

PLANET POLYMER TECHNOLOGIES INC

Form 10QSB

November 14, 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 September 30, 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 September 30,<br>2002 |
|----------------------------|--------------------------------------|
| Common Stock, no par value | 9,207,884                            |

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**PLANET POLYMER TECHNOLOGIES, INC.**  
**CONDENSED BALANCE SHEET (UNAUDITED)**

|  | <b>September 30,<br/>2002</b> |
|--|-------------------------------|
| <b>ASSETS</b>  |                               |
| Current assets:  |                               |
| Cash   | \$ 51,253                     |
| Accounts receivable  | 41,274                        |
| Note receivable  | 70,039                        |
| Prepaid expenses and other current assets  | 8,128                         |
| Total current assets   | 170,694                       |
| Property and equipment, net of accumulated depreciation of \$74,349  | 10,543                        |
| Patents and trademarks, net of accumulated amortization of \$59,548  | 171,788                       |
| Other assets   | 6,604                         |
| Total assets   | \$ 359,629                    |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                               |
| Current liabilities:   |                               |
| Accounts payable   | \$ 7,285                      |
| Accrued payroll and vacation   | 16,204                        |
| Accrued expenses   | 20,658                        |
| Capital lease obligations  | 551                           |
| Total liabilities  | 44,698                        |
| 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  | (14,267,192)                  |
| Total shareholders' equity   | 314,931                       |
| Total liabilities and shareholders' equity   | \$ 359,629                    |

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<br>SEPTEMBER 30, |              | NINE MONTHS ENDED SEPTEMBER<br>30, |                |
|---|-------------------------------------|--------------|------------------------------------|----------------|
|   | 2002                                | 2001         | 2002                               | 2001           |
| Revenues  | \$ 63,879                           | \$ 152,955   | \$ 141,648                         | \$ 312,892     |
| Operating expenses:   |                                     |              |                                    |                |
| Cost of revenues  | 46,798                              | 108,234      | 102,258                            | 249,026        |
| General and administrative  | 147,993                             | 188,656      | 335,002                            | 622,906        |
| Marketing   | 33,461                              | 50,702       | 83,014                             | 189,123        |
| Research and development  | 22,687                              | 54,641       | 107,642                            | 283,392        |
| Loss from impairment of assets  |                                     |              | 62,159                             |                |
| Total operating expenses  | 250,939                             | 402,233      | 690,075                            | 1,344,447      |
| Loss from operations  | (187,060)                           | (249,278)    | (548,427)                          | (1,031,555)    |
| Other income (expense), net   | 4,894                               | (3,202)      | 25,509                             | 16,230         |
| Net loss  | (182,166)                           | (252,480)    | (522,918)                          | (1,015,325)    |
| Preferred Stock dividends   |                                     |              |                                    | (10,450)       |
| Net loss applicable to common shareholders                                  | \$ (182,166)                        | \$ (252,480) | \$ (522,918)                       | \$ (1,025,775) |
| Net loss per share applicable to common shareholders<br>(basic and diluted) | \$ (0.02)                           | \$ (0.03)    | \$ (0.06)                          | \$ (0.11)      |
| Shares used in per share computations                                       | 9,207,884                           | 9,237,618    | 9,182,312                          | 9,021,367      |

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

**Table of Contents****PLANET POLYMER TECHNOLOGIES, INC.****CONDENSED STATEMENT OF SHAREHOLDERS EQUITY (UNAUDITED)**

|                                       | <b>Common Stock</b> |               | <b>Accumulated<br/>Deficit</b> | <b>Total</b> |
|---------------------------------------|---------------------|---------------|--------------------------------|--------------|
|                                       | <b>Shares</b>       | <b>Amount</b> |                                |              |
| 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                              |                     |               | (522,918)                      | (522,918)    |
| Balance at September 30, 2002         | 9,207,884           | \$ 14,582,123 | \$(14,267,192)                 | \$ 314,931   |

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



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

|   | Nine months ended September 30, |                   |
|---|---------------------------------|-------------------|
|   | 2002                            | 2001              |
| Cash flows from operating activities:   |                                 |                   |
| Net loss  | \$(522,918)                     | \$(1,015,325)     |
| Adjustments to reconcile net loss to net cash used by operating activities:       |                                 |                   |
| Depreciation and amortization   | 22,209                          | 64,811            |
| Bad debts   | 80,000                          |                   |
| Loss from impairment of intangible assets   | 62,159                          |                   |
| Gain on disposal of property and equipment  | (13,500)                        | (25)              |
| Issuance of Common Stock for services   | 6,340                           | 6,300             |
| Changes in operating assets and liabilities:                                      |                                 |                   |
| Accounts receivable   | 78,162                          | 22,177            |
| Inventories   |                                 | 14,419            |
| Prepaid expenses and other assets   | 49,702                          | 2,037             |
| Accounts payable  | (33,632)                        | 83,232            |
| Accrued expenses  | (55,404)                        | (70,931)          |
| Net cash used by operating activities   | <u>(326,882)</u>                | <u>(893,305)</u>  |
| Cash flows from investing activities:   |                                 |                   |
| Purchases of property and equipment   |                                 | (19,947)          |
| Proceeds from sale of property and equipment                                      | 13,500                          | 25                |
| Cost of patents and other assets  |                                 | (5,112)           |
| Payments from note receivable   | 112,831                         | 93,783            |
| Net cash provided by investing activities   | <u>126,331</u>                  | <u>68,749</u>     |
| Cash flows from financing activities:   |                                 |                   |
| Proceeds from issuance of Common Stock and exercise of warrants and stock options |                                 | 40,801            |
| Principal payments on capital lease obligations                                   | (39,675)                        | (8,950)           |
| Net cash provided (used) by financing activities                                  | <u>(39,675)</u>                 | <u>31,851</u>     |
| Net decrease in cash  | (240,226)                       | (792,705)         |
| Cash at beginning of period   | 291,479                         | 1,088,567         |
| Cash at end of period   | <u>\$ 51,253</u>                | <u>\$ 295,862</u> |
| Supplemental disclosure of non-cash activity:                                     |                                 |                   |
| Issuance of Common Stock dividends on Preferred Stock                             | \$                              | \$ 10,450         |
| Issuance of Common Stock for services   | 6,340                           | 6,300             |
| Conversion of Series A Preferred Stock into Common Stock                          |                                 | 517,251           |
| Insurance purchased under a short-term financing agreement                        |                                 | 44,134            |

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



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**Planet Polymer Technologies, Inc.**

**NOTES TO UNAUDITED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

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 nine months ended September 30, 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 Annual Report on Form 10-KSB for the fiscal year ended December 31, 2001.

Certain reclassifications have been made to the interim financial statements of the prior year to conform to the presentation of the current interim periods. These reclassifications had no effect on previously reported results of operations or retained earnings.

**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, and not on a liquidation basis. The Company has incurred losses since inception. For the nine months ended September 30, 2002 and 2001, the Company had net losses of approximately \$523,000 and \$1,015,000, respectively. As of September 30, 2002, the Company had an accumulated deficit of approximately \$14,267,000. In August 2002, the purchaser of certain assets defaulted on certain payments and in October 2002 a major licensee filed for reorganization under the bankruptcy code (see note 6). These matters raise substantial doubt about the ability of the Company to continue as a going concern. 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, as well as support of MIM asset utilization at Ryer Industries. However, management cannot provide any assurance that the Company will be successful in satisfying future working capital and other cash requirements past December 31, 2002. As a result, the Company may have to cease its operations and liquidate its assets and liabilities and prepare its financial statements on a liquidation basis. The accompanying financial statements do not include any adjustments that might result for this uncertainty. 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.

**3. Long-Lived Assets**

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset s carrying value unlikely. An impairment loss would be recognized when the sum of the expected future net cash flows is less than the carrying amount of the asset. For similar assets held for sale, an impairment loss is recognized when the carrying amount exceeds its net realizable value or fair value less cost to sell. In June 2002, the Company recorded approximately \$62,000 relating to the write-off of certain intangible assets when it was determined that net realizable value or fair value

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**Planet Polymer Technologies, Inc.  
NOTES TO UNAUDITED FINANCIAL STATEMENTS (Continued)**

less cost to sell these assets were insufficient to recover their carrying value. The impaired assets principally represent the Company's EnviroPlastic® Z technology.

**4. Earnings (Loss) Per Share**

Earnings (loss) per share is computed using the weighted average number of shares of common stock outstanding and is presented for basic and diluted earnings (loss) per share. Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period increased to include, if dilutive, the number of additional common shares that would have been outstanding if the potential common shares had been issued. Dilutive potential common shares consist of the incremental common shares issuable upon conversion of convertible preferred stock (using the if converted method) and exercise of stock options and warrants (using the treasury stock method) for all periods.

The Company has excluded all convertible preferred stock and outstanding stock options and warrants from the calculation of diluted loss per share for the three and nine months ended September 30, 2001 and 2002 because all such securities are anti-dilutive for those periods. 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 share for the three and nine months ended September 30, 2002 was 1,208,650 and 1,208,650, respectively.

**5. Income Taxes**

As the ultimate realization of the potential benefits of the Company's net operating loss carryforwards is considered unlikely by management, the Company has offset the deferred tax assets attributable to those potential benefits through valuation allowances and, accordingly, the Company did not recognize any credits for income taxes in the accompanying condensed statements of operations to offset its pre-tax losses.

**6. Subsequent Events**

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 ). In consideration of these assets, Ryer had agreed to pay to the Company cash in the amount of \$328,157, plus a royalty of 6% on sales of custom feedstocks sold during the period January 1, 2002 and December 31, 2009. Additionally, Ryer had agreed to pay the Company a royalty on all tungsten carbide feedstock sales in the amount of \$2.50 per net pound during the period July 1, 2002 and June 30, 2010. Ryer and the Company also entered into a Consulting Agreement for consulting services related to the business and technology sold to Ryer.

Through October 31, 2002, the Company had received \$178,157. In August 2002, Ryer defaulted on its required payments. The Company has continued to accrue interest on the notes; during the three months ended September 30, 2002, \$3,803 of interest income was accrued but not collected. At September 30, 2002, the present value of the remaining amounts due was \$143,539, discounted at 10%. Management has determined it reasonable to make a provision for loss of \$73,500 against these notes. This loss provision is included in general and administrative expenses in the Condensed Statements of Operations. In October 2002, the Company and Ryer entered into a Forbearance Agreement which modified the payment schedule for the remaining obligations to the Company with payments to begin in December 2002, and continue through April 2003. Royalty payments associated with sales from these technologies were deferred and are scheduled to resume in December 2002. The Company remains in dispute with Ryer over how certain royalties are calculated and paid, but has agreed to stay

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**Planet Polymer Technologies, Inc.  
NOTES TO UNAUDITED FINANCIAL STATEMENTS (Continued)**

resolution of that dispute until other deferred payments are made or Ryer defaults. If Ryer defaults, the Company will seek to enforce the Confession Judgment given by Ryer to the Company in connection with the Forbearance Agreement, which provides among other things, for turnover to the Company of the assets sold by the Company to Ryer.

In November 1998, the Company granted Agway an exclusive worldwide license in connection with the Company's technology for time-release coatings for a variety of agricultural and food products (the License Agreement). The License Agreement outlines the general terms and conditions for the rights granted Agway thereunder. The Company and Agway agreed to execute further sub-agreements specifying the royalties to be paid to the Company for Agway's use of the Company's technology with certain products. In March 2000, the Company and Agway entered into a Sub-Agreement with respect to Planet's patented/patent pending coatings and/or polymer systems sold for use on fruits, vegetables, floral and nursery items. During 2001, the Company received a \$100,000 minimum royalty payment from Agway in order to maintain exclusivity. On October 1, 2002, Agway, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The Sub Agreement provided for an additional minimum royalty of \$300,000 on or before October 31, 2002 to maintain exclusivity. This payment has not been received or accrued by Planet. Pursuant to the Sub Agreement, Planet notified Agway that the payment was not received. Under the terms of the Sub Agreement, Agway has sixty (60) days during which Agway may make the necessary payment and retain market exclusivity for this technology. Failure by Agway to make payment prior to the end of this period will permit Planet to issue additional non-exclusive licenses for this technology to other interested parties in the fruit, vegetable, nuts and flowers segments of the agricultural products industry. Management cannot assure that the Company will be able to obtain any new agreements that would generate comparable revenues.

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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 September 30, 2002 of approximately \$14.3 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 \$64,000 for the three months ended September 30, 2002 from approximately \$153,000 for the same period in 2001 and to approximately \$142,000 for the nine months ended September 30, 2002 from approximately \$313,000 for the same period in 2001. These decreases were primarily attributable to no AQUAMIM® sales, resulting from selling all AQUAMIM® assets in December 2001 and no EnviroPlastic® Z sales partially offset by higher Agway development income, revenue from research and development technical consulting and approximately \$10,000 and \$2,000 in royalties paid by Ryer in the third and second quarters of 2002, respectively. Ryer has defaulted on required payments and Agway has filed for reorganization under the bankruptcy code. As a result, revenues associated with these activities may decrease.

Cost of revenues decreased to approximately \$47,000 for the three months ended September 30, 2002 from approximately \$108,000 for the same period in 2001 and to approximately \$102,000 for the nine months ended September 30, 2002 from approximately \$249,000 for the same period in 2001. These decreases were primarily due to decreased revenues and a change in product mix away from AQUAMIM® and EnviroPlastic® Z.

General and administrative expenses decreased to approximately \$148,000 for the three months ended September 30, 2002 from approximately \$189,000 for the same period in 2001 and to approximately \$335,000 for the nine months ended September 30, 2002 from approximately \$623,000 for the same period in 2001. These decreases were primarily attributable to a reduction in staff, reduced use of outside services, and lower depreciation and amortization expense resulting from selling all AQUAMIM®

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

**Planet Polymer Technologies, Inc.**

assets in December 2001 partially offset by bad debt allowances of \$80,000 recorded as described in note 6.

Marketing expenses decreased to approximately \$33,000 for the three months ended September 30, 2002 from approximately \$51,000 for the same period in 2001 and to approximately \$83,000 for the nine months ended September 30, 2002 from approximately \$189,000 for the same period in 2001. These decreases were primarily due to a reduction in staff and reduced promotional expenses.

Research and development expenses decreased to approximately \$23,000 for the three months ended September 30, 2002 from approximately \$55,000 for the same period in 2001 and to approximately \$108,000 for the nine months ended September 30, 2002 from approximately \$283,000 for the same period in 2001. These decreases were primarily due to a reduction in staff, severance costs related to employee terminations in the first half of 2001, greater research and development expense reimbursement from Agway and lower depreciation and amortization expense resulting from selling all AQUAMIM® assets in December 2001.

In June 2002, the Company recorded a charge of approximately \$62,000 relating to the write-off of certain EnviroPlastic Z intangible assets held for sale when it was determined that future undiscounted cash flows associated with these assets were insufficient to recover their carrying value. The assets principally represent the Company's historical ownership interest in product rights and license agreements relating to the Company's EnviroPlastic Z patent.

Other income (expense), net increased to approximately \$5,000 for the three months ended September 30, 2002 from a net expense of approximately \$3,000 for the same period in 2001 and increased to approximately \$26,000 for the nine months ended September 30, 2002 from approximately \$16,000 for the same period in 2001. These increases were primarily attributable to a gain on the sale of fixed assets and securities partially offset by lower cash balances and lower interest rates.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company used cash of approximately \$327,000 for continuing operations for the nine months ended September 30, 2002. Such funds were used primarily for research and development activities, marketing efforts and administrative support.

Net cash provided by investing activities of approximately \$126,000 for the nine months ended September 30, 2002 resulted from the receipt of payments on a note receivable associated with the sale of MIM assets to Ryer and the sale of other equipment to unrelated parties.

Net cash used by financing activities was approximately \$40,000 for the nine months ended September 30, 2002. Such funds were used for payments associated with capital lease obligations.

The Company does not believe that its existing sources of liquidity and anticipated revenue will satisfy the Company's projected working capital and other cash requirements through June 30, 2003. The Company expects that it will need to raise or generate substantial additional capital to accomplish its business plan over the next year. 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, as well as support of MIM asset utilization at Ryer Industries. Agway has filed for reorganization and Ryer has defaulted on certain

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

**Planet Polymer Technologies, Inc.**

payments. Accordingly, management cannot provide any assurance that the Company will be successful in satisfying future working capital and other cash requirements past December 31, 2002. If it cannot, the Company may have to cease operations and liquidate its assets and liabilities and prepare its financial statements on a liquidation basis instead of a going concern basis. 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.

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 ). In consideration of these assets, Ryer had agreed to pay to the Company cash in the amount of \$328,157, plus a royalty of 6% on sales of custom feedstocks sold during the period January 1, 2002 and December 31, 2009. Additionally, Ryer had agreed to pay the Company a royalty on all tungsten carbide feedstock sales in the amount of \$2.50 per net pound during the period July 1, 2002 and June 30, 2010. Ryer and the Company also entered into a Consulting Agreement for consulting services related to the business and technology sold to Ryer.

Through October 31, 2002, the Company had received \$178,157. In August 2002, Ryer defaulted on its required payments. The Company has continued to accrue interest on the notes; during the three months ended September 30, 2002, \$3,803 of interest income was accrued but not collected. At September 30, 2002, the present value of the remaining amounts due was \$143,539, discounted at 10%. Management has determined it reasonable to make a provision for loss of \$73,500 against these notes. This loss provision is included in general and administrative expenses in the Condensed Statements of Operations. In October 2002, the Company and Ryer entered into a Forbearance Agreement which modified the payment schedule for the remaining obligations to the Company with payments to begin in December 2002, and continue through April 2003. Royalty payments associated with sales from these technologies were deferred and are scheduled to resume in December 2002. The Company remains in dispute with Ryer over how certain royalties are calculated and paid, but has agreed to stay resolution of that dispute until other deferred payments are made or Ryer defaults. If Ryer defaults, the Company will seek to enforce the Confession Judgment given by Ryer to the Company in connection with the Forbearance Agreement, which provides among other things, for turnover to the Company of the assets sold by the Company to Ryer.

In November 1998, the Company granted Agway an exclusive worldwide license in connection with the Company's technology for time-release coatings for a variety of agricultural and food products (the License Agreement ). The License Agreement outlines the general terms and conditions for the rights granted Agway thereunder. The Company and Agway agreed to execute further sub-agreements specifying the royalties to be paid to the Company for Agway's use of the Company's technology with certain products. In March 2000, the Company and Agway entered into a Sub-Agreement with respect to Planet's patented/patent pending coatings and/or polymer systems sold for use on fruits, vegetables, floral and nursery items. During 2001, the Company received a \$100,000 minimum royalty payment from Agway in order to maintain exclusivity. On October 1, 2002, Agway, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The Sub Agreement provided for an additional minimum royalty of \$300,000 on or before October 31, 2002 to maintain exclusivity. This payment has not been received or accrued by Planet. Pursuant to the Sub Agreement, Planet notified



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

**Planet Polymer Technologies, Inc.**

Agway that the payment was not received. Under the terms of the Sub Agreement, Agway has sixty (60) days during which Agway may make the necessary payment and retain market exclusivity for this technology. Failure by Agway to make payment prior to the end of this period will permit Planet to issue additional non-exclusive licenses for this technology to other interested parties in the fruit, vegetable, nuts and flowers segments of the agricultural products industry. Management cannot assure that the Company will be able to obtain any new agreements that would generate comparable revenues.

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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**Item 3 Controls and Procedures**

**Planet Polymer Technologies, Inc.**

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in the reports we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the rules of the SEC. Within 90 days prior to the filing of this Quarterly Report on Form 10-QSB, we carried out an evaluation, under the supervision and the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the design and operation of these disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting him to material information relating to the Company required to be included in our periodic SEC filings.

CHANGES IN INTERNAL CONTROLS

There were no significant changes in internal controls or other factors that could significantly affect our internal controls subsequent to the date of our evaluation.

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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

Peter J. O Neill resigned from the Board of Directors of Planet Polymer Technologies, Inc. effective October 1, 2002.

Item 6 Exhibits and Reports on Form 8-K

(a) *Exhibits:*

| <u>Exhibit Number</u> | <u>Description</u>  |
|-----------------------|---|
| 10.36                 | Forbearance and Stipulated Confession of Judgment Agreement between Planet Polymer Technologies, Inc. and Ryer Industries LLC |
| 99.1                  | CEO and CFO certification   |

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

None

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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: November 14, 2002

Planet Polymer Technologies, Inc.

/s/ Richard C. Bernier

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

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SECTION 302 CERTIFICATION

I, Richard C. Bernier, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Planet Polymer Technologies, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the Evaluation Date); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Richard C. Bernier

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Richard C. Bernier, Chief Executive Officer

/s/ Richard C. Bernier

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Richard C. Bernier, Chief Financial Officer

November 14, 2002