

PLANET POLYMER TECHNOLOGIES INC

Form 10QSB

April 30, 2002

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**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 March 31, 2002

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934
Commission File Number: 0-26804

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.)

9985 Businesspark Avenue, San Diego, California

92131

(Address of principal executive offices)

(Zip Code)

(858) 549-5130

(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 March 31, 2002

Common Stock, no par value

9,207,884

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Form 10-QSB Quarterly Report
Quarter Ended March 31, 2002**

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| | March 31, 2002 |
|---|---------------------------|
| ASSETS | |
| Current assets: | |
| Cash | \$ 173,386 |
| Accounts receivable | 46,940 |
| Note receivable | 216,878 |
| Prepaid expenses | 40,511 |
| Assets held for sale | 62,159 |
| | <hr/> |
| Total current assets | 539,874 |
| Property and equipment, net of accumulated depreciation of \$94,433 | 17,522 |
| Patents and trademarks, net of accumulated amortization of \$52,169 | 179,167 |
| Other assets | 6,250 |
| | <hr/> |
| Total assets | \$ 742,813 |
| | <hr/> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | |
| Current liabilities: | |
| Accounts payable | \$ 11,205 |
| Accrued payroll and vacation | 27,533 |
| Other accrued expenses | 2,200 |
| Short-term debt | 13,494 |
| Capital lease obligations | 5,573 |
| | <hr/> |
| Total liabilities | 60,005 |
| | <hr/> |
| Shareholders' equity: | |
| 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 | |
| 9,207,884 shares issued and outstanding | 14,582,123 |
| Accumulated deficit | (13,899,315) |
| | <hr/> |
| Total shareholders' equity | 682,808 |
| | <hr/> |
| Total liabilities and shareholders' equity | \$ 742,813 |
| | <hr/> |

The accompanying notes are an integral part of the financial statements.

Table of Contents**PLANET POLYMER TECHNOLOGIES, INC.****CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)**

| | Three months ended March 31, | |
|--|-------------------------------------|--------------|
| | 2002 | 2001 |
| Revenues | \$ 34,531 | \$ 89,121 |
| Operating expenses: | | |
| Cost of revenues | 23,146 | 72,297 |
| General and administrative | 100,321 | 224,182 |
| Marketing | 19,211 | 80,460 |
| Research and development | 47,565 | 163,335 |
| Total operating expenses | 190,243 | 540,274 |
| Loss from operations | (155,712) | (451,153) |
| Other income (expense), net | 671 | 13,049 |
| Net loss | (155,041) | (438,104) |
| Preferred Stock dividends | | (10,450) |
| Net loss applicable to common shareholders | \$ (155,041) | \$ (448,554) |
| Net loss per share applicable to common shareholders (basic and diluted) | \$ (0.02) | \$ (0.05) |
| Weighted average shares outstanding used in per share computations | 9,172,028 | 8,722,651 |

The accompanying notes are an integral part of the financial statements.

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PLANET POLYMER TECHNOLOGIES, INC.

CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

| | Common Stock | | Accumulated Deficit | Total |
|---------------------------------------|--------------|---------------|------------------------|------------|
| | Shares | Amount | | |
| Balance at January 1, 2002 | 9,165,618 | \$ 14,575,783 | \$(13,744,274) | \$ 831,509 |
| Issuance of Common Stock for services | 42,266 | 6,340 | | 6,340 |
| Net loss | | | (155,041) | (155,041) |
| Balance at March 31, 2002 | 9,207,884 | \$ 14,582,123 | \$(13,899,315) | \$ 682,808 |

The accompanying notes are an integral part of the financial statements.

Table of Contents**PLANET POLYMER TECHNOLOGIES, INC.****CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

| | Three months ended March 31, | |
|---|-------------------------------------|--------------|
| | 2002 | 2001 |
| Cash flows from operating activities: | | |
| Net loss | \$ (155,041) | \$ (438,104) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Depreciation and amortization | 7,851 | 21,203 |
| Gain on disposal of assets | | (25) |
| Issuance of Common Stock for services | 6,340 | 6,300 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 78,996 | (23,981) |
| Inventories | | 16,094 |
| Prepaid expenses and other assets | 17,672 | 7,285 |
| Accounts payable and accrued expenses | (92,245) | (31,096) |
| Net cash used by operating activities | (136,427) | (442,324) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | | (12,536) |
| Proceeds from the sale of property and equipment | | 25 |
| Cost of patents and other | | (1,243) |
| Payments on note receivable | 39,492 | 2,376 |
| Net cash provided (used) by investing activities | 39,492 | (11,378) |
| Cash flows from financing activities: | | |
| Principal payments on borrowings and capital lease obligations | (21,158) | (2,355) |
| Net cash used by financing activities | (21,158) | (2,355) |
| Net increase (decrease) in cash | (118,093) | (456,057) |
| Cash at beginning of period | 291,479 | 1,088,567 |
| Cash at end of period | \$ 173,386 | \$ 632,510 |
| Supplemental disclosure of non-cash activity: | | |
| Issuance of Common Stock dividends on Preferred Stock | \$ | \$ 10,450 |
| Conversion of Series A Preferred Stock into Common Stock | | 517,251 |

The accompanying notes are an integral part of the financial statements.

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**Planet Polymer Technologies, Inc.
NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS**

1. Basis of Presentation

In management's opinion, the accompanying unaudited financial statements of Planet Polymer 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 months ended March 31, 2002 are not necessarily indicative of results that may be expected for the year ending December 31, 2002. For additional information, refer to the Company's consolidated financial statements and notes thereto for the year ended December 31, 2001 contained in the Company's Form 10-KSB for the fiscal year ended December 31, 2001.

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

2. Liquidity and Capital Resources

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. The Company has incurred losses since inception. For the three months ended March 31, 2002 and 2001, the Company had net losses of approximately \$155,000 and \$438,000, respectively. As of March 31, 2002, the Company had an accumulated deficit of approximately \$13,899,000. The Company believes that its existing sources of liquidity and anticipated revenue will satisfy the Company's projected working capital and other cash requirements through at least December 31, 2002. To meet this plan, the Company has reduced staff and operating expenses, reduced or sold non-Agway or agricultural assets, while continuing to provide technical research and development for Agway's FreshSeal commercial program and Optigen development activities. The Company's future capital requirements will be dependent upon many factors, including, but not limited to, costs associated with the continued research and development of the Company's proprietary polymer materials, costs associated with the filing and enforcement of the Company's patents, costs associated with manufacturing scale-up and market acceptance, and the timing thereof, of the Company's products. There can be no assurance that the Company will be able to generate positive cash flows or profitability in the future.

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PART I FINANCIAL INFORMATION

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

Planet Polymer 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, 2001.

OVERVIEW

Since Planet Polymer Technologies, Inc. (Planet or the Company) was founded in 1991 substantially all of the Company's resources have been devoted to the development and commercialization of its technologies and products. This has included the expenditure of funds to develop the Company's corporate infrastructure, support the Company's marketing efforts and establish a pilot production facility, in addition to research and development.

Planet has incurred operating losses since inception and had an accumulated deficit as of March 31, 2002 of approximately \$13.9 million. Pending commercial deployment of and related volume orders for the Company's products, the Company expects to incur additional losses.

RESULTS OF OPERATIONS

On December 28, 2001, the Company sold certain assets of the Company relating to its Metal Injection Molding (MIM) business, including intellectual property, technology, manufacturing equipment and raw material and finished goods to Ryer Industries LLC (Ryer).

The Company's revenues decreased to approximately \$35,000 for the three months ended March 31, 2002 from approximately \$89,000 for the same period in 2001. This decrease was attributable to no AQUAMIM® sales, resulting from selling all AQUAMIM® assets in December 2001 and lower EnviroPlastic® Z sales partially offset by higher Agway development income and revenue from research and development technical consulting.

Cost of revenues decreased to \$23,000 for the three months ended March 31, 2002 from approximately \$72,000 for the same period in 2001. This decrease was primarily due to decreased revenues.

General and administrative expenses decreased to approximately \$100,000 for the three months ended March 31, 2002 from approximately \$224,000 for the same period in 2001. This decrease was primarily attributable to a reduction in staff, reduced use of outside services, and lower depreciation and amortization expense resulting from selling all AQUAMIM® assets in December 2001.

Marketing expenses decreased to approximately \$19,000 for the three months ended March 31, 2002 from approximately \$80,000 for the same period in 2001. This decrease was primarily attributable to a reduction in staff and reduced use of outside services.

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

Planet Polymer Technologies, Inc.

RESULTS OF OPERATIONS, CONTINUED

The Company's research and development expenses decreased to approximately \$48,000 for the three months ended March 31, 2002 from approximately \$163,000 for the same period in 2001. This decrease was primarily due to a reduction in staff, severance costs related to employee terminations in 2001, greater research and development expense reimbursement from Agway and lower depreciation and amortization expense resulting from selling all AQUAMIM® assets in December 2001.

Other income, net decreased to approximately \$700 for the three months ended March 31, 2002 from approximately \$13,000 for the same period in 2001. This decrease was primarily attributable to lower cash balances and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

The Company used cash of approximately \$136,000 for operations for the three months ended March 31, 2002. Such funds were used primarily for research and development activities, marketing efforts and administrative support.

Net cash provided by investing activities of approximately \$39,000 for the three months ended March 31, 2002 resulted from the receipt of payments on a note receivable associated with the sale of MIM assets to Ryer.

Net cash used for financing activities was approximately \$21,000 for the three months ended March 31, 2002. Such funds were used for payments associated with capital lease obligations.

The Company believes that its existing sources of liquidity and anticipated revenue will satisfy the Company's projected working capital and other cash requirements through at least December 2002. There can be no assurance, however, that future revenue decreases or changes in the Company's plans or other events affecting the Company's operating expenses will not result in the expenditure of the Company's resources. The Company expects that it will need to raise substantial additional funds to continue its current and planned operations. The Company is evaluating the potential sale or licensing of other patents and intellectual property, which, if successfully consummated, could result in a gain or loss to the Company.

On July 18, 2001, the Company's Common Stock was delisted from the Nasdaq Small Cap Stock Market due to non-compliance with Nasdaq's net tangible assets and minimum bid pricing requirements. There can be no assurance that the Company's efforts will result in additional funds or that additional financing will be available on acceptable terms, or at all.

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PART II OTHER INFORMATION

Planet Polymer Technologies, Inc.

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:

None

Item 6 Exhibits and Reports on Form 8-K:

(a) *Exhibits:*

| Exhibit Number | Description |
|----------------|-------------|
| None | |

(b) *Reports on Form 8-K:*

On January 10, 2002 the Company filed a Current Report on Form 8-K to report the change in accountants to J.H. Cohn LLP from PricewaterhouseCoopers and the sale of the Metal Injection Molding assets of the Company. On March 7, 2002, the Company filed a Current Report on Form 8-K/A (Amendment No. 1) to file pro forma financial statements. The pro forma financial statements included an unaudited balance sheet as of September 30, 2001, and unaudited statements of operations for the nine months ended September 30, 2001 and for the fiscal year ended December 31, 2000.

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Planet Polymer Technologies, Inc.

SIGNATURES

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

Date: April 30, 2002

Planet Polymer Technologies, Inc.

/s/ RICHARD C. BERNIER

Richard C. Bernier
Chief Executive Officer
(On behalf of Registrant and as Registrant's
Principal Financial and Accounting Officer)