PLANET TECHNOLOGIES, INC
Form 10KSB
March 23, 2007

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

FORM 10-KSB
ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006
Commission File No. 0-26804

PLANET TECHNOLOGIES, INC.

CALIFORNIA	**33-0502606**
(State or other jurisdiction of incorporation of organization)	**(IRS Employer identification No.)**
96 Danbury Road	
Ridgefield, CT	**06877**
(Address of principal executive offices)	**(Zip Code)**

Issuer s telephone number (800)-255-3749
Securities registered under Section 12(b) of the Exchange Act:
None
Securities registered under Section 12(g) of the Exchange Act:
Common Stock, No Par Value

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

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

The issuer s revenues for the year ended December 31, 2006 were $8,036,449.

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

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of February 28, 2007, was $8,371,373, based on the average of the 4:00 p.m. closing bid and ask prices of $2.10 as reported on the Over-the-Counter Bulletin Board.

As of February 28, 2007, 3,986,368 shares of the Company s Common Stock were outstanding and no shares of the Company s Series A Preferred Stock were outstanding.

Transitional Small Business Disclosure Format (check one) o Yes þ No

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This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends that such statements shall be protected by the safe harbors provided for in such sections. Such statements are subject to risks and uncertainties that could cause the Company s actual results to vary materially from those projected in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to: our need for additional capital, fluctuations in operating results, continued new product introductions, market acceptance of our new product introductions, new product introductions by competitors, technological changes in the industry and those factors discussed in this section as well as those sections entitled Risk Factors, and in Item 6 Management s Discussion and Analysis or Plan of Operations.

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PART I.

Planet Technologies, Inc. (Planet or the Company) is a California Corporation incorporated on August 23, 1991.

ITEM 1. DESCRIPTION OF BUSINESS

General

On November 30, 2004, Planet acquired the business of Allergy Free, LLC, a company engaged in the business of designing, selling and distributing products for use by allergy sensitive persons, including, without limitation, air filters, room air cleaners, and related allergen avoidance products. Allergy Free acquired its business on or about November 3, 2000, when it acquired substantially all of the assets and business of Allergy Free, L.P., a Delaware limited partnership. The business strategy of Allergy Free has been primarily based upon the marketing and selling of products directly to the consumer by telemarketing to its database of customers, who have purchased Allergy Free s electrostatic filters. Promotion has been supplemented with direct mail, radio, and Internet advertising. The Company s proprietary air filters have been marketed under the Allergy Free® trade name.

On August 11, 2005, Planet completed a merger with Allergy Control Products, Inc. (ACP). ACP merged into a wholly owned subsidiary of Planet (New ACP). Effective August 11, 2005, Planet assigned all of the Allergy Free assets to its wholly owned subsidiary New ACP. The subsidiary was renamed and its ongoing name is Allergy Control Products (the Subsidiary). References to us , we , Planet and Company refer to the consolidated operations of Pl and its Subsidiary.

With the Merger, Planet has added to its stable of allergen control products, and has incorporated ACP s core business strategy. This core strategy is to supply a complete range of high quality, branded products to physicians patients who are allergy sufferers, as well as to previous customers. Promotion is executed through (a) distribution of catalogs to physicians offices for subsequent re-distribution to patients, (b) distribution of catalogs directly to previous customers and (c) selective e-commerce marketing initiatives. Customer transactions are primarily handled through our in-bound call center and website. In addition to this core business strategy, we also sell selective products on a wholesale basis to domestic retailers as well as to international distributors.

The allergen avoidance product industry provides products and information that help people suffering from allergies or asthma to reduce the level of exposure to allergens in their environment. Market distribution channels within the industry include catalog direct mail to consumers and through physician offices, the Internet, and traditional retail. Catalog direct mail competitors offering a range of products include National Allergy Supply, Mission Allergy, Allergy Buyers Club, Asthma and Allergies Technology, and Allergy Solutions.

Products

Our proprietary products now include Allergy Control® branded bedding products and Allergy FreeÒ branded air filters. We also market a complete range of bedding products, carpet cleaning and laundry products, vacuums, air cleaners and air filters, sinus and breathing aids, respiratory products, dehumidifiers, mold prevention and house cleaning products, pet allergy products and certain allergy-related skin and hair care products.

Allergen Barrier Bedding: Microscopic dust mites, as well as pet dander produce potent allergens that thrive in places such as beds, upholstered furniture, and carpets. We provide a complete line of products that substantially reduce the allergy sufferers exposure to these allergens. Bedding products include:

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Encasings: We offer three encasing product lines, each with distinct levels of allergen barrier effectiveness, comfort, durability and price. Our Allergy ControlÒ, Pristine® Complete and Allergy Control Pristine® Relief encasings use micro-fiber fabrics. Allergy ControlÒ Economy encasings use laminated fabrics.

Blankets: We offer Snuggable® blankets, which are made from a top quality 300-weight Polartec® fleece, which has a high level of softness and warmth without extra weight. Allergy sufferers benefit from their use specifically because the blankets hold up exceptionally well through repeated hot water washing, which is the recommended process to eliminate allergens.

***Comforters*:** As with our encasings, our comforters are manufactured with the most advanced Pristine® encasing fabric. They deliver complete dust mite and pet allergen protection, are luxuriously soft and breathable similar to fine cotton linens and also includes an anti-microbial treatment. The comforters are available in both light and heavier weights.

***Pillows*:** We offer two Allergy Control® Pristine® Deluxe pillow styles a contour neck style and a gusseted style. As in the case of our branded comforters, allergy sufferers who use these branded pillows do not require encasings, since the product itself is manufactured with highly effective and comfortable allergen barrier fabric.

Air Filters: Allergy FreeÒ air filters substantially reduce the amount of airborne contaminants, including allergen particles. We currently market three types of filters for forced heating and cooling systems along with vent filtration kits:

***Permanent Filters*:** We offer the Allergy FreeÒ Aller-Pure® Gold Filter, a permanent electrostatic washable filter. The filter is highly efficient in removing airborne particles at the 1-10 micron level. The filter is pleated and offers 2.5 times the filtering surface area of a flat filter, while providing a low resistance that optimizes airflow. We sell all standard filter sizes and also provide custom filters to meet almost any customer need.

Disposable Filters: The Allergy FreeÒ Aller-Pure® MAX (micro allergen extractor) is rated at the highest level for residential filters. It is a pleated filter with actively electrostatic charged media. The disposable filter s life is 2-3 months and is sold in packages of 4 filters. We offer this filter in all standard sizes.

***Flexible filters*:** We offer the Allergy FreeÒ Aller-Pure® Flex filters for free-standing air conditioning units and other types of heating and cooling systems. The flex filter is comprised of 3 layers and sewn with a trim.

In addition to Allergy Control® branded bedding products and Allergy FreeÒ branded air filters, we offer a comprehensive line of other third party products for allergy sufferers. The following includes some of the important brand offerings per category in our current product mix:

Bedding: Comforel® mattress cushions, Wamsutta® sheets and pillowcases.

Carpets and Laundry: Allersearch®, Capture®, DustMite®, Bissell® and De-mite®.

Vacuums: A variety of Miele® vacuums, at differing price points.

Air Cleaners: Austin Air®, Blueair®, Honeywell® and Whirlpool®.

Respiratory (Nebulizers and Compressors): Omron® and Pari® brands.

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Product Registrations

We do not directly manufacture any product requiring EPA or FDA registration. We sell products that are registered, where required, by their manufacturers.

Environmental Law

The Company primarily sells goods. The Company does not manufacture any products at this time. Therefore, environmental laws have not materially affected the Company.

Licensed Technology and Intellectual Property

Since January 1, 1997, the Company has licensed technology associated with the production of its Aller-PureÒ Gold Permanent Electrostatic Filter under Patent number 6,056,809, Permanent Air Filter and Method of Manufacture. The licensing agreement is for a term of 10 years, the life of the patent or for the period of time in which Planet actively sells the Aller-Pure Gold Permanent filter. The agreement provides a royalty of 1.65% based on net filter sales and is paid monthly. The sales of products under this licensing agreement have been declining at a rapid rate over the last several years due to competitive products being introduced into the market.

Research and Development

We are not actively developing new products, although the Company has historically worked with consultants, filter-testing labs, media manufacturers and filter manufacturers to develop new enhanced filters, and various third parties to develop new bedding products and product line extensions. The Company did not spend any money on research and development for the years ended December 31, 2006 and December 31, 2005 respectively.

Government Requirements

Our outbound telemarketing sales practices are regulated at both the federal and state level. The Telephone Consumer Protection Act (the TCPA), which was enacted in 1991, authorized and directed the Federal Communications Commission (the FCC) to enact rules to regulate the telemarketing industry. In December 1992, the FCC enacted rules, which place restrictions on the methods and timing of telemarketing sales calls. On July 3, 2003, the FCC issued a Report and Order setting forth amended rules and regulations implementing the TCPA. The rules, with a few exceptions, became effective August 25, 2003. These rules included: (1) restrictions on calls made by automatic dialing and announcing devices; (2) limitations on the use of predictive dialers for outbound calls; (3) institution of a national do-not-call registry in conjunction with the Federal Trade Commission (the FTC); (4) guidelines on maintaining an internal do-not-call list and honoring do-not-call requests; and (5) requirements for transmitting caller identification information. The do-not-call restrictions took effect October 1, 2003. The caller identification requirements became effective January 29, 2004. The FCC also included rules restricting facsimile advertisements. These rules became effective January 1, 2005.

The Federal Telemarketing Consumer Fraud and Abuse Act of 1994 authorizes the FTC to issue regulations designed to prevent deceptive and abusive telemarketing acts and practices. The FTC issued its Telemarketing Sales Rule (the TSR), which went into effect in January 1996. The TSR applies to most direct teleservices telemarketing calls and certain operator teleservices telemarketing calls and generally prohibits a variety of deceptive, unfair or abusive practices in telemarketing sales.

The FTC amended the TSR in January 2003. The majority of the amendments became effective March 31, 2003. The changes that were adopted that could adversely affect us include, but are not limited to: (1) subjecting a portion of our calls to additional disclosure requirements from which such calls were previously exempt; (2) prohibiting the disclosure or receipt, for consideration, of unencrypted consumer account numbers for use in telemarketing; (3) additional disclosure statements relating to certain products and services; (4) additional authorization requirements for payment methods that do not have consumer protections comparable to those available under the Electronic Funds Transfer Act (EFTA) or the Truth in Lending Act; and (5) institution of a national do-not-call registry.

In addition to the federal legislation and regulations, there are numerous state statutes and regulations governing telemarketing activities, which do or may apply to us. For example, some states also place restrictions on the methods and timing of telemarketing calls and require that certain mandatory disclosures be made during the course of a telemarketing call. Some states also require that telemarketers register in the state before conducting telemarketing business in the state (see Risk Factors).

Customers of Planet

Our typical customer is an individual allergy sufferer. In addition, a limited number of domestic retailers purchase products for resale to the public. A limited number of international distributors also purchase certain products for resale to various parties located within their respective countries and/or market territories.

Physician offices are an important intermediary between the Company and its customers. The Company receives customer orders from patients of more than 4,000 identified physicians. The Company has no distribution agreements with its referring physicians. The Company is not dependent on any one customer.

Suppliers of Planet

We acquire our raw materials for contract manufactured finished products from a variety of manufacturers. The primary raw material suppliers include: Precision Fabrics Group (Micro-Woven Allergen Barrier Fabric) and Shawmut Mills (Laminated Allergen Barrier Fabric).

Sales and Marketing

We employ staff to perform and manage sales and marketing functions. Outside resources are hired on an as-needed basis to augment the internal effort.

Competition

The Company s competitors include National Allergy Supply, Mission Allergy, Allergy Buyers Club, Asthma and Allergies Technology, and Allergy Solutions.

Employees

As of December 31, 2006, the Company had 25 full-time and 4 part-time employees, all of whom are located at our Connecticut facility.

Properties

The Company maintains executive offices and warehouse space located in approximately 13,317 square feet of leased space at 96 Danbury Road, Ridgefield, CT 06877, subject to a lease, which terminates September 30, 2007, at a monthly rental amount of $14,288. We lease additional warehouse space in Connecticut as needed from time to time.

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Risk Factors

We have experienced losses, we expect future losses and we may not become profitable. For the years ended December 31, 2006 and 2005, we had net losses of $1,202,242 and $1,508,195, respectively. As of December 31, 2006, we had an accumulated deficit of $6,413,133. Since we have historically incurred net losses, we expect this trend will continue until some indefinite date in the future. We may not be able to sustain or increase profitability on a quarterly or annual basis.

We will require additional capital, which may not be available. Our capital requirements will depend on many factors, including:

- the cost of information technology upgrades and enhancements;
- The cost of developing existing and new markets for our products; and
- Regulatory and associated costs of being a public entity.

At December 31, 2006, current liabilities exceeded current assets by $865,720. We anticipate that our planned operational improvements and existing resources combined with future revenues will enable us to maintain our current and planned operations through December 31, 2007. However, changes in our plans or other events affecting our operating expenses, such as acquisition opportunities, may cause us to expend our existing resources sooner than expected.

We may seek additional funding through private placements of stock or strategic relationships. However, the uncertainty as to our future profitability may make it difficult for us to secure additional financing on acceptable terms, if we are able to secure additional financing at all. Insufficient funds may require us to delay, scale back or eliminate some or all of our activities.

Our independent registered public accounting firm has raised substantial doubt about our ability to continue as a going concern. The accompanying consolidated 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 $6,413,133 as of December 31, 2006. Management intends to continue to finance operations partially through its potential ability to generate cash flows from debt and equity offerings. However, there can be no assurance that the Company will be able to obtain additional financing or internally generate cash flows, which may impact the Company s ability to continue as a going concern. Our independent registered public accounting firm has included an explanatory paragraph in their opinion dated March 13, 2007, that there is substantial doubt about Planet s ability to continue as a going concern. The accompanying consolidated 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.

We will be required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. Failure to timely comply with the requirements of Section 404 or any adverse results from such evaluation could result in a loss of investor confidence in our financial reports and have an adverse effect on the trading price of our debt securities.

We are not currently an accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended. Beginning with our Annual Report for the year ending December 31, 2007, Section 404 of the Sarbanes-Oxley Act of 2002 will require us to include an internal control report with our Annual Report on Form 10-KSB. That report must include management s assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year. This report must also include disclosure of any material weaknesses in internal control over financial reporting that we have identified. Additionally, for the fiscal year ended December 31, 2008 our independent registered public accounting firm will be required to issue reports on management s assessment of our internal control over financial reporting and their evaluation of the operating effectiveness of our internal control over financial reporting. Our assessment requires us to make subjective judgments and our independent registered public accounting firm may not agree with our assessment. Achieving compliance with Section 404 within the prescribed period may require us to incur significant costs and expend significant time and management resources. If we are not able to complete the assessment under Section 404 in a timely manner, we and our independent registered public accounting firm would be unable to conclude that our internal control over financial reporting is effective as of December 31, 2007. As a result, investors could lose confidence in our reported financial information, which could have an adverse effect on the trading price of our debt securities. In addition, our independent registered public accounting firm may not agree with our management s assessment or conclude that our internal control over financial reporting is operating effectively. We will continue to consistently improve our internal control over the financial reporting with our best efforts and we plan to engage assistance from outside experts in doing so.

Internet Sales Risk: Web sales represent approximately 35% of the Company s sales. There are certain risks associated with the Company s web based sales, including without limitation, risk that hackers may breach the Company s security systems, resulting in system failures and theft of confidential information. On October 11, 2006, the Company determined that there had been a breach of the system hosting the Company s web based sales and that as a result of such breach, customer information may have been compromised. For the period October 12, 2006 through October 26, 2006, the customers of the Company were unable to order through the internet. Since that time, the Company has taken certain steps to improve website security, including without limitation, the Company has moved its website to a dedicated server and the Company has contracted with Verisign to scan for security breaches. As a result of the breach, the Company was charged $30,000 by its credit card processing company. Should the Company s website and internet order system be the victim of a subsequent breach and loss of customer confidential information, the Company could be subject to greater penalties, including monetary penalties and refusal of credit card companies to process the Company s web based orders. While the Company has taken steps to improve the security of its website and internet order system, inherent risk associated with such internet based systems as with all internet based orders, remains.

Amendments to the Telemarketing Sales Rule (the TSR). Telemarketing sales rules have had and may continue to have a material impact on both Planet s revenue and profitability. The addition of a national do-not-call list to the growing number of states that already have do-not-call lists has reduced the number of households that we may call. Over 50% of the our historical customers have placed their names on the national do-not-call list.

In addition to the federal legislation and regulations, there are numerous state statutes and regulations governing telemarketing activities, which do or may apply to our business. For example, some states also place restrictions on the methods and timing of telemarketing calls and require that certain mandatory disclosures be made during the course of a telemarketing call. Some states also require that telemarketers register in the state before conducting telemarketing business in the state.

We are training our telemarketing representatives to handle calls in an approved manner and believe we comply in all material respects with all federal and state telemarketing regulations. There can be no assurance, however, that the Company will not be subject to regulatory challenge and or civil liability for violations of federal or state law.

We are subject to penny stock regulations. Our common stock is not listed or qualified for listing on NASDAQ or any national securities exchange but is only sporadically traded in the over-the-counter market in the so-called OTC Bulletin Board. As a result, an investor will find it difficult to dispose of, and to obtain accurate quotations as to the value of, our common stock.

Our common stock is classified as a penny stock by the Securities and Exchange Commission. The classification severely and adversely affects the market liquidity for our common stock. The Commission has adopted Rule 15g-9, which establishes the definition of a penny stock for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person s account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased. In order to approve a person s account for transactions in penny stocks, the broker or dealer must (i) obtain financial information and investment experience objectives of the person; and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks. The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, which, in highlight form, sets forth (i) the basis on which the broker or dealer made the suitability determination and (ii) that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Disclosure also has to be made about the risks of investing in penny stocks in public offerings and secondary trading and about the commissions payable to the broker-dealer and registered representative, current quotations for the securities and the rights and remedies available to an investor in case of fraud in penny stock transaction. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

Any inability to adequately retain or protect our employees, customer relationships and proprietary brands competitive positioning could harm our ability to compete. Our future success and ability to compete depends in part upon our employees, customer relationships, proprietary brands and trademarks, which we attempt to protect with a combination of trademark and trade secret claims. These legal protections afford only limited protection. Further, despite our efforts, we may be unable to prevent third parties from soliciting our employees or customers or infringing upon or misappropriating our intellectual property. Our employees, customer relationships and intellectual property may not be adequate to provide us with a competitive advantage or to prevent competitors from entering the markets for our product and services. Additionally, our competitors could independently develop non-infringing technologies that are competitive with, and equivalent or superior to, our products. We will monitor infringement and/or misappropriation of our proprietary rights. However, even if we do detect infringement or misappropriation of our proprietary rights, litigation to enforce these rights could cause us to divert financial and other resources away from our business operations.

The departure of certain key personnel could harm the financial condition of the Company. Several of our employees are intimately involved in our business and have day-to-day relationships with critical customers. We are not able to afford additional staff to supplement these key personnel. Competition for highly skilled business, product development, marketing and other personnel is intense, and there can be no assurance that we will be successful in recruiting new personnel or in retaining our existing personnel. A failure on our part to retain the services of these key personnel could have a material adverse effect on our operating results and financial condition. We do not maintain key man life insurance on any of our employees.

We face various competitors. We have competitors with comparable characteristics and capabilities that compete for the same group of customers. Our competitors are competent and experienced and are continuously working to take market share away from us. Our competitors may have greater financial, technical, marketing and other resources than we do. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sales and marketing of their products and services than are available to us.

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There are risks associated with our planned growth. We plan to grow our revenues and profits by adding to our existing customer base through internal growth and by the acquisition of other companies.

Management believes that Planet can grow through the acquisitions of other allergy-related companies as part of a roll-up strategy. The acquisition of other companies is uncertain and contains a variety of business risks, including: cultural differences, the retention of key personnel, competition, protection of intellectual property, profitability, industry changes and others.

Although we do not have an agreement to acquire any specific company at this time, we intend to attempt to expand our operations through the acquisition of other companies. Acquisitions and attempted acquisitions may place a strain on our limited personnel, financial and other resources. Our ability to manage this growth, should it occur, will require expansion of our capabilities and personnel. We may not be able to find qualified personnel to fill additional positions or be able to successfully manage a larger organization.

We have very limited assets upon which to rely for adjusting to business variations and for growing new businesses. While we are likely to look for new funding to assist in the acquisition of other profitable businesses, it is uncertain whether such funds will be available. There can be no assurance that we will be successful in raising a sufficient amount of additional capital, or if we are successful, that we will be able to raise capital on reasonable terms. If we do raise additional capital, our existing shareholders may incur substantial and immediate dilution.

Future sales of our common stock by existing shareholders under Rule 144 could decrease the trading price of our common stock. As of December 31, 2006, a total of approximately 3,872,900 shares of outstanding common stock were restricted securities and could be sold in the public markets only in compliance with rule 144 adopted under the Securities Act of 1933 or other applicable exemptions from registration. Rule 144 provides that a person holding restricted securities for a period of one year may thereafter sell, in brokerage transactions, an amount not exceeding in any three-month period the greater of either (i) 1% of the issuer s outstanding common stock or (ii) the average weekly trading volume in the securities during a period of four calendar weeks immediately preceding the sale. Persons who are not affiliated with the issuer and who have held their restricted securities for at least two years are not subject to the volume limitation. Possible or actual sales of our common stock by present shareholders under Rule 144 could have a depressive effect on the price of our common stock. As of August 2007, of the approximately 3,872,900 restricted shares, approximately 3,808,500 of those shares will have been held for two (2) years, and could be subject to the restrictions being lifted pursuant to Rule 144(k).

Our directors and executive officers beneficially own approximately 50.3% of our stock, including stock options and warrants exercisable within 60 days of January 1, 2007; their interests could conflict with yours; significant sales of stock held by them could have a negative effect on our stock price; shareholders may be unable to exercise control. As a result, our executive officers, directors and affiliate persons will have significant ability to:

- elect or defeat the election of our directors;
- amend or prevent amendment of our articles of incorporation or bylaws;
- effect or prevent a merger, sale of assets or other corporate transaction; and
- control the outcome of any other matter submitted to the shareholders for vote.

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As a result of their ownership and positions, our directors and executive officers collectively, are able to significantly influence all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management s stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our shareholders from realizing a premium over our stock price.

Absence of Dividends. We have not paid any cash dividends on our Common Stock since our inception and do not anticipate paying cash dividends in the foreseeable future.

ITEM 2. DESCRIPTION OF PROPERTY

The Company maintains executive offices and warehouse space located in approximately 13,317 square feet of leased space at 96 Danbury Road, Ridgefield, CT 06877, subject to a lease, which terminates September 30, 2007, at a monthly rental amount of $14,288. The Company leases additional warehouse space in Connecticut as needed from time to time.

ITEM 3. LEGAL PROCEEDINGS

None.

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

Previously reported on Form 10QSB.

PART II.

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company s Common Stock trades on the OTC.BB under the symbol PLNT.OB. The following table sets forth the high and low sales prices of the Company s Common Stock for the period from January 1, 2005 through December 31, 2006 as furnished by the OTC.BB. These prices reflect prices between dealers without retail markups, markdowns or commissions, and may not necessarily represent actual transactions.

	Trade Prices	
	High	**Low**
Fiscal year ended December 31, 2005		
First Quarter	$3.00	$0.70
Second Quarter	4.25	1.25
Third Quarter	5.00	2.70
Fourth Quarter	5.00	1.25
Fiscal year ended December 31, 2006		
First Quarter	4.00	1.55
Second Quarter	3.50	1.32
Third Quarter	2.50	1.00
Fourth Quarter	4.40	1.01

On February 28, 2007, the last reported sale price of the Company s Common Stock on the Over-the-Counter Bulletin Board was $2.10 per share. As of February 28, 2007, there were 196 holders of record of the Company s Common Stock with 3,986,368 shares outstanding. The market price of shares of common stock, like that of the common stock of many other emerging growth companies, has been and is likely to continue to be highly volatile.

The Company has never declared or paid a cash dividend. The Company has not paid and does not intend to pay any Common Stock dividends to Common Stock shareholders in the foreseeable future and intends to retain any future earnings to fund the Company s operations. Any payment of dividends in the future will depend upon the Company s earnings, capital requirements, financial condition and such other factors as the Board of Directors may deem relevant.

Recent Sales of Unregistered Securities

None.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview

The preparation of financial statements in accordance 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 and related notes. Planet evaluates its estimates and judgments on an ongoing basis. Planet bases its estimates on historical experience and on assumptions that it believes to be reasonable under the circumstances. Planet s experience and assumptions form the basis for its judgments about the carrying value of its assets and liabilities that are not readily apparent from other sources. Actual results may vary from what Planet anticipates and different assumptions or estimates about the future could change Planet s reported results. Planet believes the following accounting policies are the most critical to Planet, in that they are important to the portrayal of its financial statements and they require Planet s most difficult, subjective or complex judgments in the preparation of its financial statements:

Revenue Recognition

The Company recognizes revenues in accordance with SEC Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements (SAB 101) as amended by SEC Staff Accounting Bulletin 104, Revenue Recognition, revised and updated (SAB 104), which stipulates that revenue generally is realized or realizable and earned, once persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured. The Company recognizes revenue from product sales upon shipment of goods. A provision for potential warranty claims is provided for at the time of sale, based upon warranty terms and the Company s prior experience.

Allowances for Doubtful Accounts

Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable, and actual write-off history.

Impairment of Long-Lived Assets

In assessing the recoverability of its long-lived assets, Planet must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, Planet may be required to record impairment charges for these assets.

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Statements of Operations Data

The following tables set forth certain items in Planet s Statements of Operations for the periods indicated.

Years Ended December 31, 2006 and 2005

	2006	2005	Favorable (Unfavorable) Change	%
Net sales	$ 8,036,449	$ 3,903,970	$ 4,132,479	106
Cost of sales	4,720,893	2,185,551	2,535,342	116
Gross profit	3,315,556	1,718,419	1,597,137	93
Operating expenses	4,625,754	3,083,036	(1,542,718)	50
Loss from operations	(1,310,198)	(1,364,617)	54,419	(4)
Other income (expense)	107,956	(143,578)	251,534	(175)
Net loss	$ (1,202,242)	$ (1,508,195)	$ 305,953	(20)

The inclusion of the Subsidiary s financial results for the full year ended December 31, 2006 compared to a partial year from its acquisition on August 11 through December 31 for 2005 resulted in material year over year increases in sales, cost of sales and operating expenses. These increases are not necessarily indicative of future year over year comparisons.

The net loss for the year ended December 31, 2006, was $1,202,242 compared to a net loss of $1,508,195 for the year ended December 31, 2005. The Company s net sales were $8,036,449 for the year ended December 31, 2006 compared with $3,903,970 for the year ended December 31, 2005. This increase of $4,132,479 reflects the Subsidiary s sales for a full year in 2006 compared to a partial year for 2005. The net loss improvement in 2006 reflects the cost savings associated with the integration of operations to one location offset by higher amortization of intangibles and the initial recording of stock-based compensation in 2006 of $307,150 as required under SFAS 123R, Share-Based Payment (SFAS 123R).

Overall gross profit, as a percentage of sales, was 41.3% for the year ended December 31, 2006 compared to 44.0% for the same period in 2005. This decrease in gross profit is due to the inclusion of the Subsidiary s sales for the entire year in 2006 compared to a partial year in 2005, which are broadly based and emphasize bedding products, that have a higher cost of sales than Planet s sales, and are more narrowly focused on higher margin filter product sales.

Total operating expenses increased to $4,625,754 for the year ended December 31, 2006 from $3,083,036 for the year ended December 31, 2005. The increase of $1,542,718 largely reflects the higher level of general and administrative expenses associated with the larger Subsidiary operation for a full year in 2006 compared to a partial year in 2005, offset by the cost reductions resulting from the integration of operations to one location. In addition, the increase includes amortization of intangibles of $265,000 for 2006 compared to $103,096 for 2005 and stock option compensation of $307,150 for 2006.

Other income was $107,956 for the year ended December 31, 2006 compared to other expense of $143,578 for the same period in 2005. The $251,534 change includes the addition of $157,806 in advertising revenue and the elimination of amortization for the derivative liability in 2006, which was $81,606 in 2005. Interest expense was minimally higher in 2006, increasing to $20,064 in 2006 from $14,558 in 2005, reflecting the accrued interest on new borrowings which were offset by the reduced interest on a prior note to a shareholder which was paid off during year.

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Years Ended December 31, 2005 and 2004

	2005	2004	Favorable (Unfavorable) Change	%
Net sales	$ 3,903,970	$ 1,180,382	$ 2,723,588	231
Cost of sales	2,185,551	407,811	(1,777,740)	436
Gross profit	1,718,419	772,571	945,848	122
Operating expenses	3,083,036	1,298,812	(1,784,224)	137
Loss from operations	(1,364,617)	(526,241)	(838,376)	159
Other income (expense)	(143,578)	(247,317)	103,739	(42)
Net loss	$ (1,508,195)	$ (773,558)	$ (734,637)	95

The inclusion of the Subsidiary s financial results from its acquisition on August 11, 2005 through December 31, 2005 resulted in material year over year increases in sales, cost of sales and operating expenses. These increases are not necessarily indicative of future year over year comparisons.

We expect that future gross margins could be somewhat lower than that experienced in the year ended December 31, 2005, as a result of the Subsidiary s lower margin financial results being included for only a portion of the reporting period.

The net loss for the year ended December 31, 2005, was $1,508,195, compared to a net loss of $773,558 for the year ended December 31, 2004. The Company s net sales increased by $2,723,558 to $3,903,970 for the year ended December 31, 2005, from $1,180,382 for the same period in 2004. The net loss for the 2005 includes costs related to the integration of the entities after the merger as well as amortization of intangibles of $103,096. The year over year increase in net sales is due to the addition of sales from the Subsidiary from August 12, 2005 through December 31, 2005. This factor also accounts for the year over year decrease in net loss as a percentage of net sales, as the addition of the Subsidiary s larger and broader base of sales improves Planet s relative cost efficiency.

Overall gross profit, as a percentage of sales, decreased to 44.0% for the year ended December 31, 2005 from 65.5% for the same period in 2004. This decrease in gross profit is due to the inclusion of the Subsidiary s sales, which are broadly based and emphasize bedding products, that have a higher cost of sales than Planet s sales, and are more narrowly focused on higher margin filter product sales.

For the year ended December 31, 2005, total operating expenses increased by $1,784,224 over the operating expenses for the same period in 2004. This increase largely reflects the higher level of sales, as well as general and administrative expenses associated with the larger Subsidiary operation.

Other expenses decreased to $143,578 for the year ended December 31, 2005, from $247,317 for the same period in 2004. The $103,739 decrease in other expenses includes a $185,177 reduction of interest expense related to former shareholder debt that was converted to stock when the Company was purchased in November 2004. This reduction was offset by increases in interest expense related to the amortization of the derivative liability of $81,606.

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Proforma Statements of Operations Data

The following table sets forth certain items in Planet s Proforma Statements of Operations for the periods indicated, which combine the operations of Planet and ACP as if the merger had been completed on January 1, 2005.

Years Ended December 31, 2006 and 2005

	Actual	Proforma	Favorable (Unfavorable)	
	2006	2005	Change	%
Net sales	$ 8,036,449	$ 8,689,314	$ (652,865)	(8))
Cost of sales	4,720,893	4,989,547	268,654	(5)
Gross profit	3,315,556	3,699,767	(384,211)	(10)
Operating expenses	(4,625,754)	(5,804,194)	1,178,440	(20)
Loss from operations	(1,310,198)	(2,104,427)	794,229	(38)
Other income (expense)	107,956	(206,929)	314,885	(152)
Net loss	$ (1,202,242)	$ (2,311,356)	$ 1,109,114	(48)

The net loss for the year ended December 31, 2006 was $1,202,242 compared to a proforma loss of $2,311,356 for the year ended December 31, 2005. The Company s net sales were $8,036,449 for the year ended December 31, 2006 compared to proforma sales of $8,689,314 for the year ended December 31, 2005. The $652,865 sales decrease was primarily due to a reduction in sales of filter products which the Company has been experiencing due to increased competition.

The gross profit, as a percentage of sales, was 41.3% for the year ended December 31, 2006 compared to a proforma 42.6% for the year ended December 31, 2005. This decrease is primarily due to decreases in sales of filter products which have a higher margin than other products sold.

Operating expenses for the year ended December 31, 2006 totaled $4,625,754 compared to a proforma of $5,804,194 for the year ended December 31, 2005. This $1,178,440 decrease reflects cost savings from the integration of operations from California to Connecticut after the merger of approximately $950,000 and the elimination of non-recurring merger-related expenses for the Subsidiary during 2005 of approximately $700,000. These reductions were offset by increases to amortization from $103,096 in 2005 to $265,000 for 2006 as well as the inclusion of stock-based compensation in 2006 in the amount of $307,150.

Other income/expenses increased to income of $107,956 for the year ended December 31, 2006, from a proforma expense of $206,929 for the same period in 2005. The $314,885 change is due to the addition of advertising revenue of $157,806 in 2006, a reduction in charge for change in derivative liability of $79,718 and the gain on the disposal of assets of $2,102 in 2006 compared to an expense of $110,218 in 2005 associated with the disposal of assets related to the merger. Interest expense was minimally higher in 2006, increasing to $20,064 in 2006 from $14,558 in 2005, reflecting the accrued interest on new borrowings which were offset by the payoff of a prior note payable to a shareholder.

Off Balance Sheet Arrangements

None.

Liquidity And Capital Resources

The accompanying consolidated 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 $6,413,133 and a working capital deficiency of $865,720 as of December 31, 2006. Management intends to continue to finance operations partially through its potential ability to generate cash flows from debt and equity offerings. However, there can be no assurance that the Company will be able to obtain additional financing or internally generate cash flows, which may impact the Company s ability to continue as a going concern. Our independent registered public accounting firm has included an explanatory paragraph in their opinion dated March 13, 2007, that there is substantial doubt about Planet s ability to continue as a going concern. The accompanying consolidated 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.

Cash and cash equivalents totaled $162,160 at December 31, 2006. The Company used cash totaling $650,606 for its operations during the year ended December 31, 2006 compared to $1,303,443 for the year ended December 31, 2005. This improvement was achieved through consolidation of operations to one location and various cost reduction initiatives. During 2007, management plans to implement additional initiatives to enhance revenue and reduce expenses. Potential revenue enhancement initiatives include upgrading and augmenting the Company s physician office brochure presence and expanding its commitment to paid search marketing for increased internet sales. Potential expense reduction initiatives include improving gross margin by reducing costs associated with the manufacture of its encasing products, as well as improving efficiency by maintaining lower staffing levels initially achieved during the final quarter of 2006. These combined initiatives should allow the Company to generate positive cash flow from operations in 2007.

During 2006, the Company repaid a note payable to a shareholder in the amount of $118,282 and obtained $500,000 of financing in the form of two notes payable from a shareholder.

Inventory levels decreased $90,523 from $577,332 at December 31, 2005 to $486,809 at December 31, 2006, reflecting the elimination of contract sewer and related inventory. Accounts payable and accrued expenses decreased by $255,490, from $1,503,175 at December 31, 2005 to $1,247,685 at December 31, 2006, reflecting the payments of liabilities assumed from the Merger.

On August 11, 2005, Planet completed a merger with Allergy Control Products, Inc. (ACP). ACP merged into a wholly owned subsidiary of Planet (New ACP). Effective August 11, 2005, Planet assigned all of the Allergy Free assets to its wholly owned subsidiary New ACP. The subsidiary was renamed and its ongoing name is Allergy Control Products (the Subsidiary). References to us , we , Planet and Company refer to the consolidated operations of Pl and its Subsidiary.

Investors are encouraged to review our report on Form 8-K filed with the Securities and Exchange Commission on August 12, 2005 and our Registration Statement on Form SB-2 filed on October 12, 2005, which discuss more thoroughly the terms of the merger and which is available through EDGAR at www.sec.gov, and the Company s Proxy Statement which also is available through EDGAR.

Recent Accounting Pronouncements

In June 2006, the FASB issued FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (as amended) an interpretation of Statement of Financial Accounting Standards 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS 109, Accounting for Income Taxes, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company expects to implement FIN 48 beginning in 2007 and will evaluate the impact that adopting FIN 48 will have on its consolidated statement of financial position and results of operations.

In September 2006, the FASB issued SFAS 157, Fair-Value Measurements (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. Management is evaluating the impact of SFAS 157, effective January 1, 2008, but does not currently expect the adoption of SFAS 157 to have a material impact on its consolidated financial condition and results of operations.

ITEM 7. FINANCIAL STATEMENTS

The information required by this item is included in the Appendix attached hereto.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company s management, with the participation of the Company s chief executive officer and chief financial officer, evaluated the effectiveness of the Company s disclosure controls and procedures as of December 31, 2006. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company s disclosure controls and procedures as of December 31, 2006, the Company s chief executive officer and chief financial officer concluded that, as of such date, the Company s disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

As part of the communications by J.H. Cohn LLP (JHC), our registered public accounting firm, with our audit committee with respect to JHC s audit for the year ended December 31, 2005, JHC informed the Audit Committee that there were deficiencies in the Company s internal control procedures which constituted a material weakness under standards established by the Public Company Accounting Oversight

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Board, or PCAOB. During 2006, the Company made the necessary changes and improvements required to correct these deficiencies.

Other than implementing the corrections to the 2005 deficiencies, there have been no other changes in the Company s internal control over financial reporting during the annual period ended December 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

None.

PART III.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Directors and Executive Officers.

The names of directors and executive officers and certain information about each person is set forth below:

Name	Age	Principal Occupation
Scott L. Glenn	57	Chairman of the Board of Directors, President and Chief Executive Officer and Business Executive
Eric B. Freedus	57	Director, Attorney
H.M. Busby	68	Director, Private Investor
Michael Trinkle	54	Director, Business Executive
Ellen M. Preston	52	Director, Business Consultant
Edward J. Steube	63	Director, President of Allergy Control Products, Inc.
Michael Walsh	47	Director, Business Executive
Francesca DiNota	44	Chief Financial Officer, Chief Accounting Officer, Secretary
Bret Megargel	37	Vice President

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Scott L. Glenn was elected to the Board and appointed Chairman, President and Chief Executive Officer of Planet in November 2004. Since October 2000 he, or an affiliated entity controlled by him, has been the Manager and a member of Allergy Free, LLC. (Currently AF Partners, LLC, a major shareholder of the Company.) Mr. Glenn is also the Managing Partner of Windamere Venture Partners and its funds, Windamere LLC, Windamere II and Windamere III, LLC, and has been since 1996. Concurrently, he serves as Chairman, President/CEO of Kanisa Pharmaceuticals, Inc. and is a director and founder of GlobalEdge, Inc., Cadence Pharmaceuticals, Oculir, Inc., Somaxon Pharmaceuticals. Previously, from 1988 until 1995, Mr. Glenn served as President/CEO, and then Chairman of Quidel Corporation, a leading point of care diagnostic business. Before serving in those capacities from 1983 through 1988, Mr. Glenn was vice president of development/operations of Quidel. From 1984 to 1992, Mr. Glenn served in numerous management positions, including Division/General Manager at Allergan Pharmaceuticals, Inc. Mr. Glenn has a Bachelor of Science degree in Finance and Accounting from California State University at Fullerton.

Eric B. Freedus was elected to the Board in January 2005. Mr. Freedus has been an attorney in private practice since 1974 and is currently the president of the law firm of Frank and Freedus, APC. Mr. Freedus currently focuses his law practice in the area of special education litigation. Mr. Freedus received his undergraduate degree from the State University of New York at Buffalo in 1971 and his law degree from the University of Toledo in 1974.

H. M. Mac Busby has been a director of the Company since August 1997 when he was elected by the members of the Board of Directors to fill a vacancy on the Board. Mr. Busby was President and Chief Executive Officer and Chief Financial Officer of the Company from February 2003 until November 2004. In May 2003, Mr. Busby was appointed Secretary of the Company. Mr. Busby began his career in 1966 at Wisconsin Centrifugal, Inc. which included the position of Manager of Industrial and Public Relations. Mr. Busby has also served as Vice President of Human Relations and Administration for MCA Financial, Inc., a subsidiary of MCA, Inc. Mr. Busby was Chairman of Sun Protective International and Sun-Gard USA. Mr. Busby earned his B.S. in Business Administration from Indiana University.

Michael A. Trinkle currently serves as President of Conception Technologies, LP, and has held the position since 1993. Mr. Trinkle was also a member of Allergy Free, LLC, and served as its President from August 2001 to March 31, 2004. During the 15 years prior to joining Conception Technologies, LP, Mr. Trinkle was employed by Allergan Pharmaceuticals where he held management positions in the areas of operations, sales, marketing, and quality assurance. Mr. Trinkle was elected to the Board in November 2004.

Ellen M. Preston was a member of Allergy Free, LLC, since October 2000. In addition to being a member of Allergy Free, LLC, since 1998, Ms. Preston has been a business consultant advising medical device companies in the areas of strategic market assessment, business development, brand development and strategy, and communications. From 2000 until 2002, Ms. Preston was a venture partner with Windamere Venture Partners. While with Windamere Venture Partners, Ms. Preston was a founder of Dexcom, Inc., a corporation engaged in the development of an implantable glucose sensor, and founded Miramedica, Inc. a company specializing in computer-aided detection. Ms. Preston served as interim president of Miramedica, Inc., which was sold to Kodak in 2003. From 1997-1998, Ms. Preston was Vice President of Sales and Marketing for Amira Medical, Inc. She held a similar position with Biopsys Medical, Inc. from 1996-1997. Ms. Preston was elected to the Board in November 2004.

Edward Steube served as Chief Executive Officer and Director of Allergy Control Products since 2002. Prior to Joining ACP, he was a member of executive management of New York Bancorp, and prior to that a Principal in the investment banking division of Kidder Peabody and Co, Inc., a subsidiary of GE Capital. Mr. Steube has a B.A. from Princeton University.

Michael Walsh is the President and Chief Executive Officer of Proprius Pharmaceuticals, Inc. a specialty pharmaceutical company focused on rheumatology and autoimmune diseases. Mr. Walsh served as Executive Chairman at Prometheus Laboratories, a specialty pharmaceutical company, where he previously

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held the positions of President, Chief Operating Officer, and Chief Executive Officer. Previously, Mr. Walsh was with Quidel Corporation in a number of senior executive roles including Director of Worldwide Marketing and Business Development and Director of European Operations. Mr. Walsh has a B.S. from the University of Notre Dame and an M.B.A. from Pepperdine University.

From 1998 through early 2005, Francesca DiNota served in various positions, lastly as Vice President and Chief Financial Officer of Optima, Inc., a privately held ophthalmic goods manufacturer and distributor. Prior to that, Ms. DiNota worked as a certified public accountant for Capossela, Cohen, LLC, a regional public accounting firm. Ms. DiNota graduated from Iona College with a BBA in accounting. Ms. DiNota is a certified public accountant qualified in the State of New York and the State of Connecticut.

Bret Megargel most recently served from 2002 to 2004 as Vice President of Business Development for Avera Pharmaceuticals, Inc., a private pharmaceutical development company. Mr. Megargel is a co-founder of Avera, and during his tenure led the successful licensing or acquisition of three novel pharmaceutical products from global pharmaceutical companies with combined deal value of greater than US$100 million. Prior to the founding of Avera, Mr. Megargel served as a Venture Partner for Windamere Venture Partners, from 1999 to 2003, during his tenure, he served as Vice President of Business Development for MD Edge, Inc., and Director of Business Development for Converge Medical, Inc., and was a member of the founding team of Dexcom, Inc. From 1991 to 1996, Mr. Megargel served as a consultant for Marketing Corporation of America, where he was a case manager for product development, licensing and acquisition, and marketing strategy projects for market leading healthcare clients. Mr. Megargel holds a B.A. in Economics from Dartmouth College, and an M.B.A. from the Stanford University Graduate School of Business.

Board Meetings and Committees

The Board of Directors has an Audit Committee, a Compensation Committee and Nominating Committee. During 2005, The Board of Directors met and approved the following charters and policies: Audit Committee Charter, Compensation Committee Charter, Nominating and Governance Committee Charter, Security Trading Policy and Corporate Ethics and Governance Policy.

During 2006, each Board member attended 75% or more of the aggregate of the meetings of the Board, and of the meetings of the committees on which he or she served, held during the period for which he or she was a member, respectively.

The Audit Committee has reviewed and discussed the audited financial statements with management, and the Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed under Statement on Auditing Standards 61, Communications with Audit Committees . Further the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required in the Independence Standards Board Standard #1 and has discussed with the independent registered public accounting firm their independence. Based on the review of the financial statements and discussions with management and the independent registered public accounting firm, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in this annual report. The Audit Committee is comprised of Mike Trinkle and H. M. Busby. Mr. Busby, as former Chief Financial Officer of Planet, serves as the committee s financial expert.

Code of Conduct and Ethics

Our Board of Directors has adopted a Code of Ethics that applies to all of our Directors, Officers and employees. The Code is available in print, without charge, to any stockholder who requests a copy by writing to us at Planet Technologies, Inc., c/o Allergy Control Products, Inc., 96 Danbury Road, Ridgefield, Connecticut 06877, Attention: Investor Relations. Each of our Directors, officers, including our Chief

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Executive Officer, Chief Financial Officer and all of our other principal executive officers and employees is required to be familiar with the Code of Ethics and to certify compliance annually. There have not been any waivers of the Code of Ethics relating to any of our executive officers or Directors in the past year.

Section 16(a) Beneficial Ownership Reporting Compliance

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

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2006, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent (10%) beneficial owners were filed.

ITEM 10. EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

Directors and Executive Officers may be granted options to purchase Common Stock under the Company s 2000 Stock Incentive Plan (Plan). As of August 2006, the Shareholders approved an amendment to the 2000 Incentive Plan to increase the authorized number of shares to 2,000,000 shares.

During 2006, the Board granted stock options to (a) Mr. Freedus, Mr. Busby, Mr. Trinkle, Mr. Walsh and Ms. Preston to purchase 10,000 shares of Planet common stock at an exercise price of $1.01 per share as compensation for serving as a director, (b) Ms. DiNota to purchase 15,000 shares at an exercise price of $1.01 for serving as an officer of the company, (c) Mr. Megargel to purchase 18,000 shares at an exercise price of $3.00 per share as compensation for serving as officer. Directors are reimbursed for reasonable travel expenses incurred in connection with attendance at Board meetings, or any committee meetings, or otherwise in connection with their service as a director.

Under the terms of his contract, Mr. Scott Glenn, the President and CEO of the Company, has foregone a salary in exchange for receipt of stock options until such a time when the Company has the financial resources to compensate him in amounts comparable to CEOs of other similar companies. For the years ended December 31, 2006 and 2005, the stock-based compensation expense related to the options held by Mr. Glenn totaled $144,433 and $102,030, respectively.

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The following table sets forth, for the fiscal years ended December 31, 2006, 2005, and 2004 certain compensation awarded or paid to, or earned by the Company s Executive Officers.

Summary Compensation Table

		Annual Compensation			Long-Term Compensation			
					Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)**	**Restricted Stock Awards ($)**	**Securities Underlying Options/SARs(#)**	**LTIP Payouts ($)**	**All Other Compensation ($)**
Scott Glenn	2006	$ 1,199	$	$	$		$	$
Chairman, Chief Executive	2005	$ 1,289	$	$	$	99,000(1)	$	$
Officer	2004	$	$	$	$	100,543(2)	$	$
Francesca DiNota	2006	$ 124,846		$	$	15,000(3)	$	$
Chief Financial Officer,	2005	$ 43,846(4)		$	$	35,000(4)	$	$
Secretary as of 4/18/2006	2004	$		$	$		$	$
Edward Steube	2006	$ 200,000		$	$		$	$
Chief Executive Officer	2005	$ 73,076(4)	$	$	$	120,000(4)	$	$
Subsidiary	2004	$	$	$	$		$	$
Bret Megargel	2006	$ 1,199	$	$	$	18,000(5)	$	$
Vice-President,	2005	$ 155,135(6)	$	$	$	48,000(6)	$	$
Secretary until 4/18/2006	2004	$	$	$	$		$	$
H.M. Busby	2006	$	$	$	$	10,000(7)	$	$
Former Chief Executive	2005	$	$	$	$	10,000(8)	$	$
Officer, President and Chief Financial Officer	2004	$	$	$ 29,630(9)	$	500(9)	$	$
Robert J. Petcavich	2006	$	$	$	$		$	$
Former Chairman and	2005	$	$	$	$		$	$
Chief Technical Officer	2004	$	$	$	$	500(10)	$	$
Leslie White	2006	$	$	$	$		$	$
Former Chief Financial	2005	$ 29,670(11)	$	$	$	30,000(12)	$	$
Officer and Secretary	2004	$ 52,031(11)	$	$	$		$	$

1. Options granted January 25, 2005 for 25,000 shares at an exercise price of $3.50 as well as options granted on August 10, 2005 for 74,000 shares at an exercise price of $2.70.

2. Options granted on

November 30, 2004, with an exercise price of $3.50 per share.

3. Options granted on October 17, 2006 at an exercise price of $1.01.

4. Compensation from August 11, 2005 through December 31, 2005 and options granted on August 10, 2005, with an exercise price of $2.70.

5. Options granted on January 24, 2006 at an exercise price of $3.00.

6. Compensation paid to Mr. Megargel as Vice President of Marketing and Business Development and 30,000 options granted January 25, 2005, with an exercise price of $3.00 and options granted on August 10, 2005 for 18,000 shares, with an exercise price of $2.70.

7. Options granted on October 17, 2006 at an

exercise price of $1.01 for compensation as a director.

8. Options granted January 25, 2005, for compensation as a director.

9. Consulting fees paid to Mr. Busby for his services and options granted November 17, 2004 for compensation as a director.

10. Options granted November 17, 2004, for compensation as a director.

11. Ms. White is employed by Conception Technologies, L.P., a California limited partnership, and from 2003 to 2005 devoted approximately fifty percent (50%) of her time to the Allergy Free business (and after December 1, 2004 to Planet Technologies, Inc.) The Companies reimbursed Conception for

fifty percent (50%) of the compensation paid to Ms. White as reflected in the table. In 2005, Ms. White resigned and the table reflects compensation paid through August 31, 2005.

12. Options granted on January 25, 2005 with an exercise price of $3.00.

Stock Option Grants and Exercises

The Company s Executive Officers are eligible for grants of options under the Company s 2000 Stock Incentive Plan (Plan). As of December 31, 2006, there were 1,430,387 available for grant under the Plan.

The following tables set forth information with respect to the stock options issued to Executive Officers for the fiscal year ended December 31, 2006 and information with respect to the number of securities underlying exercised options held by the Executive Officers as of December 31, 2006, and the value of unexercised in-the-money options (i.e., options for which the current market value of the Common Stock underlying such options exceeds the exercise price):

Name	No. of Securities Underlying Options	Percent of Total Options Granted to Employees	Exercise Price ($/share)	Expiration Date
Francesca DiNota Chief Financial Officer	15,000	18.1%	$ 1.01	October 17, 2016
Bret Megargel, Vice President	18,000	21.7%	$ 3.00	January 24, 2016

Aggregated Option Exercises Last Fiscal Year and Fiscal Year End Option Values

Name	Shares Acquired On Exercise(#)	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year End (2)}		Value of Unexercised In-the-Money Options at Fiscal Year End ($) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Scott Glenn	-0-	-0-	89,783	109,760	$	$
Francesca DiNota	-0-	-0-	12,031	37,969	$	$ 14,850
Edward J. Steube	-0-	-0-	41,250	78,750	$	$
Bret Megargel	-0-	-0-	48,000	18,000	$	$

(1) Calculated based on the estimated fair market value of the Company s Common Stock as of December 31, 2006, less the exercise price payable upon the exercise of such options. Such estimated fair market value as of December 31,

2006 was $2.00, the last transaction price posted at the close of trading on December 31, 2006.

Description of Employee Benefit Plans:

2000 Stock Incentive Plan

In 2000, the Company established a stock option plan, the 2000 Stock Option Plan, which provided for 500,000 shares of common stock for issuance. At the time of the merger with Allergy Free in 2004, the Plan was amended to increase the number of shares available to 5,000,000 shares, which were converted to 100,000 shares after the 50:1 reverse stock split. During 2005, the Plan was again amended to increase the number of shares available under the Plan to 350,000. In 2006, the Shareholders approved an increase to the number of shares available under the Plan to 2,000,000. The 2000 Option Plan provides for the discretionary grant of options, stock appreciation rights (SARs), and stock bonuses to employees and directors of and consultants to the Company. Options granted under the 2000 Plan may be either incentive stock options, as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the Code), or non-statutory stock options.

The purpose of the 2000 Stock Option Plan is to attract and retain qualified personnel, to provide additional incentives to employees, officers, directors and consultants of the Company and to promote the success of the Company s business. Under the Plan, Planet may grant or issue incentive stock options and non-statutory stock options to eligible participants, provided that incentive stock options may only be granted to employees of Planet. The 2000 Stock Option Plan also allows shares of common stock to be issued under a Stock Bonus Program through direct and immediate issuances. Similar to stock options granted under the Plan, stock bonus awards may be subjected to a vesting schedule determined by the Board of Directors. Option grants under the Plan are discretionary. Options granted are subject to vesting as determined by the Board, provided that the option vests as to at least 20% of the shares subject to the option per year. The maximum term of a stock option is ten years, but if the optionee at the time of grant has voting power over more than 10% of the Company s outstanding capital stock, the maximum term is five years. If an optionee terminates his or her service to Planet, such optionee may exercise only those option shares vested as of the date of termination, and must affect such exercise within the period of time after termination set forth in the optionee s option. The exercise price of incentive stock options granted must be at least equal to the fair market value of the Common Stock of the Company on the date of grant. The exercise price of options granted to an optionee who owns stock possessing more than 10% of the voting power of Planet s outstanding capital stock must equal at least 110% of the fair market value of the common stock on the date of grant. Payment of the exercise price may be made in cash, by delivery of other shares of the Company s common stock or by any other form of legal consideration that may be acceptable to the Board.

401(k) Plan

The Company provides a defined contribution 401(k) savings plan (the 401(k) Plan) in which all full-time employees of the Company are eligible to participate. Eligible employees are permitted to contribute pre-tax salary to the 401(k) Plan subject to IRS limitations. Company contributions to the 401(k) Plan are at the discretion of the Board of Directors. There have been no Company contributions to the 401(k) Plan in 2006 or 2005.

Employment Agreements and Change in Control Arrangements

The Company has entered into an employment agreement with the President/CEO and Chairman of the Board of the Company for a three-year period, which expires on November 29, 2007. The contract provides for a salary of $100 per month (plus healthcare and other benefits) until it is determined by the Board that the Company can afford to pay compensation comparable to CEOs of other similar companies. In exchange for foregoing a salary, the Company granted stock options exercisable at the then fair market value at such time as may be required to maintain the aggregate number of stock options granted to an amount not less than five (5%) percent of the issued and outstanding stock of the Company (on a fully diluted basis) during his three year term of employment. For the years ended December 31, 2006 and 2005, the stock-based compensation expense related to the options held totaled $144,433 and $102,030, respectively.

During 2005, the Company entered into an employment agreement with the Subsidiary s President and Chief Executive Officer and director for a four-year period, which expires in 2009. The contract provides for an annual salary of $200,000 (plus healthcare and other benefits) as well as a discretionary bonus for superior performance for exceeding sale, gross profit and profit plans for the year. The Company also granted stock options to acquire 120,000 shares of the Company s common stock at $2.70 per share with 25% of the options vesting on August 10, 2006, and the balance at the rate of 1/36th of the balance per month, subject to any acceleration as provided under the Company s 2000 Stock Option Plan.

In January 2005, the Company entered into an agreement with the Vice President of Marketing and Business Development, effective February 1, 2005, at an annualized salary of $96,000. In March 2005, the annual salary was increased to $192,000 and he was issued 30,000 shares of stock options at $3.00 with accelerated vesting if certain marketing and development objectives were met by year end. These options became fully vested in December 2005. In December 2005, the compensation was reduced to $100 per

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month and he was issued 18,000 additional stock options to purchase the Company s stock at $2.70. These shares became fully vested during 2006. On January 24, 2006, he was issued 18,000 stock options at $3.00 under standard vesting as provided by the Company s 2000 Stock Option Plan.

The Company has entered into a Consulting Agreement with Planet s former CFO pursuant to which she retains the 30,000 options granted to her as Chief Financial Officer plus an hourly rate to be determined.

ITEM. 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCK HOLDER MATTERS

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a)
Equity compensation plans approved by securityholders	569,613	$ 2.86	1,430,387(2)
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	569,613	$ 2.86	1,430,387(2)

(1) There are no equity compensation plans not approved by the Shareholders.

(2) The Company has 1,430,387 securities available for issuance under the 2000 Stock Option Plan

The following table sets forth certain information regarding the ownership of the Company s Stock as of March 1, 2007 by: (i) each director and nominee for director; (ii) each of the Executive Officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent (5%) of any class of the Company s Stock, based upon information reported to the Company or publicly available reports filed with the SEC.

Beneficial Ownership

Title of Class	Name and Address of Beneficial Owner	Number of Shares (1)	Percentage of Class Owned (2)
Common	Scott L. Glenn (3) 6402 Cardeno Drive La Jolla, CA 92037	1,754,903	44.0%
Common	Michael A. Trinkle (4) 3495 Via Zara Court Fallbrook, CA 92028	61,581	1.5%
Common	Brett Megargel (5) 3912 Alameda Place San Diego, CA 92103	53,063	1.3%
Common	Ellen Preston (4) 1825 Sheridan Avenue San Diego, CA 92103	50,316	1.3%
Common	Edward J. Steube (6) 313 Central Parkway Mt. Vernon, NY 10552	46,250	1.2%

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		Beneficial Ownership	
Title of Class	Name and Address of Beneficial Owner	Number of Shares (1)	Percentage of Class Owned (2)
Common	Francesca DiNota (7) 22 Post Gate Road Trumbull, CT 06611	13,490	0.3%
Common	H.M. Busby (8) 3852 Alameda Place San Diego, CA 92103	12,730	0.3%
Common	Eric B. Freedus (9) 1202 Ketner Blvd., Ste. 6000 San Diego, CA 92101	6,861	0.1%
Common	Michael Walsh (10) P.O. Box 3215 Del Mar, CA 92014	4,354	0.1%
Common	**All executive officers and directors as a group**	**2,003,549**	**50.3%**
Common	Windamere III, LLC (11) 6402 Cardeno Dr. La Jolla, CA 92037	886,000	22.2%
Common	John Dawson Shorehaven Road Southport, CT 06855	600,000	15.1%
Common	Fog City Fund, LLC 2100 Green Street, #102 San Francisco, CA 94123	500,000	12.5%
Common	William and Lisa Barkett 7544 Eads #F La Jolla, CA 92037	308,456	7.7%

(1) This table is based upon information supplied by officers, directors and principal shareholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the SEC). Unless

otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the shareholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. These amounts include shares granted under the 2000 Stock Option Plan.

(2) Percentage ownership is based upon the shares outstanding on February 28, 2007.

(3) Includes 770,806 shares owned by AF Partners, LLC, which is controlled by Mr. Glenn and 886,000 shares owned by Windamere III, LLC, over which Mr. Glenn shares control (see Note

(11) below). Includes 69,576 shares issuable upon exercise of stock options which expire in 2014 and began vesting in 2005, as well as 28,521 shares which expire on August 10, 2015 and began vesting on August 10, 2006.

(4) Includes 500 shares issuable upon exercise of stock options which expire on November 17, 2014 and 5,208 shares which expire on January 25, 2015 and began vesting on January 25, 2006.

(5) Includes 30,000 shares issuable upon exercise of stock options which expire on January 25, 2015 and 18,000 shares which expire on August 10, 2015 as well as 5,063 shares which expire on January 24, 2017 and which began vesting on January 24, 2007.

(6) Includes 46,250 shares issuable upon exercise of stock options which expire August 10, 2015 and began vesting on August 10, 2006.

(7) Includes 13,490 shares issuable upon exercise of stock options which expire August 10, 2015 and began vesting on August 10, 2006.

(8) Includes 360 shares issuable upon exercise of stock options which expire in 2011, 500 shares which expire on November 17, 2014 and 5,208 which expire on January 25, 2015 and began vesting on January 25, 2006.

(9) Includes 500 shares issuable upon exercise of stock options which expire on January 18, 2015, and 5,208 shares which expire on January 25, 2015, and which began vesting on January 25, 2006.

(10) Includes 4,354 shares issuable upon exercise of stock options which expire on August 10, 2015, which began vesting on August 10, 2006.

(11) Windamere III, LLC, is under the joint control of Mr. Glenn and St. Paul Traveler s

Companies, Inc., its affiliates Split-Rock Partners, LLC, and St. Paul Fire and Marine Insurance Company, whose business address is 385 Washington Street, St. Paul, Minnesota 55102.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On November 30, 2004, Planet acquired all of the assets of Allergy Free, LLC, which is the historical business described in this 10-KSB for approximately 1.65 million shares of Planet stock (after giving effect to the reverse stock split), a convertible note of $274,300, and assumption of debt. The transaction was completed pursuant to an Asset Purchase Agreement between Planet and Allergy Free, LLC. (Agreement). As a result of the acquisition, Allergy Free s historical financial information is included in the consolidated financial results of Planet. Allergy Free, LLC, was and is controlled by Scott Glenn, who became Planet s Chairman, President and CEO.

Windamere III, LLC acquired 586,000 common stock shares in the Company which increased its holding in the Company to 22.2% of the outstanding shares. Fog City Fund, LLC acquired 500,000 common stock shares in the Company. With this acquisition, Fog City now owns 12.5% of the Company s common stock.

During 2006, Windamere III, LLC loaned the Company $500,000 for one year at an interest rate of 7%. The uncollaterized notes are payable in the amount of $250,000 on June 1, 2007 and $250,000 on August 7 of 2007.

ITEM 13. EXHIBITS.

(a) 1. Financial Statements. Financial statements are attached as the Appendix to this report. The index to the financial statements is found on page F-1 of the Appendix.

2. Exhibits.

Exhibit Number	Description.
2.1(8)	Asset Purchase Agreement dated March 18, 2004, between the Company and Allergy Free.
2.2(12)	Amendments to Asset Purchase Agreement dated March 18, 2004.
2.3(14)	Form of Agreement and Plan of Merger dated March 7, 2005, with Allergy Control Products and Jonathon T. Dawson.
3.1(1)	Restated Articles of Incorporation of the Registrant.
3.2(1)	Restated Bylaws of the Registrant.
3.3(11)	Certificate of Amendment of Articles of Incorporation of Company dated November 30, 2004.

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Exhibit Number	Description.
4.1	Reference is made to Exhibits 3.1, 3.2 and 3.3.
4.2(1)	Specimen Stock Certificate.
10.1(1)	Form of Indemnity Agreement entered into between the Registrant and certain of its executive officers and directors.
10.5(1)	Agreement to Assign Proprietary Rights between the Registrant and Dr. Robert J. Petcavich.
10.8(3)	Registrants 2000 Stock Incentive Plan (the 2000 Plan).
10.9(3)	Form of Incentive Stock Option Grant under the 2000 Plan.
10.10(3)	Form of Non-statutory Stock Option Grant under the 2000 Plan.
10.11(5)	Warrant to purchase Common Stock, March 20, 2001, issued by the Registrant to LBC Capital Resources, Inc.
10.12(6)	Form of Sale and License Agreement dated March 2003 with Agway, Inc. (animal feed products).
10.13(6)	Form of Sale and License Agreement dated March 2003 with Agway, Inc. (fruit and vegetable products).
10.14(6)	Form of First Amendment to License Agreement with Agway, Inc.
10.16(6)(7)	Form of Purchase Sale and License Agreement dated May 1, 2003, with Ryer Enterprises, LLC.
10.17(9)	Form of Amendment dated January 31, 2004, to Purchase, Sale and License Agreement with Ryer Enterprises, LLC.
10.18(10)	Form of Royalty Contract dated on or about June 2004 with Ryer, Inc.
10.19(13)	Form of Employment Agreement with Scott Glenn.
10.20(13)	Form of subscription agreement for 2004 private placement.
10.22 (14)	Form of Sub-Lease Agreement dated November 1, 2003, with Conception Technologies,L.P.
10.23 (14)	Form of License Agreement dated January 1, 1997, and amendments thereto, with Rick L. Chapman.
10.24 (14)	Form of Supply Agreement dated January 27, 2004, with American Metal Filter Company.
10.25 (14)	Form of Royalty Liquidation Trust dated as of November 29, 2004, with U.S. Bank.
10.26 (14)	Form of employment agreement effective February 1, 2005, with Bret Megargel

10.27(15)	Form of employment agreement effective August 2005, with Edward Steube
10.28(16)	Form of employment agreement effective October 1, 2005, with Tina Mendoza
10.29(17)	Form of agreement effective August 2005, with Crystal Research.

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Exhibit Number	Description.
11.1(2)(4)	Statement of Computation of Common and Common Equivalent Shares.
12.1 (18)	Form of Agreement dated June 1, 2006 with Windamere III, LLC.
12.2 (19)	Form of Agreement dated August 7, 2006 with Windamere III, LLC.
14.1 (14)	Code of Business Conduct and Ethics.
23.1 (15)	Consent of J.H. Cohn LLP.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed as an exhibit to the Registrant s Registration Statement on Form SB-2, as amended (No. 33-91984 LA) and incorporated herein by reference.

(2) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB filed for the fiscal year ended December 31, 1999 and incorporated herein by reference.

(3) Previously filed as an exhibit to the Registrant s Registration Statement on Form S-8 (No. 333-38500) filed on June 2, 2000 and incorporated herein by reference.

(4) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2000.

(5) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended March 31, 2001.

(6) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB filed for the fiscal year ended December 31, 2002 and incorporated herein by reference.

(7) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended March 31,

2003.

(8) Previously filed as an exhibit to the Registrant s Form 8K filed March 23, 2004 Report.

(9) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB for the quarter ended December 31, 2003.

(10) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004.

(11) Previously filed as an exhibit to the Registrant s Form 8K filed December 16, 2004 Report.

(12) Previously filed as an exhibit to Registrant s Proxy Statement dated October 20, 2004.

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(13) Previously filed as an exhibit to Registrant s SB-2 dated February 4, 2005.

(14) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB for the quarter ended December 31, 2004.

(15) Previously filed as an exhibit to the Registrant s SB-2/A dated October 12, 2005.

(16) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB for the quarter ended December 31, 2005.

(17) Previously filed as an exhibit to the Registrant s Annual Report on Form 10-KSB for the quarter ended December 31, 2005.

(18) Previously filed as an exhibit to the Registrant s Quarterly Report on Form

10-QSB for the quarter ended June 30, 2006.

(19) Previously filed as an exhibit to the Registrant s Quarterly Report on Form 10-QSB for the quarter ended September 30, 2006.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For professional services rendered by the independent registered public accounting firm for the audit of the Company s annual financial statements and reviews of financial statements included in the Company s Form 10-QSB. The aggregate fees billed or to be billed by the Company s independent registered public accounting firm, J.H. Cohn LLP, for 2006 and 2005 were $209,882 and $175,930, respectively.

Audit Related Fees

The aggregate fees billed in 2006 and 2005 by the Company s independent registered public accounting firm for assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or reviews of the Company s financial statements are in the amount of $3,000 and $8,500, respectively.

Tax Fees

No fees were billed in 2006 and 2005 by the Company s independent registered public accounting firm for tax compliance, tax advice and tax planning.

All Other Fees

No fees were billed in 2006 and 2005 by the Company s independent registered public accounting firm for any other services, other than Audit Fees and Audit Related Fees.

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SIGNATURES

In accordance with the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PLANET TECHNOLOGIES, INC.

Dated March 23, 2007	By: /s/ Scott L. Glenn Scott L. Glenn Chief Executive Officer
Dated March 23, 2007	By: /s/ Francesca DiNota Francesca DiNota Chief Financial Officer and Principal Accounting Officer

In accordance with the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ellen Preston Ellen Preston	Director	March 23, 2007
/s/ H. M. Busby H. M. Busby	Director	March 23, 2007
/s/ Michael Trinkle Michael Trinkle	Director	March 23, 2007
/s/ Eric Freedus Eric Freedus	Director	March 23, 2007
/s/ Mike Walsh Mike Walsh	Director	March 23, 2007
/s/ Ed Steube Ed Steube	Director	March 23, 2007

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INDEX TO FINANCIAL STATEMENTS ITEM 7 OF FORM 10-KSB

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Planet Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Planet Technologies, Inc. and Subsidiary as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders equity (deficiency) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Planet Technologies, Inc. and Subsidiary as of December 31, 2006 and 2005, and their results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No.123 (revised 2004), "Share-Based Payment."

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2, the Company has experienced recurring net losses resulting in an accumulated deficit of $6,413,133 as of December 31, 2006. In addition, the Company has a working capital deficiency of $865,720 as of December 31, 2006. These conditions raise substantial doubt about the Company s ability to continue as a going concern. Management s plans regarding these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ J.H. Cohn LLP
Jericho, New York
March 13, 2007

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 162,160	$ 436,844
Accounts receivable, less allowance for doubtful accounts of $34,189 and $4,311	196,095	274,727
Inventory, net	486,809	577,332
Other current assets	86,809	115,560
Total current assets	931,873	1,404,463
Property and equipment, net	27,349	70,756
Intangibles, net	1,176,904	1,441,904
Goodwill	1,363,025	1,363,025
Total	$ 3,499,151	$ 4,280,148
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 729,234	$ 1,153,831
Accrued expenses	518,451	349,344
Notes payable to shareholder	500,000	
Derivative liability		118,282
Accrued warrant liability	49,908	67,500
Current portion of note and capital lease		19,223
Total current liabilities	1,797,593	1,708,180
Convertible note payable to shareholder		81,606
Total liabilities	1,797,593	1,789,786
Commitments		
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, 3,986,368 shares issued and outstanding	7,693,296	7,693,296
Additional paid-in capital	421,395	7,957
Accumulated deficit	(6,413,133)	(5,210,891)

Total shareholders equity	1,701,558	2,490,362
Total	$ 3,499,151	$ 4,280,148

See notes to consolidated financial statements.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Net sales	$ 8,036,449	$ 3,903,970
Cost of sales	4,720,893	2,185,551
Gross profit	3,315,556	1,718,419
Operating expenses:		
Selling	1,264,192	1,081,233
General and administrative	3,361,562	2,001,803
Totals	4,625,754	3,083,036
Loss from operations	(1,310,198)	(1,364,617)
Other income (expense):		
Gain (loss) on disposal of assets	2,102	(47,414)
Other income	127,806	
Interest, net	(20,064)	(14,558)
Charge for change in derivative liability	(1,888)	(81,606)
Totals	107,956	(143,578)
Net loss	$ (1,202,242)	$ (1,508,195)
Net loss per share, basic and diluted	$ (0.30)	$ (0.52)
Weighted average shares used in computing net loss per share attributable to common shareholders, basic and diluted	3,986,368	2,902,613

See notes to consolidated financial statements.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Beginning, January 1, 2005	2,068,361	$ 3,198,296		$ (3,702,696)	$ (504,400)
Issuance of common stock for cash, at $2.50 per share	1,318,007	3,295,000			3,295,000
Issuance of common stock for investment in ACP, at $2.00 per share	600,000	1,200,000			1,200,000
Stock options issued to non-employees for services at fair value of $2.71 per share			$ 7,957		7,957
Net loss				(1,508,195)	(1,508,195)
Balance at December 31, 2005	3,986,368	7,693,296	7,957	(5,210,891)	2,490,362
Stock-based compensation			307,150		307,150
Reduction of derivative liability due to repayment of convertible note payable			83,494		83,494
Stock options issued to non-employees for services at fair value of $1.99 per share			22,794		22,794
Net loss				(1,202,242)	(1,202,242)
Balance at December 31, 2006	3,986,368	$ 7,693,296	$ 421,395	$ (6,413,133)	$ 1,701,558

See notes to consolidated financial statements.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Operating activities:		
Net loss	$ (1,202,242)	$ (1,508,195)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	297,082	183,288
Non-cash stock-based compensation	307,150	
Non-cash charge for change in derivative liability	1,888	81,606
Non-cash charge for change in accrued warrant liability	(17,592)	67,500
(Gain) loss on disposal of assets	(2,102)	47,414
Issuance of options to non-employees at fair value for services	22,794	7,957
Changes in operating assets and liabilities, net of effects from purchase of ACP in 2005:		
Accounts receivable	78,632	(162,032)
Other current assets	28,751	(24,311)
Inventory	90,523	280,313
Interest payable		(8,543)
Accounts payable	(424,597)	48,533
Accrued expenses	169,107	(316,973)
Net cash used in operating activities	(650,606)	(1,303,443)
Investing activities:		
Cost of acquiring company, net of cash acquired		(1,581,427)
Purchase of property and equipment		(25,794)
Net cash used in investing activities		(1,607,221)
Financing activities:		
Repayment to related party		(185,000)
Principal payment on notes payable	(118,282)	(137,415)
Proceeds from notes payable to shareholder	500,000	
Payments on vendor promissory note	(5,796)	
Proceeds from stock sales		3,295,000
Net cash provided by financing activities	375,922	2,972,585
Net (decrease) increase in cash and cash equivalents	(274,684)	61,921
Cash and cash equivalents, beginning of year	436,844	374,923
Cash and cash equivalents, end of year	$ 162,160	$ 436,844
Supplemental disclosure of cash flow data:		
Interest paid	$ 2,804	$ 14,558
Supplemental disclosure of non cash transactions:		

Termination of capital lease obligation	$ 13,427	$
Common stock issued in connection with acquisition	$	$ 1,200,000
Fair value of derivative liability related to convertible debt	$	$ 252,757

See notes to consolidated financial statements.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The Company:

Planet Technologies, Inc. (Planet or the Company) was incorporated in August, 1991, in the State of California, and, since August 12, 2005, has been 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 through direct mail and telemarketing to the Company s database of customers who have purchased the Allergy Free Electrostatic Filter.

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) 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.

On August 11, 2005, Planet acquired Allergy Control Products, Inc. (ACP). ACP merged into a wholly-owned subsidiary of Planet (New ACP). The subsidiary will continue to use the name Allergy Control Products . Effective August 11, 2005, Planet assigned all of the Allergy assets to its wholly-owned subsidiary, New ACP. Pursuant to the terms of the merger transaction, the shareholder of ACP was issued 600,000 shares of Planet common stock. In addition, ACP s debt to its shareholder in the amount of $1,500,000 was paid in full by Planet (see Note 15 herein).

Note 2 Summary of significant accounting policies:

Basis of presentation:

The accompanying consolidated 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 $6,413,133 and a working capital deficiency of $865,720 as of December 31, 2006. Management intends to continue to finance operations partially through its potential ability to generate cash flows from debt and equity offerings. However, there can be no assurance that the Company will be able to obtain additional financing or internally generate cash flows, which may impact the Company s ability to continue as a going concern. The accompanying consolidated balance sheets 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.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Summary of significant accounting policies (continued):

Principles of Consolidation:

The consolidated financial statements include Planet Technologies, Inc. and its wholly owned subsidiary, ACP. All intercompany transactions and balances have been eliminated in consolidation.

Use of estimates:

The preparation of the consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management s most difficult and subjective judgments include provisions for bad debts, warranty reserve, depreciable/amortizable lives, impairment of long-lived assets, accounting for goodwill and intangible assets, the fair value of the Company s common stock, the fair value of options issued for services, the allocation of proceeds from the bridge loans to equity instruments and other reserves. Because of the uncertainly in such estimates, actual results may differ from these estimates.

Reclassification:

Certain reclassifications have been made in the 2005 consolidated financial statements to conform with the 2006 presentation.

Cash and cash equivalents and concentration of credit risk:

The Company maintains its cash in bank deposit accounts at various financial institutions. Highly-liquid investments with original maturities of three months or less when purchased are considered to be cash equivalents. As of December 31, 2006, the Company had a cash balance that exceeded the Federal Deposit Insurance Corporation limitation for coverage of $100,000 by $151,138.

Inventory:

Inventory consists of finished products which are purchased from vendors and raw material which is maintained for manufacturing of its mattress encasings. Inventory is stated at the lower of cost (determined by the first-in, first-out method) or market. Inventory is reduced by provisions for excess and slow moving items commensurate with known or estimated exposures.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from two to ten years. Leasehold improvements are amortized over the shorter of their useful lives or the term of the related lease.

PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Summary of significant accounting policies (continued):

Goodwill and Other Intangibles Assets:

Goodwill represents the excess of cost over fair value of net assets acquired through acquisition. In accordance with SFAS 141, Business Combination , (SFAS 141), all business combinations must be accounted for under the purchase method of accounting. In accordance with SFAS 142, Goodwill and Other Intangibles Assets (SFAS 142), goodwill and other certain other intangible assets are not amortized, but are reviewed for impairment at least annually and if a triggering event were to occur in an interim period. Goodwill impairment is determined using a two-step process. The first step is to identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit is not considered impaired the second step is not required. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit s goodwill with the book value of the goodwill. If the book value of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. This evaluation utilized discounted cash flow analysis and multiple analyses of the historical and forecasted operating results of the Company s reporting unit, ACP. The annual impairment testing was performed as of December 31, 2006 and no impairment was indicated.

Other intangible assets include a customer list and website costs which are amortized, on a straight-line basis, over six and three years, respectively. The Company follows the impairment provisions and disclosure requirements of SFAS 144 Accounting for Impairment or Disposal of Long-Lived Assets . Accordingly, intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on the Company s review, there was no impairment to the carrying values of the intangible assets as of December 31, 2006.

Stock-based compensation:

Prior to January 1, 2006, the Company accounted for stock-based compensation under the disclosure only provisions of Statement of Financial Accounting Standards 123 Accounting for Stock-Based Compensation (SFAS 123). As permitted under this Standard, compensation cost was recognized using the intrinsic value method in accordance with the provisions of APB 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations. Effective January 1, 2006, the Company has adopted SFAS 123R, Share-Based Payment (SFAS 123R) using the modified-prospective transition method. Under this transition method, compensation cost recognized for 2006 includes (a) compensation cost for all stock options granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all stock options granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

In November 2005, the FASB issued FASB Staff Position FAS 123R-3, Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards. The Company has elected to adopt the alternative transition method provided in the FASB Staff Position for calculating the tax effects of share-based compensation pursuant to SFAS 123R. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Summary of significant accounting policies (continued):

Stock-based compensation (continued):

APB 25 did not require any compensation expense to be recorded in the financial statements if the exercise price of the award was not less than the market price on the date of grant. Since all options granted by the Company had exercise prices equal to or greater than the market price on the date of grant, no compensation expense was recognized for stock option grants prior to January 1, 2006.

The following table illustrates the effect on net loss and per share information had the Company accounted for stock-based compensation in accordance with SFAS 123R for the year ended December 31, 2005:

	Year Ended Dec 31, 2005		
	Net Loss		Loss per Share Basic and Diluted
As reported	$ (1,508,195)	$	(0.52)
Stock-based compensation expense assuming a fair value-based method had been used for all awards	(278,000)		(0.10)
Pro forma	$ (1,786,195)	$	(0.62)

Stock-based compensation cost was determined under the fair value based method and was calculated using the Black-Scholes option valuation model. The following assumptions were used for option grants during the year ended December 31, 2005:

	2005
Volatility	176%-221%
Dividend yield	
Risk free interest rate	4.22%-4.40%
Vesting period	4 years
Expected life	10 years

In accordance with the provisions of SFAS 123R, 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 and adjusted at the end of each reporting period.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions, are fully transferable, and do not include a discount for large block trades. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility, expected life of the option and other estimates. Because the Company s employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management s opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The forfeitures were for options issued to an employee who was neither an officer nor a board member. Since management considers this to be an isolated case, we believe that there will be no forfeitures of the balance of the stock options and expects the options to be held until their expiration date based on the fact that they are primarily held by board members. This will be evaluated on a continuing basis.

PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Summary of significant accounting policies (continued):

Stock-based compensation (concluded):

For the year ended December 31, 2006, the Company recognized stock-based compensation expenses of $307,150, or $.08 per share related to outstanding stock options according to the provisions of SFAS 123R, using the modified prospective transition method.

Net 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 during the period. Diluted loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period increased to include, if dilutive, the number of additional common shares what would have been outstanding if the potential common shares had been issued.

The Company has excluded all 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 share for the years ended December 31, 2006 and 2005 was 569,613 and 343,500, respectively.

Advertising:

The company expenses the cost of advertising and promotions as incurred. Advertising costs charged to the operations were $2,416 and $26,232 in 2006 and 2005, respectively.

Revenue recognition:

The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin 101, Revenue Recognition in Financial Statements (SAB 101) as amended by SEC Staff Accounting Bulletin 104, Revenue Recognition , revised and updated (SAB 104), which stipulates that revenue generally is realized or realizable and earned, once persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable and collectibility is reasonably assured. The Company recognizes revenue from product sales upon shipment of goods. A provision for potential warranty claims is provided for at the time of sale, based upon warranty terms and the Company s prior experience.

Shipping and handling costs:

The Company expenses shipping and handling costs as incurred as part of cost of sales. Shipping and handling revenue is included in net sales.

Income taxes:

The Company accounts for income taxes using the liability method. Current income tax expense is the amount of income taxes expected to be payable for the current year. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end (temporary differences) based on enacted laws and statutory rates applicable for the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is considered more than likely not to be realized.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 Summary of significant accounting policies (concluded):

401(k) plan:

The Company provides a defined contribution 401(k) savings plan (the 401(k) Plan) in which all full-time employees of the Company are eligible to participate. Eligible employees may contribute pre-tax amounts to the 401(k) Plan subject to the Internal Revenue Code limitations. Company contributions to the 401(k) Plan are at the discretion of the Board of Directors. There were no Company contributions in 2006 and 2005.

Valuation of long-lived assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Note 3 Inventory:

Inventory consists of the following:

	2006	2005
Raw materials	$ 182,846	$ 256,413
Finished goods	361,219	411,644
Total	544,065	668,057
Less reserve for obsolescence	(57,256)	(90,725)
Total	$ 486,809	$ 577,332

Note 4 Property and equipment:

Property and equipment consists of the following:

	2006	2005
Furniture and fixtures	$ 28,042	$ 28,042
Transportation equipment		16,761
Computer equipment	135,357	135,357
Total	163,399	180,160
Less accumulated depreciation and amortization	(136,050)	(109,404)
Total	$ 27,349	$ 70,756

During 2006, the Company disposed of a vehicle with a gross asset cost of $16,761 and related accumulated depreciation of $5,436. The vehicle was held under a capital lease obligation having a remaining balance of $13,427. The Company recorded a gain on disposal of $2,102 for the year ended December 31, 2006.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 Intangibles:

With the acquisition of ACP, the Company acquired intangible assets of a customer list and a website valued at $1,500,000 and $45,000, respectively. These assets are amortized on a straight-line basis over six and three years, respectively. Amortization expense totaled $265,000 and $103,096 for the years ended December 31, 2006 and 2005, respectively. The accumulated amortization at December 31, 2006 and 2005 was $368,096 and $103,096, respectively.

Estimated amortization expense for each of the years ending December 31, 2011 are:

Years ending December 31,	
2007	$ 265,000
2008	259,164
2009	250,000
2010	250,000
2011	152,740
Total	$ 1,176,904

Note 6 Warranty reserve:

The Company accrues an estimate of its exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The air filters produced for and sold by the Company carry a ten-year warranty. Additionally, the Company has warranties on its encasing products which vary from five years to lifetime. The warranty policies for the encasings have varied over the years and the accrual reflects coverage for sales from 1993 through the current period. The Company assesses the adequacy of its recorded warranty accrual quarterly and adjusts the amount as necessary. The warranty accrual is included in accrued expenses in the accompanying consolidated balance sheets. The majority of the warranty accrual relates to products that were sold by ACP prior to the acquisition in August of 2005. Changes in the Company s warranty accrual were as follows:

	2006	2005
Balance, beginning of year	$ 290,517	$ 130,961
Warranty charges during the year	(10,001)	(5,173)
Acquired warranty accrual		149,427
Provision for warranty expense	10,001	15,302
Balance, end of year	$ 290,517	$ 290,517

Note 7 Convertible notes payable to shareholder:

As of December 31, 2005, the Company had a subordinated convertible note payable to a shareholder. The uncollateralized note payable was due on December 1, 2007, with monthly principal and interest payments of $12,085. The note stipulated that the holder of the note could, at the time of signing, at its sole and exclusive option, convert all or any part of the principal and accrued interest outstanding into shares of common stock at a conversion price of $2.50 per share by giving written notice to the Company. Thereafter, the holder could convert any all or any part of the principal and accrued interest outstanding into shares common stock at a conversion price equal to the fair value at the time of notice.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 Convertible notes payable to shareholder (concluded):

The Company determined that the embedded conversion feature of the note payable to the shareholder was subject to the provisions of SFAS 133 and accounted for the embedded conversion feature as a liability in accordance with the guidance of EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock (EITF 00-19). Accordingly, the Company recorded the fair value of the embedded conversion portion of the note as a derivative liability. The associated derivative liability for the conversion feature of the debt was valued at fair value using the Black-Scholes pricing model. As of January 1, 2005, the fair value of the liability was $252,757, which was amortized over the term of the note.

During 2006, the Company paid off the convertible note payable. For the years ended December 31, 2006 and 2005, the Company recorded a charge for the change in the fair value of the derivative financial instrument of $1,888 and $81,606, respectively.

Note 8 Notes payable to related party:

On June 1 and August 7, 2006, the Company issued two uncollateralized notes payable of $250,000 each to a shareholder. The notes are interest only at a rate of 7% annually with all principal and accrued interest payable due on May 31 and August 6, 2007, respectively. For the year ended December 31, 2006, the Company recorded accrued interest of $17,260 related to these notes.

Note 9 Warrant liability:

During 2005, the Company entered into an agreement with Crystal Research to prepare a market study. In exchange for the Study, Crystal Research received $30,000 and will receive 25,000 warrants. As the warrants have not been issued as of December 31, 2006, the Company valued the warrants using the Black-Scholes pricing model using the following assumptions; (1) common stock fair value of $2.00 (2) expected volatility of 390.88%, (3) risk free interest rate of 4.74%, (4) life of 945 days, (5) no dividend, resulting in a fair value of $49,908 , which was recorded as a warrant liability at December 31, 2006. Upon issuance of the warrants, the warrant liability will be reclassified to additional paid-in capital.

Note 10 Income taxes:

The differences between income tax benefit provided at the Company s effective rate and the federal statutory rate (34%) at December 31, 2006 and 2005 are as follows:

	2006	2005
Income tax benefit at statutory rate	$ (351,000)	$ (513,000)
State taxes, net of Federal benefit	(62,000)	(82,000)
Other	2,000	(1,000)
Increase in valuation allowance	411,000	596,000
Total	$	$

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 Income taxes (concluded):

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company s deferred tax assets (liabilities) at December 31, 2006 and 2005 are as follows:

	2006	2005
Net operating loss carryforwards	$ 893,000	$ 703,000
Product warranty reserve	116,000	116,000
Intangible assets	(471,000)	(577,000)
Stock-based compensation	123,000	
Other reserves	57,000	65,000
Less: valuation allowances	(718,000)	(307,000)
Net deferred tax assets	$	$

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 a valuation allowance in 2006 and 2005 and, accordingly, the Company did not recognize any benefit from income taxes in the accompanying consolidated statement of operations.

At December 31, 2006, the Company had federal and state net operating loss carryforwards of approximately $2,230,000 after application of the Section 382 Change of Ownership limitation. The federal tax loss carryforwards will begin to expire in calendar year 2011, while the state tax loss carryforwards will expire through 2014.

During 2004, as a result of the reorganization and acquisition of Allergy Free LLC assets and business operations, the Company experienced a change of ownership event as defined in Section 382 of the IRS Code. Accordingly, utilization of the net operating loss carryforwards and credits will be subject to substantial annual limitation due to the ownership change limitations provided by the IRS Code of 1986, as amended, and similar state provisions. The annual limitation will result in the expiration of the net operating losses and credits before utilization.

The acquisition of the Subsidiary qualified as a Section 368(a) of the IRS Code reorganization which resulted in a tax-free transaction between the parties. As assets and liabilities are recorded at fair value for financial statement purposes, nontaxable business combinations generally give rise to differences between the assigned values for financial statement purposes and the tax basis of assets and liabilities, and therefore, result in the recognition of deferred tax assets and liabilities at the acquisition date.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 Shareholders equity:

Stock options:

In 2000, the Company established a stock option plan, the 2000 Stock Option Plan (Plan), which provided for 500,000 shares of common stock for issuance. At the time of the merger with Allergy Free in 2004, the Plan was amended to increase the number of shares available to 5,000,000 shares, which were converted to 100,000 shares after the 50:1 reverse stock split. During 2005, the Plan was again amended to increase the number of shares available to 350,000. In 2006, the Shareholders approved an increase in the number of shares available under the Plan to 2,000,000. The Plan provides for the discretionary grant of options, stock appreciation rights (SARs), and stock bonuses to employees and directors of and consultants to the Company. Options granted under the Plan may be either incentive stock options, as defined in Section 422 of the IRS Code of 1986, as amended, or non-statutory stock options.

Under the Plan, the terms of stock options granted are determined by the Board of Directors. Stock options may be granted for periods of up to ten years at a price per share not less than the fair market value of the Company s common stock at the date of grant for incentive stock options and not less than 85% of the fair market value of the Company s common stock at the date of grant for non-statutory stock options. In the case of stock options granted to employees, directors or consultants who, at the time of grant of such options, own more than 10% of the voting power of all classes of stock of the Company, the exercise price shall be no less than 110% of the fair market value of the Company s common stock at the date of grant. Additionally, the term of stock option grants is limited to five years if the grantee owns in excess of 10% of the voting power of all classes of stock of the Company at the time of grant. The vesting provisions of individual options may vary but in each case will provide for vesting of at least 20% per year of the total number of shares subject to the option.

A summary of stock option activity during for 2006 and 2005 follows:

	2006		2005	
	Underlying Shares	Weighted Avg Exercise Price	Underlying Shares	Weighted Avg Exercise Price
Outstanding, beginning of year	342,500	$ 3.30	105,413	$ 4.40
Granted	237,113	2.26	238,887	2.96
Exercised				
Forfeited/expired	(10,000)	4.00	(1,800)	22.50
Outstanding, end of year	569,613	$ 2.86	342,500	$ 3.30

For the years ended December 31, 2006 and 2005, the fair value of options granted ranged from $1.01 to $1.36 and $3.00 to $4.00, respectively. The weighted average fair value for these options was $1.27 and $2.91, respectively.

The following assumptions for the Black-Scholes option valuation model were used to determine the fair market value for option grants during the year ended December 31, 2006:

	2006
Volatility	293.9 353.6%
Dividend yield	
Risk free interest rate	4.77 - 4.91%
Vesting period	4 years
Expected life	10 years

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 Shareholders equity (concluded):

Stock options:

The following table summarizes information about stock options outstanding and exercisable at December 31, 2006:

	Options Outstanding			Options Exercisable	
Exercise Price or Price Range	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$1.01 to $3.50	568,793	8.52	$ 2.75	231,293	$ 3.00
$22.50	360	4.35	22.50	360	22.50
$125.00	460	3.33	125.00	460	125.00
	569,613	8.51	$ 2.86	232,113	$ 3.28

There was no aggregate intrinsic value of options outstanding and exercisable as of December 31, 2006 and 2005. The aggregate intrinsic value represents the intrinsic value, based on options with an exercise price less than $2.00, the market value of the Company s stock on December 31, 2006, which would have been received by the option holders had those option holders exercised those options as of that date.

At December 31, 2006, future compensation expense related to the unvested portion of stock options outstanding totaled $570,072. The compensation expense on the unvested portion of stock options will be amortized on a straight-line basis over the remaining vesting period through December 31, 2010.

Note 12 Operating leases:

The Company leases its office and warehouse facility under a non-cancelable operating lease expiring in October 2007. The lease requires the Company to pay property taxes and maintenance charges. Total rent expense was $173,225 and $109,554 in 2006 and 2005, respectively.

The Company also leases office equipment under non-cancelable operating leases that expire through January 2010. Total rent expense for all operating leases was $200,271 and $204,507 in 2006 and 2005, respectively.

Future minimum lease payments on these leases are:

Years ending December 31,	
2007	$ 149,198
2008	11,666
2009	9,972
2010	831
Total	$ 171,667

PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 Commitments:

License agreements:

The Company has a license agreement with a third party for use of its design to manufacture air filters. The license agreement provides for royalty payments based on a percentage of net sales of certain products. The term of the license agreement is the longer of (i) the life of the licensed patent or (ii) ten years from date of first commercial sale of the product, or January 1, 1997. Royalty expense under the license agreement was $5,665 and $3,958 in 2006 and 2005, respectively.

Employment contracts:

The Company has entered into an employment agreement with the President/CEO and Chairman of the Board of the Company for a three-year period, which expires on November 29, 2007. The contract provides for a salary of $100 per month (plus healthcare and other benefits) until it is determined by the Board that the Company can afford to pay compensation comparable to CEOs of other similar companies. In exchange for foregoing a salary, the Company granted stock options exercisable at the then fair market value at such time as may be required to maintain the aggregate number of stock options granted to an amount not less than five (5%) percent of the issued and outstanding stock of the Company (on a fully diluted basis) during his three year term of employment. For the years ended December 31, 2006 and 2005, the stock-based compensation expense related to the options held totaled $144,433 and $102,030, respectively.

During 2005, the Company entered into an employment agreement with ACP s President and Chief Executive Officer and director for a four-year period, which expires in 2009. The contract provides for an annual salary of $200,000 (plus healthcare and other benefits) as well as a discretionary bonus for superior performance for exceeding sale, gross profit and profit plans for the year. The Company also granted stock options to acquire 120,000 shares of the Company s common stock at $2.70 per share with 25% of the options vesting on August 10, 2006, and the balance at the rate of 1/36th of the balance per month, subject to any acceleration as provided under the Company s 2000 Stock Option Plan.

During 2005, the Company entered into an employment contract with the Vice President of Marketing and Business Development, with an annual salary of $192,000 and 30,000 shares of stock options at $3.00 with accelerated vesting if certain marketing and development objectives were met by year end. These options became fully vested in December 2005. In December 2005, the compensation was reduced to $100 per month and the Company granted stock options to acquire an additional 18,000 shares at $2.70 per share under standard vesting as provided by the Company s 2000 Stock Option Plan. During 2006, the options granted in 2005 became fully vested and the board granted an additional 18,000 stock options at an exercise price of $3.00 for serving as an Officer.

Note 14 Purchases from significant vendors:

During 2006 and 2005, the Company made purchases from two vendors that accounted for approximately 33% and 33% of total purchases in 2006 and 2005, respectively.

Note 15 Acquisition:

On August 11, 2005, Planet acquired 100% of the outstanding shares of ACP. ACP has become a subsidiary of Planet and Planet issued and delivered to the sole shareholder of ACP 600,000 shares of Planet common stock (or 300 shares of Planet common stock for each one share of ACP common stock outstanding). As a result, the sole shareholder of ACP owns approximately 15.1% of the voting shares of Planet. As additional consideration, Planet paid $1,500,000 in cash to the sole shareholder in full payment of all indebtedness of ACP.

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 Acquisition (concluded):

The business combination was accounted for under the purchase accounting method, with Planet as the accounting acquirer, as defined by SFAS 141. In accordance with SFAS 141, Planet allocated the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The value of the shares of Planet s common stock issued totaling $1,200,000 is based on the average market price of $2.00 for two days before and two days after the two companies reached agreement on the purchase price and the proposed transaction was announced. The total purchase price was $2,849,937, comprised of the $1,500,000 cash payment, $1,200,000 of common stock issued and $149,937 in acquisition costs.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 1,085,910
Equipment and improvements	71,498
Customer list	1,500,000
Website costs	45,000
Goodwill	1,363,025
Total assets acquired	4,065,433
Current liabilities	(1,193,332)
Long-term debt	(22,164)
Total liabilities assumed	(1,215,496)
Net assets acquired	$ 2,849,937

The Company does not expect to deduct goodwill for tax purposes. The results of operations for the Company for 2005 include the results of operations of ACP from August 11, 2005, the date of acquisition. The proforma operating results if the merger had been completed at the beginning of 2005 is presented below.

Included in the proforma operating results for the year ended December 31, 2005 are non-recurring expenses of $500,000 for termination benefits for a former ACP officer as well as approximately $100,000 in legal and accounting fees related to the merger.

	Year ended December 31,	
	Actual 2006	Proforma 2005
Net sales	$ 8,036,449	$ 8,689,314
Net loss	$ (1,202,242)	$ (2,311,356)
Net loss per share, basic and diluted	$ (0.30)	$ (0.71)

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PLANET TECHNOLOGIES, INC. AND SUBSIDIARY
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Note 16 Website

On October 11, 2006, the Company became aware of a security breach to its website. Upon discovery, the website was immediately taken offline, local and federal law enforcement agencies as well as credit card service providers were notified and an investigation commenced to assess the full extent of the breach. The Company s website was repaired and tested by systems experts and restored to full operation on October 27, 2006.

As of this date, an investigation has been completed and the Company has not been made aware of any compromise to customer financial information.

For the period during which customers were unable to place an order on the Company s website, it is unknown what effect, if any, this had on Company sales. During the fourth quarter, the Company incurred costs related to this incident which were not significant to its financial operations. While the Company may incur increased legal, accounting and IT consulting expenses in subsequent periods as a result of the breach, at this time, management does not anticipate that either the potential loss of sales or increase in expenses will have a material adverse effect on its results of operations.