

BRENDAN TECHNOLOGIES INC  
Form 10QSB  
May 15, 2008

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

**FORM 10-QSB**

(Mark One)

Quarterly Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For quarterly period ended **March 31, 2008**

Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**COMMISSION FILE NUMBER 0-17493**

**BRENDAN TECHNOLOGIES, INC.**

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

**NEVADA**

(State or other jurisdiction of  
incorporation or organization)

**88-0237223**

(I.R.S. Employer Identification No.)

**2236 Rutherford Road, Suite 107  
Carlsbad, California 92008**

(Address of principal executive offices)

Issuer's telephone number **(760) 929-7500**

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. **Yes  No**

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

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

Common Stock, \$.004995 par value    25,790,594

(Class)    Outstanding at May 15, 2008

Transitional Small Business Disclosure Format (Check one): Yes     **No**

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\* No information provided due to inapplicability of the item.

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

**Brendan Technologies, Inc.**  
**Condensed Consolidated Balance Sheets**

|  | March 31,<br>2008<br>(Unaudited) | June 30,<br>2007 |
|--|----------------------------------|------------------|
| <b>ASSETS</b>  |                                  |                  |
| Current assets:  |                                  |                  |
| Cash and cash equivalents  | \$ 69,219                        | \$ 85,016        |
| Accounts receivable, net   | 52,979                           | 75,283           |
| Prepaid expenses   | 82,405                           | 89,919           |
| Total current assets   | 204,603                          | 250,218          |
| Property and equipment,<br>net   | 111,436                          | 157,356          |
| Other assets   | 15,786                           | 27,951           |
|  | \$ 331,825                       | \$ 435,525       |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                                  |                  |
| Current liabilities:   |                                  |                  |
| Notes payable in default   | \$ 130,000                       | \$ 130,000       |
| Accrued interest in default  | 108,906                          | 95,382           |
| Notes payable  | 213,000                          | 100,000          |
| Secured bridge loan payable  | 600,000                          | -                |
| Accounts payable   | 101,093                          | 14,584           |
| Accrued wages and vacation   | 1,021,218                        | 840,857          |
| Accrued interest   | 697,222                          | 527,434          |
| Deferred revenue   | 98,693                           | 98,394           |
| Current portion of lease obligations   | 4,914                            | 7,388            |
| Current portion 8% convertible debentures net of debt<br>discount                      | 1,323,291                        | 24,010           |
| Current portion 8% convertible debentures net of debt<br>discount related parties      | 144,372                          | 91,812           |
| Total current liabilities  | 4,442,709                        | 1,929,861        |
| Long term portion of lease obligations   | 393                              | 3,607            |
| 8% Convertible debentures net of debt discount   | 269,587                          | 1,343,868        |
| 8% Convertible debentures net of debt discount - related<br>parties                    | -                                | 34,154           |
| Total liabilities  | 4,712,689                        | 3,311,490        |
| Stockholders' deficit  |                                  |                  |
| Preferred stock, \$.004995 par value; 5,000,000 shares<br>authorized: none outstanding | -                                | -                |
| Common stock, \$.004995 par value; 50,000,000 shares                                   |                                  |                  |

|  |              |             |
|--|--------------|-------------|
| authorized: 25,790,594 and 23,705,594 issued and<br>outstanding at |              |             |
| March 31, 2008 and June 30, 2007                                   | 128,824      | 118,409     |
| Additional paid in capital   | 6,168,073    | 5,358,033   |
| Accumulated deficit  | (10,677,761) | (8,352,407) |
| Total stockholders' deficit  | (4,380,864)  | (2,875,965) |
|  | \$ 331,825   | \$ 435,525  |

*See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.*

**Brendan Technologies, Inc.**  
**Condensed Consolidated Statements of Operation**  
(Unaudited)

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | March 31,<br>2008  | March 31,<br>2007 | March 31,<br>2008 | March 31,<br>2007 |
| Revenue  | \$ 132,264         | \$ 164,888        | \$ 499,072        | \$ 387,536        |
| Selling expenses   | 26,952             | 10,608            | 105,374           | 58,570            |
| Research and development                                     | 135,677            | 126,582           | 381,406           | 325,026           |
| General and administrative expenses                          | 476,632            | 392,648           | 1,421,728         | 1,160,487         |
|  | 639,261            | 529,838           | 1,908,508         | 1,544,083         |
| Loss from operations   | (506,997)          | (364,950)         | (1,409,436)       | (1,156,547)       |
| Other expense  |                    |                   |                   |                   |
| Interest expense   | (405,447)          | (128,046)         | (915,918)         | (301,150)         |
| Loss before provision for income taxes                       | (912,444)          | (492,996)         | (2,325,354)       | (1,457,697)       |
| Provision for income taxes                                   | -                  | -                 | -                 | -                 |
| Net loss   | \$ (912,444)       | \$ (492,996)      | \$ (2,325,354)    | \$ (1,457,697)    |
| Basic and diluted loss per share                             | \$ (0.04)          | \$ (0.02)         | \$ (0.09)         | \$ (0.06)         |
| Basic and diluted weighted average common shares outstanding | 25,582,242         | 23,705,594        | 24,751,412        | 23,712,139        |

*See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.*

**Brendan Technologies, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

|   | Nine Months Ended March 31, |                   |
|---|-----------------------------|-------------------|
|   | 2008                        | 2007              |
| <b>Operating activities:</b>  |                             |                   |
| Net loss  | \$ (2,325,354)              | \$ (1,457,697)    |
| Adjustments to reconcile net loss to cash used in operating activities: |                             |                   |
| Amortization and depreciation   | 55,876                      | 31,650            |
| Stock option compensation   | 40,668                      | 58,426            |
| Intrinsic value of warrant exercises                                    | 22,800                      | -                 |
| Amortization of warrants  | 235,737                     | -                 |
| Amortization of debt discount   | 243,406                     | 101,417           |
| Amortization of financing costs   | -                           | 45,909            |
| Amortization of warrant valuation issued for services                   | -                           | 7,598             |
| Provision for uncollectible receivables                                 | -                           | 1,000             |
| Changes in assets and liabilities:                                      |                             |                   |
| Accounts receivable   | 22,304                      | (19,382)          |
| Prepaid expense and other assets  | 79,679                      | (30,310)          |
| Accounts payable  | 86,509                      | (158,451)         |
| Accrued liabilities   | 363,672                     | 136,867           |
| Deferred revenue  | 299                         | 35,510            |
| Net cash used in operating activities                                   | (1,174,404)                 | (1,247,463)       |
| <b>Investing activities:</b>  |                             |                   |
| Purchase of property and equipment                                      | (9,956)                     | (112,507)         |
| Net cash used in investing activities                                   | (9,956)                     | (112,507)         |
| <b>Financing activities:</b>  |                             |                   |
| Principal payments of lease obligations                                 | (5,687)                     | (4,718)           |
| Principal payments on notes payable in default                          | -                           | (125,000)         |
| Principal payments on notes payable                                     | (100,000)                   | -                 |
| Proceeds from issuance of secured bridge loan                           | 600,000                     | -                 |
| Proceeds from issuance of notes payable                                 | 213,000                     | -                 |
| Proceeds from exercise of warrants                                      | 461,250                     | -                 |
| Proceeds from issuance of 8% convertible debentures, net of costs       | -                           | 1,447,500         |
| Net cash provided by financing activities                               | 1,168,563                   | 1,317,782         |
| <b>Net increase in cash and cash equivalents</b>                        | <b>(15,797)</b>             | <b>(42,188)</b>   |
| <b>Cash and cash equivalents, beginning of year</b>                     | <b>85,016</b>               | <b>149,512</b>    |
| <b>Cash and cash equivalents, end of period</b>                         | <b>\$ 69,219</b>            | <b>\$ 107,324</b> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                |                             |                   |
| Cash paid during the period for:  |                             |                   |
| Interest  | \$ 96,579                   | \$ 87,379         |
| Income taxes  | \$ -                        | \$ -              |

**Non Cash Investing and Financing Activities:**

|  |    |        |    |         |
|--|----|--------|----|---------|
| Cancellation of stock                      | \$ | -      | \$ | 8,957   |
| Debt discount on 8% convertible debentures | \$ | -      | \$ | 572,698 |
| Warrants exercised for services            | \$ | 60,000 | \$ | -       |

*See accompanying summary of accounting policies and notes to unaudited condensed consolidated financial statements.*



## **BRENDAN TECHNOLOGIES, INC.**

### **Notes to the Unaudited Condensed Consolidated Financial Statements**

#### **Note 1 - Business**

##### Nature of Business

Brendan Technologies, Inc., a Nevada corporation (the “**Company**”, “**we**” or “**Brendan**”) provides software solutions to improve the accuracy, quality control, workflow, and regulatory compliance of immunoassay testing in laboratories in the biopharmaceutical, clinical, research, veterinarian and agricultural industries.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and the Company’s wholly owned subsidiary. The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. All material inter-company accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the periods presented have been included. Operating results for the three and nine month periods ended March 31, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2008. For further information, refer to the financial statements and notes thereto included in the Brendan Technologies, Inc. Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007.

##### Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”. This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, which for us will be the fiscal year beginning July 1, 2008. We are currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measures”. This Statement defines fair value, establishes a framework for measuring fair value in generally GAAP, expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for us will be the fiscal year beginning July 1, 2008. We are currently evaluating the impact of SFAS No. 157 but do not expect that it will have a material impact on our financial statements.

##### Reclassifications

Certain reclassifications have been made to the March 31, 2007 financial statements in order for them to conform to the March 31, 2008 presentation. Such reclassifications have no impact on our financial position or results of operations.



**BRENDAN TECHNOLOGIES, INC.**

**Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)**

**Note 2- Going Concern**

Going Concern

These financial statements have been prepared on a going concern basis. However, during the nine months ended March 31, 2008 and the year ended June 30, 2007, the Company incurred net losses of \$2,325,354 and \$2,110,698, respectively, and had an accumulated deficit of \$10,677,761 and \$8,352,407, at March 31, 2008 and June 30, 2007, respectively. In addition, as of March 31, 2008, the Company had a working capital deficit of \$4,238,106 and is in default on \$238,906 of debt and interest. The

Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and as such raise substantial doubt as to the Company's ability to continue as a going concern. Since inception, the Company has satisfied its capital needs through debt and equity financings and expects to fund the Company from these sources until profitability is achieved. There can be no assurance that funds will be available at terms favorable to the Company or that future profitability can be achieved. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management's Plans

Management's plans to eliminate the going concern situation include, but are not limited to, the following:

- Obtain additional equity or debt financing from investors.
- Increase revenue from the sale of its software. The Company is anticipating to release an upgraded version of its software during the next six months that will address customer enterprise level requirements.
- If necessary, the Company will initiate cost cutting programs that would reduce cash requirements.

**Note 3 - Loss Per Share**

The Company utilizes SFAS No. 128, "Earnings per Share." Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

For the nine months ended March 31, 2008 and 2007, the following common equivalent shares were excluded from the computation of loss per share since their effects are anti-dilutive.

**BRENDAN TECHNOLOGIES, INC.****Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)**

|                        | 2008       | March 31,<br>2007 |
|------------------------|------------|-------------------|
| Convertible debentures | 4,055,000  | 3,385,000         |
| Options                | 5,522,100  | 4,685,000         |
| Warrants               | 6,024,667  | 7,470,667         |
| Total                  | 15,601,767 | 15,540,667        |

Estimates

The preparation of financial statements 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Note 4- Notes Payable and Secured Bridge Loan**

Notes payable in default consisted of the following:

|   | March 31,<br>2008 | June 30,<br>2007 |
|---|-------------------|------------------|
| Two unsecured, senior subordinated notes payable, due on various dates on or before September 2004, bearing interest at 8% per annum. | \$ 130,000        | \$ 130,000       |

The above notes which were not converted as part of the reverse merger remain in default.

In July 2007, we issued secured bridge loans with a face value of \$600,000 (\$555,000 net of costs) to a group of five investors. The loans are due nine months from the date of issuance and interest is payable monthly in cash at the rate of 15% per annum. The bridge loans are secured by all of our assets. In addition, in July 2007, we issued warrants exercisable into up to 690,000 common stock purchase shares to the investors and individuals who assisted in the transaction. In February 2008, we issued an additional 966,000 warrant shares to these investors as a result of price protection provisions contained in their financing agreements.

The price protection provisions were triggered when a rights offering was extended at a reduced price of \$0.25 per share. Per the terms of warrants held by the investors, the accumulative number of warrant shares was increased from 690,000 warrant shares to 1,656,000 warrant shares and the exercise price per share was reduced from \$0.60 per share to \$0.25 per share leaving the accumulative exercise value constant at \$414,000. There were no similar terms in any other outstanding warrant agreement. See Subsequent Event, Note 9, for a discussion of a forbearance agreement related to the secured bridge loans.

During the third quarter ended March 31, 2008, we issued notes with an accumulative face value of \$213,000 to a group of seven investors including three investors who are officers and/or directors of the Company. The notes are due four months from the date of issuance and interest accrues at the rate of 15% per annum and will be paid in cash at maturity. In addition, we issued 213,000 common stock purchase warrants exercisable at \$0.25 per share for five years.



**BRENDAN TECHNOLOGIES, INC.****Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)****Note 5- Accrued Wages and Vacation**

Accrued wages and vacation consist of the following:

|  | March 31,<br>2008 | June 30,<br>2007 |
|--|-------------------|------------------|
| Wages deferred from 1999-2004                    | \$ 687,527        | \$ 687,527       |
| Payroll taxes due on deferred 1999-2004 wages    | 84,503            | 84,503           |
| Current year wages deferred                      | 140,222           | -                |
| Payroll taxes due on current year wages deferred | 18,493            | -                |
| Accrued vacation                                 | 90,473            | 68,827           |
|  | \$ 1,021,218      | \$ 840,857       |

During the three and nine months ended March 31, 2008, employees received stock options exercisable for five years into up to 93,100 shares of the Company's common stock with an exercise price of \$0.25 per share in exchange for deferring a portion of their wages until cash flow supports repayment of these wages.

**Note 6- 8% Convertible Debentures**

*Overview.* From June 2006 through June 2007, we sold an aggregate of \$2,027,500 of 8% convertible debentures to a group of 23 individual investors, two of which are affiliates of the Company, and one institutional investor. The convertible debentures entitle the debenture holder to convert the principal into our common stock for two years from the date of closing. Interest on the debentures is payable, at the option of the warrant holder, either quarterly in cash or at the earlier of maturity or conversion in common stock of the Company.

*Number of Shares Debentures May Be Converted Into.* The debentures can be converted into a number of our common shares at a conversion price equal to \$0.50 per share.

*Warrants.* Concurrent with the issuance of the convertible debentures, we issued to the debenture holders warrants to purchase shares of our common stock. These warrants are exercisable for one to five years from the date of issuance at exercise prices ranging from \$0.60 to \$1.00 per share. See the Equity Transactions, Note 7, for a discussion of a rights offering that effected the exercise of these warrants.

*Right of First Refusal.* The debenture holders have a right of first refusal to purchase or participate in any equity securities offered by us in any private transaction which closes on or prior to the date that is two years after the issue date of each debenture.

*Registration Rights.* We are responsible for registering the resale of the shares of our common stock which will be issued on the conversion of the debentures.

*Restrictions on Use of Funds.* We may not pay any cash dividends without the debenture holders prior written approval.

The following table presents the status, as of March 31, 2008 and June 30, 2007, of our convertible debentures:



**BRENDAN TECHNOLOGIES, INC.****Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)**

|  | As of          |               |
|--|----------------|---------------|
|  | March 31, 2008 | June 30, 2007 |
| Convertible debentures issued                        | \$ 2,027,500   | \$ 2,027,500  |
| Less debt discount                                   | (290,250)      | (533,656)     |
|  | 1,737,250      | 1,493,844     |
| Less current portion                                 | (1,467,663)    | (115,822)     |
| Long term portion                                    | \$ 269,587     | \$ 1,378,022  |
| Current issued to related parties                    | \$ 144,372     | \$ 91,812     |
| Long term issued to related parties                  | \$ -           | \$ 34,154     |
| Maturity dates of outstanding convertible debentures |                |               |
| March 2009   | \$ 1,692,500   | \$ 125,000    |
| March 2010   | 335,000        | 1,902,500     |
|  | \$ 2,027,500   | \$ 2,027,500  |

**Note 7- Equity Transactions**

In October 2007, we extended a rights offering to our existing warrant holders, whereby, through November 10, 2007, at the sole election of the warrant holder, any outstanding warrant could be exercised at \$0.25 per share. As a result of this rights offering, warrants with original exercise prices ranging from \$.60 to \$1.00 per share were exercised at \$0.25 per share for the purchase of 1,845,000 shares of our common stock resulting in proceeds of \$461,250. The difference between the closing price of our common stock on the date of exercise and \$0.25, \$22,800, is being reflected as additional non-cash interest during the nine months ended March 31, 2008.

We recorded additional paid in capital and non-cash compensation expense for stock options issued to employees and consultants of \$40,668 for the nine months ended March 31, 2008. Also, we recorded additional paid in capital of \$103,619 related to warrants issued as a result of receiving secured bridge loans and notes during the nine months ended March 31, 2008.

During the quarter ended March 31, 2008, we recorded additional paid in capital and non-cash interest expense of \$132,118 related to price protection for previously issued warrants.

During the quarter ended March 31, 2008, a warrant was exercised into 240,000 shares of common stock in exchange for services valued at \$60,000.

The significant assumptions used in the Black-Scholes model to estimate the compensation and interest expense for the issuance of stock options and warrants during the three and nine months ended March 31, 2008 are as follows:



**BRENDAN TECHNOLOGIES, INC.****Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)**

|                                       | Three Months | Nine Months   |
|---------------------------------------|--------------|---------------|
| Expected term of options and warrants | 5 years      | 5 years       |
| Expected volatility                   | 43%          | 42% - 43%     |
| Expected dividends                    | None         | None          |
| Risk-free interest rate               | 2.55-2.87%   | 2.55% - 5.03% |
| Forfeitures                           | 0%           | 0%            |

A summary of the options outstanding follows:

|   | For the Nine Months Ended<br>March 31, 2008 |  |
|---|---|--|
|   | Shares                                      | Weighted<br>Average<br>Exercise<br>Price |
| Options   |   |  |
| Outstanding at beginning of year                                    | 4,975,000                                   | \$ 0.41                                  |
| Granted   | 593,100                                     | 0.59                                     |
| Cancelled   | (46,000)                                    | 0.64                                     |
| Exercised   | -   | -  |
| Outstanding at end of the period                                    | 5,522,100                                   | 0.43                                     |
| Exercisable at end of the period                                    | 4,922,100                                   | \$ 0.40                                  |
| Weighted average fair value of options<br>granted during the period |   | \$ 0.07                                  |

As of March 31, 2008, the unamortized portion of stock compensation expense on all existing stock options was \$51,314.

A summary of warrants outstanding follows:

|  | For the Nine Months Ended<br>March 31, 2008 |                                 |
|--|---|---------------------------------|
|  |   | Weighted<br>Average<br>Exercise |

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| Warrants                         | Shares      | Price   |
|----------------------------------|-------------|---------|
| Outstanding at beginning of year | 8,660,667   | \$ 0.88 |
| Granted                          | 1,869,000   | 0.25    |
| Cancelled                        | (2,420,000) | 1.00    |
| Exercised                        | (2,085,000) | 0.25    |
| Outstanding at end of the period | 6,024,667   | 0.64    |
| Exercisable at end of the period | 6,024,667   | \$ 0.64 |

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**BRENDAN TECHNOLOGIES, INC.**

**Notes to the Unaudited Condensed Consolidated Financial Statements (Continued)**

**Note 8- Income Taxes**

We or one of our subsidiaries file income tax returns in the U.S. federal jurisdiction and the state of California. With few exceptions, we are no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2004.

We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on July 1, 2007. As a result of the implementation of Interpretation 48, we did not recognize an increase in the liability for unrecognized tax benefits. No unrecognized tax benefits are being reported for the three or nine months ended March 31, 2008.

Included in the balance at July 1, 2007, are no tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

Our policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

At June 30, 2007, we had federal net operating loss carryforwards of approximately \$7,251,000 that expire from 2017 through 2025 and are subject to certain limitations under the Internal Revenue Code of 1986, as amended, and state net operating loss carryforwards of approximately \$6,800,000 that expire from 2010 through 2015.

**Note 9 - Subsequent Event**

In April 2008, we entered into a Forbearance Agreement with the secured note holders whereby the maturity date of the bridge loans aggregating \$600,000 was extended to June 9, 2008, the default interest rate of 22% per annum is being accrued from February 1, 2008 to the payment date, and an accumulative 225,000 shares of restricted common stock was issued to the note holders.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

THE FOLLOWING DISCUSSION INCLUDES FORWARD-LOOKING STATEMENTS WITH RESPECT TO OUR FUTURE FINANCIAL PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CURRENTLY ANTICIPATED AND FROM HISTORICAL RESULTS DEPENDING UPON A VARIETY OF FACTORS, INCLUDING THOSE DESCRIBED BELOW UNDER THE SUB-HEADING, "RISK FACTORS." SEE ALSO OUR ANNUAL REPORT ON FORM 10-KSB FOR OUR FISCAL YEAR ENDED JUNE 30, 2007.

### **Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates, including those related to our product returns, bad debts, intangible assets, long-lived assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We have identified two accounting policies that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

#### *1. Revenue Recognition*

The Company recognizes revenues related to software licenses and software maintenance in accordance with the American Institute of Certified Public Accountants ("AICPA") Statements of Position ("SOP") No. 97-2, "Software Revenue Recognition," as amended by SOP No. 94-4 and SOP No. 98-9. We follow the guidance established by the SEC in Staff Accounting Bulletin No. 104, as well as generally accepted criteria for revenue recognition, which require that, before revenue is recorded, there is persuasive evidence of an arrangement, the fee is fixed or determinable, collection is reasonably assured, and delivery to our customer has occurred. In addition, our invoices may include multiple elements that identify vendor specific objective evidence of fair value for each of those elements. The Company recognizes revenue as follows:

Software- our software is sold with an indefinite license period, and as such, product revenue is recorded at the time of the customer's acceptance (generally 30 days after shipment which allows for a 30 day return guarantee if the customer is not satisfied with the product), net of estimated allowances and returns.

Post-contract customer support- ("PCS") obligations are generally for annual services and are recognized over the period of service. Revenues for which payment has been received are treated as deferred revenue until services are provided and revenues have been earned.

Training and service calls- recognized at the time training or service calls are provided.

Royalties- we recognize revenue from royalties only after the cash has been collected (typically 30 days after the end of the quarter on which the royalty payment is based.)

Licensing- we also derive license revenue from fees for the transfer of proven and reusable intellectual property components. Generally, these payments will include a nonrefundable technology license fee, which will be payable upon the transfer of intellectual property. License fees will be recognized upon the execution of the license agreement and transfer of intellectual property provided no further significant performance obligations exist and collectibility is

deemed probable.

Customization revenue- fees related to software service contracts to aid customers in adapting such intellectual property to their particular instruments, which will be performed on a best efforts basis and for which we will receive periodic milestone payments, will be recognized as revenue over the estimated development period, using a cost-based percentage of completion method.

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## 2. Going Concern

These financial statements have been prepared on a going concern basis. However, during the nine months ended March 31, 2008 and the year ended June 30, 2007, the Company incurred net losses of \$2,325,354 and \$2,110,698, respectively, and had an accumulated deficit of \$10,677,761 and \$8,352,407, at March 31, 2008 and June 30, 2007, respectively. In addition, as of March 31, 2008, the Company had a working capital deficit of \$4,238,106 and is in default on \$238,906 of debt and interest. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and as such raise substantial doubt as to the Company's ability to continue as a going concern. Since inception, the Company has satisfied its capital needs through debt and equity financings and expects to fund the Company from these sources until profitability is achieved. There can be no assurance that funds will be available at terms favorable to the Company or that future profitability can be achieved.

## Results of Operations

*Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007*

### Selected Financial Information

|  | Three Months Ended March 31, |              | Increase    |        |
|--|------------------------------|--------------|-------------|--------|
|  | <u>2008</u>                  | <u>2007</u>  | (Decrease)  | %      |
| Statements of Operations               |                              |              |             |        |
| Revenues                               | \$ 132,264                   | \$ 164,888   | \$ (32,624) | -19.8% |
| Selling expenses                       | 26,952                       | 10,608       | 16,344      | 154.1% |
| Research and development               | 135,677                      | 126,582      | 9,095       | 7.2%   |
| General and administrative expenses    | 476,632                      | 392,648      | 83,984      | 21.4%  |
| Interest expense                       | 405,447                      | 128,046      | 277,401     | 216.6% |
| Total expenses                         | 1,044,708                    | 657,884      | 386,824     | 58.8%  |
| Net (loss)                             | \$ (912,444)                 | \$ (492,996) | \$ 419,448  | 85.1%  |
| Net (loss) per basic and diluted share | \$ (0.04)                    | \$ (0.02)    | \$ 0.02     | 100.0% |

### Revenues

Revenues for the quarter ended March 31, 2008 decreased \$32,624, 19.8%, to \$132,264 compared to \$164,888 for the quarter ended March 31, 2007. The primary reason for the revenue decrease was an approximate \$27,000 decrease in the sale of our existing StatLIA software plus an approximate \$6,000 decrease in training, maintenance and support related to our software. We anticipate that revenue will decline for the next quarter as our customers are anticipating the release of our upgraded version of the StatLIA software to an enterprise level during the second half of calendar year 2008.

### Selling Expenses

Selling expenses increased by \$16,344, 154.1%, to \$26,952 for the three months ended March 31, 2008 from \$10,608 for the three months ended March 31, 2007. This increase was primarily due to a write down in anticipated commission expense of approximately \$17,000 the previous fiscal year quarter.



Research and Development Expenses

Research and development expenses increased by \$9,095, 7.2%, to \$135,677 for the three months ended March 31, 2008 from \$126,582 for the three months ended March 31, 2007. This increase was primarily due to an increase in software engineers to complete the upgrade of our StatLIA software to an enterprise version.

General and Administrative Expenses

General and administrative expenses increased by \$83,984, 21.4%, to \$476,632 for the quarter ended March 31, 2008 from \$392,648 for the quarter ended March 31, 2007. The primary reasons for the increase were approximately \$57,000 increase in personnel to ramp up for the anticipated release of our StatLIA software to an enterprise version during the second half of calendar year 2008 and approximately \$27,000 related to an increase in consulting expenses compared to the previous fiscal year quarter when we recorded a write down in anticipated consulting expenses.

Interest Expense

Interest expense increased by \$277,402, 216.6% increase, to \$405,447 for the quarter ended March 31, 2008 from \$128,046 for the quarter ended March 31, 2007. The primary reason for the increase in interest was a result of the issuance of 8% convertible debentures, additional notes payable and the issuance of secured bridge loans.

*Nine months Ended March 31, 2008 Compared to Nine months Ended March 31, 2007*

**Selected Financial Information**

|  | Nine Months Ended March 31, |                | Increase   |        |
|--|-----------------------------|----------------|------------|--------|
|  | <u>2008</u>                 | <u>2007</u>    | (Decrease) | %      |
| Statements of Operations               |                             |                |            |        |
| Revenues                               | \$ 499,072                  | \$ 387,536     | \$ 111,536 | 28.8%  |
| Selling expenses                       | 105,374                     | 58,570         | 46,804     | 79.9%  |
| Research and development               | 381,406                     | 325,026        | 56,380     | 17.3%  |
| General and administrative expenses    | 1,421,728                   | 1,160,487      | 261,241    | 22.5%  |
| Interest expense                       | 915,918                     | 301,150        | 614,768    | 204.1% |
| Total expenses                         | 2,824,426                   | 1,845,233      | 979,193    | 53.1%  |
| Net (loss)                             | \$ (2,325,354)              | \$ (1,457,697) | \$ 867,657 | 59.5%  |
| Net (loss) per basic and diluted share | \$ (0.09)                   | \$ (0.06)      | \$ 0.03    | 50.0%  |

Revenues

Revenues for the nine months ended March 31, 2008 increased \$111,536, 28.8%, to \$499,072 compared to \$387,536 for the nine months ended March 31, 2007. The primary reason for the revenue increase was an approximate \$58,000 increase in the sale of our existing StatLIA software and an approximate \$46,000 increase in sales of packages used to validate our software. We anticipate that revenue will decline for the next quarter as our customers are anticipating the release of our upgraded version of the StatLIA software to an enterprise level during the second half of calendar year 2008.



Selling Expenses

Selling expenses increased by \$46,804, 79.9%, to \$105,374 for the nine months ended March 31, 2008 from \$58,570 for the nine months ended March 31, 2007. This increase was primarily due to the increase in our sales force and an increase in selling commission expense as a result of the increased revenue during the current fiscal year.

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Research and Development Expenses

Research and development expenses increased by \$56,380, 17.3%, to \$381,406 for the nine months ended March 31, 2008 from \$325,026 for the nine months ended March 31, 2007. This increase was primarily due to an increase in software engineers to complete the upgrade of our StatLIA software to an enterprise version.

General and Administrative Expenses

General and administrative expenses increased by \$261,241, 22.5%, to \$1,421,728 for the nine months ended March 31, 2008 from \$1,160,487 for the nine months ended March 31, 2007. The primary reasons for the increase were approximately \$205,000 increase in personnel to ramp up for the anticipated release of our StatLIA software to an enterprise version during the first half of calendar year 2008 and approximately \$58,000 related to travel and trade show presentations.

Interest Expense

Interest expense increased by \$614,768, 204.1% increase, to \$915,918 for the nine months ended March 31, 2008 from \$301,150 for the nine months ended March 31, 2007. The primary reason for the increase in interest was a result of the issuance of 8% convertible debentures, notes payable and secured bridge loans.

**Capital Resources**

|                         | March 31, 2008 | As of<br>June 30, 2007 | Increase<br>(Decrease) |
|-------------------------|----------------|------------------------|------------------------|
| Working Capital         |                |                        |                        |
| Current assets          | \$ 204,603     | \$ 250,218             | \$ (45,615)            |
| Current liabilities     | 4,442,709      | 1,929,861              | 2,512,848              |
| Working capital deficit | \$ (4,238,106) | \$ (1,679,643)         | \$ 2,558,463           |
| Long-term debt          | \$ 269,980     | \$ 1,381,629           | \$ (1,111,649)         |
| Stockholders' deficit   | \$ (4,380,864) | \$ (2,875,965)         | \$ 1,504,899           |

|   | Nine Months Ended March 31,<br>2008 | 2007 | Increase<br>(Decrease) |
|---|-------------------------------------|------|------------------------|
| Statements of Cash Flows Select Information |                                     |      |                        |

## Net cash provided (used) by:

|                      |                |                |              |
|----------------------|----------------|----------------|--------------|
| Operating activities | \$ (1,174,404) | \$ (1,247,463) | \$ (73,059)  |
| Investing activities | \$ (9,956)     | \$ (112,507)   | \$ (102,551) |
| Financing activities | \$ 1,168,563   | \$ 1,317,782   | \$ (149,219) |

|                                  | March 31,<br>2008 | As of<br>June 30,<br>2007 | Increase<br>(Decrease) |
|----------------------------------|-------------------|---------------------------|------------------------|
| Balance Sheet Select Information |                   |                           |                        |
| Cash and cash equivalents        | \$ 69,219         | \$ 85,016                 | \$ (15,797)            |

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|                                       |    |           |    |           |    |          |
|---------------------------------------|----|-----------|----|-----------|----|----------|
| Accounts receivable                   | \$ | 52,979    | \$ | 75,283    | \$ | (22,304) |
| Accounts payable and accrued expenses | \$ | 1,819,533 | \$ | 1,382,875 | \$ | 436,658  |

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## Liquidity

Brendan has historically financed its operations through debt and equity financings. At March 31, 2008, we had cash holdings of \$69,219, a decrease of \$15,797 compared to June 30, 2007. Our net working capital deficit at March 31, 2008, was \$4,238,106 compared to \$1,679,643 as of June 30, 2007.

These financial statements have been prepared on a going concern basis. However, during the nine months ended March 31, 2008 and the year ended June 30, 2007, the Company incurred net losses of \$2,325,354 and \$2,110,698, respectively, and had an accumulated deficit of \$10,677,761 and \$8,352,407, at March 31, 2008 and June 30, 2007, respectively. The Company's ability to continue as a going concern is dependent upon its ability to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time. Since inception, the Company has satisfied its capital needs through debt and equity financings. During the nine months ended March 31, 2008, the Company issued \$555,000 of 15% secured bridge loans, net of costs amounting to \$45,000 and \$213,000 of 15% notes payable.

Management plans to continue to provide for its capital needs during the twelve months ending March 31, 2009, by increasing sales through the continued development of its products and by debt and/or equity financings. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

## Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, which for us will be the fiscal year beginning July 1, 2008. We are currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measures". This Statement defines fair value, establishes a framework for measuring fair value in generally GAAP, expands disclosures about fair value measurements, and applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 does not require any new fair value measurements. However, the FASB anticipates that for some entities, the application of SFAS No. 157 will change current practice. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, which for us will be the fiscal year beginning July, 2008. We are currently evaluating the impact of SFAS No. 157 but do not expect that it will have a material impact on our financial statements.

## ITEM 3. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-QSB (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, as

appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

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**PART II. OTHER INFORMATION****ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended March 31, 2008, we issued common stock and common stock purchase warrants as follows:

| Shareholder  | Date of Issuance | Number of<br>Common Shares<br>Issued | Source of<br>Payment |  |
|--------------|------------------|--------------------------------------|----------------------|--|
| Dian Griesel | 3/19/2008        | 240,000                              | Services             |  |

  

| Warrant Holder               | Date of Issuance | Number of Shares | Exercise Price | Expiration<br>Date |
|------------------------------|------------------|------------------|----------------|--------------------|
| Lowell Giffhorn              | 1/29/2008        | 50,000           | \$0.25         | 1/29/2013          |
| Theo Vermaelen               | 2/12/2008        | 20,000           | \$0.25         | 2/12/2013          |
| John Dunn II                 | 2/12/2008        | 8,000            | \$0.25         | 2/12/2013          |
| James and Josephine Zolin    | 3/26/2008        | 25,000           | \$0.25         | 3/26/2013          |
| Victor Gabourel              | 3/26/2008        | 50,000           | \$0.25         | 3/26/2013          |
| Anthony Wayne Opperman       | 3/26/2008        | 50,000           | \$0.25         | 3/26/2013          |
| Jerome Chrobak               | 3/26/2008        | 10,000           | \$0.25         | 3/26/2013          |
| Little Bear Investments, LLC | 2/28/2008        | 140,000          | \$0.25         | 2/28/2013          |
| The Kybartai Trust           | 2/28/2008        | 140,000          | \$0.25         | 2/28/2013          |
| Iroquois Master Fund, Ltd.   | 2/28/2008        | 350,000          | \$0.25         | 2/28/2013          |
| Eugene and Natalie Ciner     | 2/28/2008        | 14,000           | \$0.25         | 2/28/2013          |
| Zachary Prensky              | 2/28/2008        | 196,000          | \$0.25         | 2/28/2013          |
| Midtown Partners LLC         | 2/28/2008        | 84,000           | \$0.25         | 2/28/2013          |
| Michael Morrisett            | 2/28/2008        | 42,000           | \$0.25         | 2/28/2013          |

Dian Griesel is a principal in The Investor Relations Group, IRG, who provides us with investor relation services. The common stock issued was a result of Ms. Griesel exercising a warrant at \$0.25 per share, or \$60,000, in exchange for a like amount of investor services to be provided by IRG.

With respect to the above securities issuances, the Registrant relied on exemptions provided by Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 under the Securities Act. No advertising or general solicitation was employed in offering the securities. The securities were issued to a limited number of persons all of whom were accredited investors as that term is defined in Rule 501 of Regulation D under the Securities Act. All were capable of analyzing the merits and risks of their investment, acknowledged in writing that they were acquiring the securities for investment and not with a view toward distribution or resale, and understood the speculative nature of their investment. All securities issued contained a restrictive legend prohibiting transfer of the shares except in accordance with federal securities laws.

There were no proceeds received from the issuance of the above securities.

**ITEM 6. EXHIBITS.**

(a) Exhibits -

| <b>Exhibit No.</b> | <b>Title</b>   |
|--------------------|--|
| 31.1               | 302 Certification of John R. Dunn II, Chief Executive Officer    |
| 31.2               | 302 Certification of Lowell W. Giffhorn, Chief Financial Officer |
| 32.1               | 906 Certification of John R. Dunn II, Chief Executive Officer    |
| 32.2               | 906 Certification of Lowell W. Giffhorn, Chief Financial Officer |

**SIGNATURES**

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

BRENDAN TECHNOLOGIES, INC  
a Nevada corporation

Date: May 15, 2008

By: /s/ JOHN R. DUNN II

\_\_\_\_\_  
Chief Executive Officer

(Principal Executive and duly authorized to sign on behalf of the Registrant)