COMET TECHNOLOGIES INC
Form 10QSB
May 15, 2006

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

FORM 10-QSB

(Mark one)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

For the transition period from ___________ to ___________

Commission File Number: 0-26059

COMET TECHNOLOGIES, INC.

(Exact Name of small business issuer as specified in its charter)

Nevada	87-0430322
(State of Incorporation)	(IRS Employer ID Number)

8 East Broadway #428, Salt Lake City, Utah 84111

(Address of principal executive offices)

(801) 532-7851

(Issuer's telephone number)

Not applicable.

(Former name, address and fiscal year, if changed since last report)

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [X] NO [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity: As of the date of this report, there were 516,780 shares of common stock outstanding.

Transitional Small Business Format: Yes [ ] No [X]

COMET TECHNOLOGIES, INC.

Form 10-QSB for the quarter ended March 31, 2006

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

COMET TECHNOLOGIES, INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

March 31, 2006 and December 31, 2005

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Balance Sheets

ASSETS

	March 31, 2006	December 31, 2005
	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 107,385	$ 95,981
Total Current Assets	107,385	95,981
TOTAL ASSETS	$ 107,385	$ 95,981

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	March 31, 2006	December 31, 2005
CURRENT LIABILITIES		
Accounts payable	$ 1,839	$ 586
Payable - related parties	63,000	18,000
Total Current Liabilities	64,839	18,586
TOTAL LIABILITIES	64,839	18,586
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock; $0.001 par value; 5,000,000 shares authorized; -0- shares issued and outstanding	-	-
Common stock; $0.001 par value; 20,000,000 shares authorized; 516,780 and 507,290 shares issued and outstanding, respectively	516	507
Additional paid-in capital	350,673	336,447
Deficit accumulated during the development stage	(308,643)	(259,559)
Total Stockholders' Equity (Deficit)	42,546	77,395
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 107,385	$ 95,981

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

COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31, 2006	For the Three Months Ended March 31, 2005	From Inception on February 7, 1986 through March 31, 2006
REVENUES	$ -	$ -	$ -
EXPENSES			
General and administrative	49,831	11,708	458,909
Total Expenses	49,831	11,708	458,909
LOSS FROM OPERATIONS	(49,831)	(11,708)	(458,909)
OTHER INCOME (EXPENSE)			
Dividend income	-	-	5,493
Interest income	747	42	149,265
Reimbursement of fees	-	-	2,158
Unrealized loss from marketable securities	-	-	(6,650)
Total Other Expenses	747	42	150,266
NET LOSS	$ (49,084)	$ (11,666)	$ (308,643)
BASIC LOSS PER SHARE	$ (0.10)	$ (0.03)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	513,829	449,750	

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

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COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Statements of Cash Flows
(Unaudited)

	For the Three Months Ended March 31,	From Inception on February 7, 1986 through March 31,

	2006	2005	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (49,084)	$ (11,666)	$ (308,643)
Adjustments to reconcile net loss to net cash used by operating activities:			
Amortization	-	-	301
Changes in operating assets and liabilities:			
Increase in taxes payable	-	-	300
Increase in accounts payable	1,253	4,795	89,333
Increase in payable - related parties	45,000	-	45,000
Net Cash Used by Operating Activities	(2,831)	(6,871)	(173,709)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Organizational costs	-	-	(300)
Sale of common stock for cash	14,235	-	39,235
Net stock offering proceeds	-	-	242,159
Net Cash Provided by Financing Activities	14,235	-	281,094
NET INCREASE IN CASH	11,404	(6,871)	107,385
CASH AT BEGINNING OF PERIOD	95,981	90,864	-
CASH AT END OF PERIOD	$ 107,385	$ 83,993	$ 107,385
CASH PAID FOR:			
Interest	$ -	$ -	$ -
Income Taxes	$ -	$ -	$ -
NON-CASH FINANCING ACTIVITIES			
Common stock issued for settlement or related party indebtedness	$ -	$ -	$ 69,795

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

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COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2005 audited financial statements. The results of operations for the period ended March 31, 2006, are not necessarily indicative of the operating results for the full year.

NOTE 2 - RELATED PARTY TRANSACTIONS

As of March 31, 2006, the Company owed $63,000 to related parties for unpaid services rendered to the Company.

NOTE 3 - SIGNIFICANT EVENTS

Granting and Conversion of Stock Options

On March 11, 1999, the Company granted to each of its three (3) directors, options to purchase 25,000 shares of common stock each at an exercise price of $1.50, which was the average of the bid and asked prices for the common stock on that date. The options were fully vested and scheduled to expire in March 2009. The options were granted to compensate these persons for their services to the Company over the past several years, for which they had received no other compensation. The options of one of the directors, now deceased, passed on to his estate.

On September 26, 2005, the Company's current officers and directors agreed to eliminate certain indebtedness owed to them through the exercise of certain of the stock options referenced above. Accordingly, one of the officers and directors exercised his stock options in full, for the conversion of a total of $37,500 in indebtedness to him, into a total of 25,000 shares of restricted common stock at a price of $1.50 per share. The other officer and director agreed to convert the entire obligation to him ($23,265), into a total of 15,510 shares of common stock under his stock options at a price of $1.50 per share. Because he did not exercise all of his stock options, he was reissued stock options to purchase a total of 9,490 shares at $1.50 per share. On January 28, 2006, this officer and director of the Company exercised his remaining stock options to purchase a total of 9,490 shares at $1.50 per share.

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COMET TECHNOLOGIES, INC.
(A Development Stage Company)
Notes to the Financial Statements

NOTE 3 - SIGNIFICANT EVENTS (Continued)

Granting and Conversion of Stock Options (Continued)

A summary of the Company's stock option activity and related information follows:

	For the	For the

	Three Months Ended March 31, 2006		Year Ended December 31, 2005	
	Number of Options	Weighed Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	34,490	$ 1.50	75,000	$ 1.50
Granted	-	-	-	-
Exercised	(9,490)	1.50	(40,510)	1.50
Expired	-	-	-	-
Outstanding, end of period				
Exercisable, end of period	25,000	$ 1.50	34,490	$ 1.50

Other Equity Activity

One of the officers and directors above who was owed an additional $9,030 converted such debt on September 26, 2005 to 4,515 shares of restricted common stock at a price of $2.00 per share.

Additionally, to provide the Company with additional capital, the Company sold on the same date, to an unrelated party, a total of 12,500 shares of restricted common stock at a price of $2.00 per share for total cash proceeds of $25,000.

There is an outstanding warrant to purchase 6,250 shares of the Company's common stock held by an unrelated third party at an exercise price of $1.50, which expires in March 2009.

Reverse Stock Split

Effective March 9, 2006, the Company affected a 1-for-8 reverse split of its issued and outstanding shares of common stock, following approval of such stock split by holders of a majority of the outstanding common stock. All figures in these financial statements give retroactive effect to the reverse split.

NOTE 3 - SIGNIFICANT EVENTS (Continued)

Adoption of Recent Accounting Pronouncement

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payments to employees and directors including employee stock options and stock purchases related to the Company's employee stock option and award plans based on estimated fair values. SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Option No. 25, "Accounting for Stock Issued to Employees" ("APB25") for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 ("SAB 107") relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's fiscal year 2006. The Company's financial statements as of and for the three month period ended March 31, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company's financial statements for the prior year have not been restated to reflect, and do not include, the impact of SFAS 123(R). Stock-based compensation expense recognized under SFAS 123(R) for the three month period ended March 31, 2006 and 2005 was $-0-, and there were no employee stock options granted during the respective periods. There was no stock-based compensation expense related to employee stock options and employee stock purchases recognized during the three month period ended March 31, 2005.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Statement of Operations. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Under the intrinsic value method, no stock-based compensation expense had been recognized in the Company's Statement of Operations, because the exercise price of the Company's stock options granted to employees and directors equaled the fair market value of the underlying stock at the date of grant.

Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. At December 31, 2005, the Company had no unvested share-based payment awards for which compensation expense should be recognized during the three month period ended March 31, 2006.

NOTE 3 - SIGNIFICANT EVENTS (Continued)

Adoption of Recent Accounting Pronouncement (Continued)

The table below illustrates the effects on net loss and net loss per share if expense were to have been measured using the fair value recognition provisions of SFAS 123 to stock based compensation during the three month period ended March 31, 2005.

For the three months
ended March 31, 2005

Net loss - as reported	$	(11,666)
Less: stock-based compensation expense determined under fair value based method		-
Pro forma net loss	$	(11,666)
Basic and diluted loss per share	$	(0.03)
Pro forma basic and diluted loss per share	$	(0.03)

NOTE 4 - SUBSEQUENT EVENT

On May 11, 2006, the Company entered into an Exchange Agreement with American California Pharmaceutical Group, Inc. (ACPG), a California corporation, whereby the Company acquired all of the issued and outstanding shares of ACPG in a reverse-merger transaction. Pursuant to the Exchange Agreement, the Company will issue at closing to the ACPG shareholders a total of 10,193,377 shares of its previously unissued common stock as consideration for the ACPG shares. The Exchange Agreement stipulates that ACPG will operate as a wholly-owned subsidiary of the Company. Upon closing of the transaction the shareholders of ACPG will own approximately 93% of the issued and outstanding shares of the Company, and the designees of ACPG would be appointed as the new officers and directors of the Company. ACPG is a U.S. holding company that owns 100% of the capital stock of Harbin Tian Di Ren Medical Science and Technology Company (TDR), a company based in Harbin, Heilongjiang Province in the People's Republic of China. TDR is engaged, directly and through its subsidiaries, in the development, manufacture, marketing and sales of various over-the-counter nutritional and medicinal products.

Item 2 - Management's Discussion and Analysis or Plan of Operation

(1) Caution Regarding Forward-Looking Information

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements within the meaning of Section 27a of the Securities Act of 1933 and Section 21e of the Securities Exchange Act of 1934 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors.

(2) Plan of Operation

Three Month Periods Ended March 31, 2006 and 2005

The officers have continued to evaluate potential mergers in an ongoing effort to increase the value of the shareholders' investment in the Company. During this period, however, the Company has not been engaged in business operations, and has had no revenue from continuing operations for the nine-month periods ended March 31, 2006 and 2005.

General and administrative expenses for the three-month periods ended March 31, 2006 and 2005, consisted of general corporate administration, officer compensation, legal and professional expenses, and accounting and auditing costs. These expenses were $49,831 and $11,708 for the three-month periods ended March 31, 2006 and 2005, respectively. This increase of $38,123 is due primarily to an increase in accrued officer compensation, attributable to efforts undertaken during the quarter to effect a reverse split of the Company's common stock, and the review of, and negotiations pertaining to, an acquisition transaction described in Note 4 to the Financial Statements. During the three month period ended March 31, 2006, the Company recognized officer compensation expense of $45,000, compared to $6,000 in the comparable period of 2005.

Interest income in the three-month periods ended March 31, 2006 and 2005, was $747 and $42, respectively. As a result of the foregoing factors, the Company realized a net loss of $49,084 for the three months ended March 31, 2006, as compared to a net loss of $11,666 for the same period in 2005.

Liquidity and Capital Resources

At March 31, 2006, the Company had working capital of approximately $42,500, compared to approximately $77,400 at December 31, 2005. Working capital as of both dates consisted of cash and cash equivalents, net of accounts payable and related party payables.

The Company has entered into a Stock Exchange Agreement with American California Pharmaceutical Group, Inc. ("ACPG"), providing for the acquisition of ACPG in a reverse merger, which will result, when completed, in a change in management and the ACPG shareholders holding approximately 93% of the outstanding stock. The officers of the Company have devoted substantial time during the past few months, reviewing this opportunity and

undertaking negotiations. It is expected, barring any unforeseen problems, that this transaction will close in May, 2006. (See Note 4 to Financial Statements).

Management believes that the Company has sufficient cash to meet the anticipated needs of the Company's operations through either the completion of the transaction described in Note 4 to the Financial Statements, or, if not completed, at least the next 6 months. However, there can be no assurances to that effect, as the Company has no significant revenues and the Company's need for capital may change dramatically if it acquires an interest in a business opportunity during that period. The Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the intent of management and significant shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company, (ii) seek to close the transaction described above with ACPG, as soon as practicable; and (iii) if such efforts in (ii) are unsuccessful, to search for potential businesses, products, technologies and companies for acquisition. Management expects the transaction with ACPG to close; however, there can be no assurance that the Company will not encounter difficulties in consummating the transaction.

Although the Company's assets consist of cash and cash equivalents, the Company has no intent to become, or hold itself out to be, engaged primarily in the business of investing, reinvesting, or trading in securities. Accordingly, the Company does not anticipate being required to register pursuant to the Investment Company Act of 1940, and expects to be limited in its ability to invest in securities, other than cash equivalents and government securities, in the aggregate amount of over 40% of its assets. There can be no assurance that any investment made by the Company will not result in losses.

Item 3 - Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of the evaluation.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None.

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

During the quarter ended March 31, 2006, Richard B. Stuart, an officer and director of the Company, exercised his remaining option to purchase a total of 9,490 shares of the Company's common stock at a price of $1.50 per share, or a total purchase price of $14,235. This was a private transaction and was entered into in reliance upon an exemption from the registration provisions of the Securities Act of 1933 (the "Act"), as amended, under Section 4(2)

of the Act, as a transaction not involving a public offering. The transaction occurred without the use of an underwriter, and the certificates representing the shares of common stock bear a restrictive legend permitting transfer only upon registration or pursuant to an exemption from registration under the Act.

Effective March 9, 2006, the Company implemented a 1-for-8 reverse split of its issued and outstanding shares of common stock, following approval of such stock split by holders of a majority of the outstanding common stock. All figures in these financial statements give retroactive effect to the reverse split.

Item 3 - Defaults on Senior Securities

None.

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

As of January 29, 2006, eighteen (18) shareholders holding approximately 53% of the outstanding shares of the Company in accordance with Nevada corporate law, approved by a consent under Nevada corporation law, a 1-for-8 reverse split of the issued and outstanding common stock of the Company. On or about February 15, 2006, the Company's shareholders were mailed an Information Statement reporting the reverse split, which was effective as of March 9, 2006. As a result of the reverse split, the 4,058,200 shares of common stock outstanding prior to the reverse split, were split into a total of 507,290 shares of common stock. (An additional 9,490 shares have been subsequently issued to an officer upon exercise of an option see Item 2 above).

Except as indicated above, during the quarter ended March 31, 2006, the Company held no regularly scheduled, called or special meetings of shareholders during the reporting period, nor were any matters submitted to a vote of this Company's security holders.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit	Description
31.1	Principal Executive Officer Certification*
31.2	Principal Financial Officer Certification*
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

* Included herein pursuant to Item 601(b) 31 of Regulation SB.
** Included herein pursuant to Item 601(b) 32 of Regulation SB.

(b) Reports on Form 8-K. None.

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SIGNATURES

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

COMET TECHNOLOGIES, INC.

Date: May 11, 2006

By: /s/ Richard B. Stuart

Richard B. Stuart, President, CEO and Principal Executive Officer

Date: May 11, 2006 By: /s/ Jack M. Gertino

Jack M. Gertino, Secretary/Treasurer,
CFO and Principal Financial Officer

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