	<u>Defaults upon Senior Securities</u>	13
<u>Item 4</u>	<u>Submission of Matters to a Vote of Security Holders</u>	13
<u>Item 5</u>	<u>Other Information</u>	13
<u>Item 6</u>	<u>Exhibits</u>	13
<u>SIGNATURES</u>		14
	<u>EXHIBIT 31.1</u>	
	<u>EXHIBIT 32.1</u>	

Table of Contents

PART 1 FINANCIAL INFORMATION
PLANET TECHNOLOGIES, INC.
CONDENSED BALANCE SHEET (UNAUDITED)

	June 30, 2005
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 139,937
Accounts receivable, less allowance for doubtful accounts of \$5,500	160
Inventory	11,921
Other current assets	59,305
Total current assets	211,323
Property and equipment, net	69,288
Total	\$ 280,611
LIABILITIES AND SHAREHOLDERS DEFICIENCY	
Current liabilities:	
Current portion of convertible notes payable to shareholder	\$ 138,215
Advance from related party	85,000
Accounts payable	109,903
Accrued expenses	339,769
Interest payable	2,931
Total current liabilities	675,818
Convertible notes payable to shareholder, net of current portion	48,227
Total liabilities	724,045
Commitments and contingencies	
Shareholders' deficiency:	
Preferred stock, no par value, 4,250,000 shares authorized, no shares issued or outstanding	
Series A convertible preferred stock, no par value, 750,000 shares authorized, no shares issued or outstanding	
Common stock, no par value, 20,000,000 shares authorized, 2,280,368 shares issued and outstanding	3,728,296
Accumulated deficit	(4,171,730)
Total shareholders' deficiency	(443,434)

Total \$ 280,611

See notes to unaudited condensed financial statements

-2-

Table of Contents

PLANET TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Sales	\$ 220,735	\$ 339,176	\$ 442,261	\$ 720,438
Cost of sales	85,582	105,880	161,087	251,895
Gross profit	135,153	233,296	281,174	468,543
Operating expenses:				
Selling	166,724	168,292	327,918	340,050
General and administrative	191,026	208,898	410,011	458,870
Total operating expenses	357,750	377,190	737,929	798,920
Loss from operations	(222,597)	(143,894)	(456,755)	(330,377)
Other expenses	(1,354)	(3,703)	(3,303)	(7,544)
Interest expense	(4,054)	(52,605)	(8,976)	(104,391)
Net loss	\$ (228,005)	\$ (200,202)	\$ (469,034)	\$ (442,312)
Net loss per share, basic and diluted	\$ (0.10)	\$ (0.12)	\$ (0.21)	\$ (0.27)
Weighted average shares used in computing net loss per share basic and diluted	2,214,427	1,661,428	2,187,344	1,658,631

See notes to unaudited condensed financial statements

-3-

Table of Contents

**PLANET TECHNOLOGIES, INC.
CONDENSED STATEMENT OF SHAREHOLDERS DEFICIENCY (UNAUDITED)
Six Months Ended June 30, 2005**

	Common Stock		Accumulated	Total
	Shares	Amount	Deficit	
Balance at January 1, 2005	2,068,361	\$ 3,198,296	\$ (3,702,696)	\$ (504,400)
Issuance of common stock for cash	212,007	530,000		530,000
Net loss			(469,034)	(469,034)
Balance at June 30, 2005	2,280,368	\$ 3,728,296	\$ (4,171,730)	\$ (443,434)

See notes to unaudited condensed financial statements

-4-

Table of Contents

PLANET TECHNOLOGIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Operating activities:		
Net loss	\$ (469,034)	\$ (442,312)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	31,782	46,856
Changes in operating assets and liabilities:		
Accounts receivable	2,916	(602)
Inventory	7,091	62,260
Other assets	(4,444)	(24,085)
Interest payable	(5,612)	95,372
Accounts payable	(114,617)	141,319
Accrued expenses	(13,994)	55,905
Net cash used in operating activities	(565,912)	(65,287)
Investing activities:		
Proceeds from sale of property and equipment		2,364
Capitalized costs associated with purchase of a business	(32,759)	
Net cash provided by (used in) investing activities	(32,759)	2,364
Financing activities:		
Advance from related party		70,000
Repayments of advances to related party	(100,000)	
Principal payment on notes payable		(162,219)
Principal payments on convertible notes payable to shareholder	(66,315)	
Proceeds from issuance of investors' notes payable		75,000
Proceeds from stock sales	530,000	
Net cash provided by (used in) financing activities	363,685	(17,219)
Net decrease in cash and cash equivalents	(234,986)	(80,142)
Cash and cash equivalents, beginning of period	374,923	128,005
Cash and cash equivalents, end of period	\$ 139,937	\$ 47,863

Supplementary disclosure of cash flow data:

Cash paid for interest	\$	14,588	\$	7,624
------------------------	----	---------------	----	-------

See notes to unaudited condensed financial statements

-5-

Table of Contents

**PLANET TECHNOLOGIES, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

1. Basis of Presentation

The accompanying unaudited condensed financial statements of Planet Technologies, Inc. (Planet or the Company) have been prepared in accordance with the interim reporting requirements of Form 10-QSB, pursuant to the rules and regulations of the Securities and Exchange Commission. However, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In management s opinion, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2005, are not necessarily indicative of results that may be expected for the year ending December 31, 2005. For additional information, refer to the Company s financial statements and notes thereto for the year ended December 31, 2004, included in the Company s most recent annual report on Form 10-KSB for the fiscal year ended December 31, 2004 .

2. Liquidity and Capital Resources

The accompanying unaudited condensed financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company s assets and the satisfaction of its liabilities in the normal course of business. Successful transition to profitable operations is dependent upon obtaining a level of sales adequate to support the Company s cost structure. The Company has suffered recurring losses resulting in an accumulated deficit of \$4,171,730, a shareholders deficiency of \$443,434, and a working capital deficiency of \$464,495 as of June 30, 2005. Management intends to continue to finance operations primarily through its potential ability to generate cash flows from equity offerings. However, there can be no assurance that the Company will be able to obtain such financing or internally generate cash flows, which may impact the Company s ability to continue as a going concern. The accompanying unaudited condensed financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the potential inability of the Company to continue as a going concern.

On November 30, 2004, Planet acquired the business of Allergy Free, LLC (Allergy) for approximately 1.65 million shares of Planet stock (after giving effect to a 50:1 reverse stock split), a convertible note of \$274,300 bearing interest at 5.5% per annum and due and payable within three years, and assumption of debt. As a result, Allergy owned approximately 92.7% of the voting shares of Planet. Since the stockholders of Allergy received the majority of the voting shares of Planet, the former managing member of Allergy continued on as the president of the Company, and representatives of Allergy hold three of the five seats on the Company s Board of Directors, the merger was accounted for as a recapitalization of Allergy, whereby Allergy was the accounting acquirer (legal acquiree)

Table of Contents

PLANET TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

and Planet was the accounting acquiree (legal acquirer). Since, at the closing, Planet was a non-operating shell corporation no longer meeting the definition of a business as defined in EITF Consensus 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business*, the transaction was equivalent to Allergy issuing stock for the net liabilities of Planet, accompanied by a recapitalization. The accounting was identical to that resulting from a reverse acquisition, except that there were no adjustments to the historic carrying values of the assets and liabilities. Accordingly, the accompanying statements of operations and cash flows are the historical financial statements of Allergy Free.

Immediately prior to the closing of the acquisition, Planet Polymer distributed to a trustee for the benefit of Planet Polymer shareholders of record as of September 30, 2004, the right to receive all royalties payable to Planet pursuant to those certain sale and licensing agreements between Planet and Agway, Inc., related to Planet's Fresh Seal® and Optigen® technology and that certain purchase, sale and license agreement between Planet and Ryer Enterprises, LLC, relating to Planet's AQUAMIM® technology.

Prior to acquiring Allergy, Planet Polymer was an advanced materials company that developed and licensed unique polymer materials. All operations related to Planet Polymer have been discontinued.

On March 7, 2005, Planet entered into a definitive agreement to acquire Allergy Control Products, Inc. (ACP). The merger transaction will be structured pursuant to an Agreement and Plan of Merger agreed upon by both parties, and is subject to approval by each party's respective shareholders and other contingencies. Pursuant to the terms of the merger transaction the shareholder of ACP will be issued 600,000 shares of Planet common stock. In addition, ACP debt to its shareholder in the approximate amount of \$1,500,000 will be paid in full by Planet.

Investors are encouraged to review our report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2005, which discusses more thoroughly the terms of the proposed merger and which is available through EDGAR at www.sec.gov, and when available, the Company's Proxy Statement which will also be available through EDGAR.

3. Loss Per Share

Net loss per share is computed using the weighted average number of shares of common stock outstanding and is presented for basic and diluted loss per share. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding for the period.

The Company has excluded all convertible preferred stock and outstanding stock options and warrants from the calculation of diluted loss per share because all such securities are considered anti-dilutive. Accordingly, diluted loss per share equals basic loss per share. The total number of potential common shares excluded from the calculation of diluted loss per

Table of Contents

PLANET TECHNOLOGIES, INC.

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

share for the three and six months ended June 30, 2005 was 293,854 and 308,324 respectively, and for the three and six months ended June 30, 2004 was 4,090.

4. Stock-Based Compensation

As explained in Note 2 in the Form 10-KSB, the Statement of Financial Accounting Standards No. 123 (SFAS 123),

Accounting for Stock-Based Compensation , provides for the use of a fair value based method of accounting for stock-based compensation. However, SFAS 123 allows an entity to continue to measure compensation cost for stock options granted to employees using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25 (APB 25), Accounting for Stock Issued to Employees , which only requires charges to compensation expense for the excess, if any, of the fair value of the underlying stock at the date a stock option is granted (or at an appropriate subsequent measurement date) over the amount the employee must pay to acquire the stock. The Company has elected to account for employee stock options using the intrinsic value method under APB 25. By making that election, it is required by SFAS 123 and Statement of Financial Accounting Standards No. 148,

Accounting for Stock-Based Compensation Transition and Disclosure to provide pro forma disclosures of net loss as if a fair value based method of accounting had been applied.

During the first quarter of 2005, the Company granted options to its employees and board of directors at the fair value of the common stock. The weighted-average fair value of these options using the Black-Scholes option-pricing model was \$3.00 per share, utilizing an expected life of 10 years, an expected volatility of 216%, no dividend yield and a risk free interest rate of 4.22%.

In January 2005, an individual became a member of the Company s board of directors and was granted an option to purchase 500 shares of common stock at an exercise price of \$3.00 per share. The options vest one year from the date of grant and expire on January 18, 2015.

In January 2005, the members of the board of directors were granted options to purchase 40,000 shares of common stock at an exercise price of \$3.00 per share. Two company officers were also granted options to purchase 30,000 shares of common stock each at an exercise price of \$3.00 per share. All of these options vest 25% one year from date of grant, and 1/36th each month thereafter, and expire on January 25, 2015.

In January 2005, the Company s chairman of the board of directors was granted an option to purchase 25,000 shares of common stock at an exercise price of \$3.50 per share. The options vest 25% one year from date of grant and 1/36th each month thereafter, and expire on January 25, 2015.

Had compensation cost for the Company s stock-based compensation plans been determined based on the fair value method at the grant dates for awards under the Company s plans, the Company s net loss and net loss per share for the three and six

Table of Contents**PLANET TECHNOLOGIES, INC.****NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**

months ended June 30, 2005 and 2004 would have been increased to the pro forma amounts indicated below.

	Three Months Ended June		Six Months Ended June	
	30	30	30	30
	2005	2004	2005	2004
Net loss, as reported	\$ (228,005)	\$ (200,202)	\$ (469,034)	\$ (442,312)
Stock-based employee compensation expense assuming a fair value based method had been used for all awards	(46,000)	(11,447)	(92,000)	(22,894)
Net loss, pro forma	\$ (274,005)	\$ (211,649)	\$ (561,034)	\$ (465,206)
Basic net loss per share, as reported	\$ (.10)	\$ (0.12)	\$ (0.21)	\$ (0.27)
Basic net loss per share, pro forma	\$ (0.12)	\$ (0.13)	\$ (0.26)	\$ (0.28)

In accordance with the provisions of SFAS 123, all other issuances of common stock, warrants, stock options or other equity instruments to non-employees as the consideration for goods or services received by the Company are accounted for based on the fair value of the equity instruments issued (unless the fair value of the consideration received can be more reliably measured). Generally, the fair value of any options, warrants or similar equity investments will be estimated based on the Black-Scholes option-pricing model.

5. Operating lease

The Company has extended its office sublease through December 31, 2005, for a base rent of \$7,267 per month, plus common area maintenance charges. The original sublease expired on July 31, 2005. The sublease is from a related party.

Table of Contents

PART 1 FINANCIAL INFORMATION

**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations
Planet Technologies, Inc.**

Except for the historical information contained herein, the discussion in this report contains forward-looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those discussed in this report. Factors that could cause or contribute to such differences include, but are not limited to those discussed below and in the Company's Form 10-KSB for the fiscal year ended December 31, 2004.

OVERVIEW

Planet Technologies, Inc. (Planet or the Company) formerly known as Planet Polymer Technologies, Inc. (Planet Polymer) was incorporated in August, 1991, in the State of California, and, since November 30, 2004, is engaged in the business of designing, manufacturing, selling and distributing common products for use by allergy sensitive persons, including, without limitation, air filters, bedding, room air cleaners, and related allergen avoidance products. The business strategy is primarily based upon promotion of products directly to the consumer by telemarketing to the Company's database of customers who have purchased the Allergy Free Electrostatic Filter.

Planet has an accumulated deficit as of June 30, 2005, of \$4,171,730.

RESULT OF OPERATIONS

The net loss for the three months ended June 30, 2005, was \$228,005 compared to a net loss of \$200,202 for the three-month period ended June 30, 2004. The Company's revenues decreased by \$118,441, from \$339,176 for the three months ended June 30, 2004, to \$220,735 for the same period in 2005. This decrease was primarily in the outbound sales category, as sales generated by telemarketing activities decreased approximately \$135,000 quarter over quarter. Revenues continue to be negatively affected by the Do Not Call legislation, and the Company is unable to contact increasing numbers of its customers via outbound telemarketing. To offset this change, the Company initiated a direct mail campaign during the first quarter of 2005 to stimulate sales to its customers on the Do Not Call lists. Revenues related to these direct mail campaigns totaled approximately \$51,000 for the quarter ended June 30, 2005. The Company plans to increase direct mail activities in the third and fourth quarters of the year. Additionally, the Company plans to aggressively telemarket to customers obtained later this year via the merger between the Company and Allergy Control Products, Inc. Sales during the quarter were also impacted by a backorder of disposable filters, which totaled approximately \$21,000. The backorder situation has been resolved, and the disposable filters are due to ship during the first month of the third quarter.

Cost of revenues decreased to \$85,582 for the three months ended June 30, 2005, from \$105,880 for the same period in 2004, reflecting the decrease in revenues. Overall gross margin, as a percentage of sales, decreased period over period from 68.8% for the three months ended June 30, 2004 to 61.2% for the three months ended June 30, 2005. This decrease in gross margin is due primarily to product mix, as the Company's direct mail sales campaigns in the second quarter stimulated sales of the Company's disposable filter, a product with a lower profit margin than the permanent filter, which usually accounts for a more significant portion of the Company's sales. For the quarter ended June 30, 2005, sales of disposable filters represented 27% of total sales or \$59,500, as compared to 4.5% or \$15,100 for the quarter ended June 30, 2004.

Table of Contents

PART 1 FINANCIAL INFORMATION

**Item 2 Management's Discussion and Analysis of Financial
Condition and Results of Operations**

Planet Technologies, Inc.

Operating expenses decreased slightly period over period, totaling \$357,750 for the three months ended June 30, 2005, and \$377,190 for the same period in 2004. Of this \$19,440 decrease, selling expenses decreased \$1,568 or .9%, and general and administrative expenses decreased \$17,872, or 8.6%. Savings, period over period, of approximately \$25,000 of general and administrative expenses is related to closing the Houston, Texas facility in 2004 and another \$24,000 savings occurred in depreciation, legal, and relocation expenses. These savings were partially offset by increases, period over period, in audit and accounting charges.

Other expenses decreased \$50,900, from \$56,308 for the three months ended June 30, 2004, to \$5,408 for the same period in 2005. Of this decrease, \$48,551 is due to a reduction of interest expense related to former shareholder debt that was converted to stock when the Company was purchased in November 2004.

The net loss for the six months ended June 30, 2005, was \$469,034 compared to a net loss of \$442,312 for the six-month period ended June 30, 2004. The Company's revenues decreased by \$278,177, from \$720,438 for the six months ended June 30, 2004, to \$442,261 for the same period in 2005. This decrease was due to several factors. First, in 2004, for a portion of the first quarter, there were two telemarketing sales locations actively contacting customers, while in 2005 the San Diego location is the only telemarketing facility. This change accounts for approximately \$100,000 of the shortfall. Second, as noted in the second quarter explanation above, the Company continues to experience the effects of the Do Not Call legislation, which went into effect during the fourth quarter of 2003, and affects the ability of the Company's outbound telemarketers to sell to existing customers. For the six months ended June 20, 2005, \$286,000 of shortfall is related to outbound sales, as compared to the same period in 2004. As an alternative, the Company has been exploring direct to consumer mail campaigns, which markets products to existing customers via the mail. Direct mail campaigns were initiated during the first quarter of 2005, and revenues for the six months ended June 30, 2005 totaled \$69,000. As noted in the second quarter results, the Company is planning to aggressively telemarket and direct mail the new customers it gains access to via acquisition. Sales during the period were also impacted by a backorder of disposable filters, which totaled approximately \$21,000. The backorder situation has been resolved, and the disposable filters are due to ship during the first month of the third quarter.

Cost of revenues decreased to \$161,087 for the six months ended June 30, 2005, from \$251,895 for the same period in 2004, reflecting the decrease in revenues. Overall gross margin, as a percentage of sales, decreased period over period from 65.0% or \$468,543 for the six months ended June 30, 2004 to 63.6% or \$281,174 for the six months ended June 30, 2005. This decrease in gross margin is due primarily to product mix, as the Company's direct mail sales campaigns in the second quarter stimulated sales of the Company's disposable filter, a product with a lower profit margin than the permanent filter, which usually accounts for a more significant portion of the Company's sales. Disposable filter sales accounted for 22.1% and 5.9% of total sales for the six months ended June 30, 2005 and 2004, respectively.

Total operating expenses decreased period over period, totaling \$737,929 for the six months ended June 30, 2005, and \$798,920 for the same period in 2004. Of the \$60,991 decrease, \$48,859 was in general and administrative expenses, due mainly to moving expenses which were incurred in the first

Table of Contents

PART 1 FINANCIAL INFORMATION

**Item 2 Management's Discussion and Analysis of Financial
Condition and Results of Operations**

Planet Technologies, Inc.

quarter of 2004, which did not recur in 2005. Duplicate facility expenses were also eliminated in 2005. Some of these decreases were offset by increases in legal and accounting fees related to public filings and audit work.

Other expenses decreased \$99,656, from \$111,935 for the six months ended June 30, 2004, to \$12,279 for the same period in 2005. Of this decrease, \$95,415 is due to a reduction of interest expense related to former shareholder debt that was converted to stock when the Company was purchased in November 2004.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents totaled \$139,937 at June 30, 2005. Although the Company used cash totaling \$565,912 for its operations during the six-month period, the Company also repaid \$100,000 of advances from a related party and paid principal payments totaling \$66,315 on notes payable. During the period, shares were sold to investors through a private placement offering that was originally initiated during the fourth quarter of 2004. Proceeds related to stock sales totaled \$530,000 for the six months ended June 30, 2005. The Company intends to continue its Private Placement Offering for another 30 days or more in an effort to provide more working capital and for acquisition opportunities.

Inventory levels decreased \$7,091 during the six-month period, and the Company paid down routine accounts payable and accrued expenses. The Company has also incurred and capitalized expenses totaling \$32,759 related to its efforts to acquire Allergy Control Products, Inc.

The Company does not believe that its existing sources of liquidity and anticipated revenue will be adequate to satisfy the Company's projected working capital and other cash requirements through December 2005 without raising additional capital. The Company does expect to receive, however, approximately \$2.7 million during the third quarter of 2005 related to its Private Placement Offering which should provide adequate working capital for the next twelve months.

On March 7, 2005, Planet entered into a definitive agreement to acquire Allergy Control Products, Inc. (ACP). The merger transaction will be structured pursuant to an Agreement and Plan of Merger agreed upon by both parties, and is subject to approval by each party's respective shareholders and other contingencies. Pursuant to the terms of the merger transaction, the shareholder of ACP will be issued 600,000 shares of Planet common stock. In addition, ACP debt to its shareholder in the approximate amount of \$1,500,000 will be paid in full by Planet with proceeds from the Private Placement Offering.

Investors are encouraged to review our report on Form 8-K filed with the Securities and Exchange Commission on March 10, 2005, which discusses more thoroughly the terms of the proposed merger and which is available through EDGAR at www.sec.gov, and when available, the Company's Proxy Statement which will also be available through EDGAR.

Table of Contents

PART 1 FINANCIAL INFORMATION

Planet Technologies, Inc.

ITEM 3. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and the Company's Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2005. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities and Exchange Act of 1934, within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the six months ended June 30, 2005, there were no significant changes in the Company's internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 Legal Proceedings:

None

Item 2 Changes in Securities:

None

Item 3 Defaults upon Senior Securities:

None

Item 4 Submission of Matters to a Vote of Security Holders:

None

Item 5 Other Information:

The Company's Chief Financial Officer has informed the Company that she intends to resign as an officer of the Company effective in the third quarter of 2005, and the Company has hired a prospective replacement. Ms. White is resigning to pursue personal interests and not in connection with any disagreement with the Company.

Item 6 Exhibits

(a) Exhibits

Exhibit 31.1 Certification of Principal Executive Officer and Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

Table of Contents

Planet Technologies, Inc.

Exhibit 32.1 Certification of Principal Executive Officer and Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

SIGNATURES

In accordance with the requirements of Exchange Act, the Registrant has duly caused this report on Form 10-QSB to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 3, 2005

Planet Technologies, Inc.

/s/ Scott L. Glenn

Scott L. Glenn
Chief Executive Officer

/s/ Leslie White

Leslie White
Chief Financial Officer and
Chief Accounting Officer

-14-