BRENDAN TECHNOLOGIES INC
Form 10QSB
May 14, 2007

**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 quarterly period ended **March 31, 2007**

¨ 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** | **88-0237223** |
| (State or other jurisdiction of incorporation or organization) | (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 x No o**

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

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 | 23,705,594 |
| (Class) | Outstanding at May 14, 2007 |

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

**Brendan Technologies, Inc.**

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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, 2007 (Unaudited) | June 30, 2006 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 107,324 | $ 149,512 |
| Accounts receivable, net | 74,489 | 56,107 |
| Prepaid expenses | 30,611 | 301 |
| Total current assets | 212,424 | 205,920 |
| **Property and equipment,** net | 153,597 | 72,740 |
| **Other assets** | 132,978 | 8,190 |
| | $ 498,999 | $ 286,850 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| **Current liabilities:** | | |
| Notes payable in default | $ 130,000 | $ 255,000 |
| Accrued interest in default | 90,963 | 78,217 |
| Accounts payable | 2,979 | 161,430 |
| Accrued wages and vacation | 842,452 | 772,030 |
| Accrued interest | 468,658 | 414,959 |
| Deferred revenue | 113,161 | 77,651 |
| Current portion of lease obligations | 7,413 | 6,442 |
| Total current liabilities | 1,655,626 | 1,765,729 |
| **Long term portion of lease obligations** | 5,307 | 10,996 |
| **8% Convertible debentures net of debt discount** | 1,082,270 | 23,002 |
| **8% Convertible debentures net of debt discount - related parties** | 120,603 | 83,652 |
| **Stockholders' deficit** | | |
| Preferred stock, $.004995 par value; 5,000,000 shares authorized: none outstanding | - | - |
| Common stock, $.004995 par value; 50,000,000 shares authorized: 23,705,594 and 25,498,794 issued and outstanding | | |

| | | | | |
|---|---|---|---|---|
| at March 31, 2007 and June 30, 2006, respectively | | 118,409 | | 127,366 |
| Additional paid in capital | | 5,216,190 | | 4,517,814 |
| Accumulated deficit | | (7,699,406) | | (6,241,709) |
| Total stockholders' deficit | | (2,364,807) | | (1,596,529) |
| | $ | 498,999 | $ | 286,850 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

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

| | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2006 | Nine Months Ended March 31, 2007 | Nine Months Ended March 31, 2006 |
|---|---|---|---|---|
| Revenue | $ 164,888 | $ 251,449 | $ 387,536 | $ 473,097 |
| | | | | |
| Selling expenses | 10,608 | 24,067 | 58,570 | 75,930 |
| General and administrative expenses | 519,230 | 306,663 | 1,485,513 | 821,550 |
| | 529,838 | 330,730 | 1,544,083 | 897,480 |
| | | | | |
| Loss from operations | (364,950) | (79,281) | (1,156,547) | (424,383) |
| | | | | |
| Other expense | | | | |
| Interest expense | (128,046) | (30,508) | (301,150) | (178,249) |
| | | | | |
| Loss before provision for income taxes | (492,996) | (109,789) | (1,457,697) | (602,632) |
| | | | | |
| Provision for income taxes | - | - | - | - |
| | | | | |
| Net loss | $ (492,996) | $ (109,789) | $ (1,457,697) | $ (602,632) |
| | | | | |
| Basic and diluted loss per share | $ (0.02) | $ (0.00) | $ (0.06) | $ (0.05) |
| | | | | |
| Basic and diluted weighted average common shares outstanding | 23,705,594 | 25,498,794 | 23,712,139 | 11,707,805 |

*See accompanying notes to unaudited condensed consolidated financial statements.*

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

| | Nine Months Ended March 31, 2007 | 2006 |
|---|---|---|
| **Operating activities:** | | |
| Net loss | $ (1,457,697) | $ (602,632) |
| Adjustments to reconcile net loss | | |
| to cash provided by operating activities: | | |
| Depreciation | 31,650 | 9,070 |
| Stock option compensation | 58,426 | - |
| Amortization of debt discount | 101,417 | - |
| Amortization of financing costs | 45,909 | - |
| Amortizaton of warrant valuation issued for services | 7,598 | - |
| Provision for uncollectible receivables | 1,000 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (19,382) | 2,719 |
| Prepaid expense and other assets | (30,310) | (31,723) |
| Accounts payable | (158,451) | 26,605 |
| Accrued liabilities | 136,867 | 54,732 |
| Deferred revenue | 35,510 | 36,495 |
| Net cash used in operating activities | (1,247,463) | (504,734) |
| **Investing activities:** | | |
| Purchase of property and equipment | (112,507) | (59,841) |
| Net cash used in investing activities | (112,507) | (59,841) |
| **Financing activities:** | | |
| Principal payments of lease obligations | (4,718) | (1,574) |
| Principal payments on notes payable in default | (125,000) | - |
| Proceeds from note receivable on sale of Omni divisions | - | 496,498 |
| Proceeds from sale of stock, net of costs | - | 202,500 |
| Proceeds from issuance of 8% convertible debentures, | | |
| net of costs | 1,447,500 | - |
| Net cash provided by financing activities | 1,317,782 | 697,424 |
| **Net increase in cash and cash equivalents** | (42,188) | 132,849 |
| **Cash and cash equivalents**, beginning of year | 149,512 | 32,504 |
| **Cash and cash equivalents,** end of period | $ 107,324 | $ 165,353 |
| | | |
| **Supplemental Disclosure of Cash Flow Information:** | | |
| Cash paid during the period for: | | |
| Interest | $ 87,379 | $ 13,445 |
| Income taxes | $ - | $ - |
| **Non Cash Investing and Financing Activities:** | | |
| Cancellation of stock | $ 8,957 | $ - |
| Debt discount on 8% convertible debentures | $ 572,698 | $ - |
| Financing costs related to 8% convertible debentures | $ 147,905 | $ - |
| Valuation of warrants issued for services | $ 30,390 | $ - |
| Conversion of Brendan notes payable into common stock | $ - | $ 1,692,972 |
| Conversion of Brendan accrued interest into common stock | $ - | $ 961,226 |
| Issuance of common stock in payment of accounts payable | $ - | $ 35,000 |

*See accompanying 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, Brendan Technologies, Inc., a Michigan corporation. 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, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2007. 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, 2006.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. We will be required to adopt SFAS No. 159 in the first quarter of fiscal year 2008. We are currently evaluating the requirements of SFAS No. 159 and have not yet determined the impact, if any, its adoption will have on our consolidated financial position and results of operations.

**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, 2007 and the year ended June 30, 2006, the Company incurred net losses of $1,457,697 and $845,393, respectively, and had an accumulated deficit of $7,699,406 and $6,241,709, at March 31, 2007 and June 30, 2006, respectively. In addition, as of March 31, 2007, the Company had a working capital deficit of $1,443,202 and is in default on $220,963 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. These condensed consolidated financial statements do not include any adjustments

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

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 twelve 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, 2007 and 2006, the following common equivalent shares were excluded from the computation of loss per share since their effects are anti-dilutive.

| | March 31, | |
|---|---|---|
| | 2007 | 2006 (Post-merger) |
| Convertible debentures | 3,385,000 | - |
| Options | 4,685,000 | 3,840,000 |
| Warrants | 7,470,667 | 54,000 |
| Total | 15,540,667 | 3,894,000 |

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 In Default**

Notes payable in default consisted of the following:

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

| | March 31, 2007 | June 30, 2006 |
|---|---|---|
| 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 |
| Unsecured, note payable for $125,000, with interest at a rate of 12% per annum. | | 125,000 |
| | $ 130,000 | $ 255,000 |

The unsecured note for $125,000 was repaid during the quarter ended September 30, 2006.

**Note 5- 8% Convertible Debentures**

*Overview*. During the period of June 20, 2006 through March 31, 2007, we sold an aggregate of $1,692,500 of 8% convertible debentures to a group of 19 individual investors, two of which are affiliates of the Company, and one institutional investor. Subsequent to March 31, 2007, we sold an additional aggregate of $160,000 of 8% convertible debentures to a group of four individual investors. 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 quarterly in cash. In accordance with Emerging Issues Task Force Issue 98-5, Accounting for Convertible Securities with a Beneficial Conversion Features or Contingently Adjustable Conversion Ratios ("EITF 98-5"), the Company recognized an embedded beneficial conversion feature present in the Convertible Note. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to additional paid-in capital and recorded a corresponding discount against the carrying value of the Convertible Notes. The Company valued the warrants in accordance with EITF 00-27 using the Black-Scholes pricing model and the following assumptions: contractual terms of from 1 to 5 years, an average risk free interest rate of 4.57% to 5.09%, a dividend yield of 0%, and volatility of 39% to 43%. The debt discount attributed to the beneficial conversion feature and value of the warrants issued are amortized over the term of the Convertible Note (2 years) as interest expense. If the debenture is converted to common stock previous to its maturity date, any debt discount not previously amortized is expensed to non-cash interest at the time of the conversion.

*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.

*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.

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

The following table presents the status, as of March 31, 2007 and June 30, 2006, of our convertible debentures:

| | As of March 31, 2007 | As of June 30, 2006 |
|---|---|---|
| Convertible debentures issued | $ 1,692,500 | $ 125,000 |
| Less debt discount | (489,627) | (18,346) |
| | 1,202,873 | 106,654 |
| Less current portion | - | - |
| Long term portion | $ 1,202,873 | $ 106,654 |
| Issued to related parties | $ 120,603 | $ 83,652 |
| Maturity dates of outstanding convertible debentures | | |
| Year Ending | | |
| June 30, 2007 | $ - | $ - |
| June 30, 2008 | 125,000 | 125,000 |
| June 30, 2009 | 1,567,500 | - |
| | $ 1,692,500 | $ 125,000 |

**Note 6- Shareholder's Deficit**

**Common Stock**

The Company has authorized 50,000,000 shares of common stock at $.004995 par value.

| | Common Shares | Dollars |
|---|---|---|
| Balance July 1, 2006 | 25,498,794 | $ 4,645,180 |
| Cancellation of shares | (1,793,200) | - |
| Warrant valuation related to financing costs | - | 27,905 |
| Warrant valuation as result of services provided | - | 30,390 |
| Non cash issuance of stock options | - | 58,426 |
| Non cash debt discount on issuance of 8% convertible debentures, net of amortization | - | 572,698 |

| | | | |
|---|---|---|---|
| Balance March 31, 2007 | 23,705,594 | $ | 5,334,599 |

During the nine months ended March 31, 2007, the Company cancelled 1,793,200 shares reserved for issuance to an individual as a result of a 1999 agreement with an investment banking firm in which the individual was a principal. The individual was obligated to use his best efforts to secure private placement financings and the investment banking firm was to underwrite an initial public offering for the Company. The Company determined that due to the failure to meet any measurable performance as called for in the agreement, the individual was not entitled to these shares.

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

**Warrants**

During the nine months ended March 31, 2007, the Company issued warrants exercisable into up to 6,750,000 shares of common stock to investors as part of the issuance of 8% convertible debentures. In addition, the Company issued a warrant for the purchase of up to 240,000 shares to one individual who assisted the Company in raising funds and a warrant for the purchase of up to 240,000 shares to one individual who is providing investor relations services to the Company. The Company estimated the fair value of the warrants at the issuance date by using the Black-Scholes pricing model with the following weighted average assumptions used for the nine months ended March 31, 2007: dividend yield of zero percent; expected volatility of 39% to 43%; risk free interest rate of 4.57% to 5.09%; and expected lives of 1 to 5 years.

In August 2005, Brendan issued a warrant exercisable, after giving effect to the reverse merger on December 29, 2005, into 54,000 shares of the Company's stock at an exercise price of $.75 per share with an expiration date of five years from the date of grant. The Company estimated the fair value of the warrant at the issuance date by using the Black-Scholes pricing model with the following weighted average assumptions used for the nine months ended March 31, 2006: dividend yield of zero percent; expected volatility of 100%; risk free interest rate of 4.08%; and expected life of 5 years. The valuation of the warrant, $7,407, was recorded as a stock offering cost.

As of March 31, 2007, 7,470,667 warrants are outstanding at prices ranging from $0.60 to $6.00 per share with expiration dates ranging from 2007 to 2012. Included in the warrants outstanding are 166,667 warrants remaining from the predecessor's obligations transferred to the Company.

**Stock Option Plan**

In April 2006 we adopted a Stock Option Plan, which we refer to as the "Plan," which provides for the grant of stock options intended to qualify as "incentive stock options" and "nonqualified stock options" (collectively "stock options") within the meaning of Section 422 of the United States Internal Revenue Code of 1986 (the "Code"). Stock options may be issued to any of our officers, directors, key employees or consultants.

Under the Plan, we have reserved 7.5 million shares underlying stock options for issuance to executive officers, employees and consultants of the Company. The Plan is administered by the full Board of Directors, who determine which individuals shall receive stock options, the time period during which the stock options may be exercised, the number of shares of common stock that may be purchased under each stock option and the stock option price.

During the nine months ended March 31, 2007, the Company issued stock options exercisable into up to 360,000 shares of common stock to employees and a director of the Company. The Company estimated the fair value of the stock options at the date of grant by using the Black-Scholes pricing model with the following weighted average assumptions used for the nine months ended March 31, 2007: dividend yield of zero percent; expected volatility of 39% to 43%; risk free interest rate of 4.62% to 4.78%; and expected lives of 5 years. During the nine months ended March 31, 2007, a stock option that would have been exercisable into up to 297,334 shares expired. The stock option had been issued from the predecessor's stock option plan.

As of March 31, 2007, 4,685,000 options are outstanding at prices ranging from $0.025 to $4.87 per share with expiration dates ranging from 2009 to 2012. Included in the options outstanding are 25,000 options remaining from the predecessor's stock option plan.

**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, 2006.

**Critical Accounting Policies and Estimates**

The preparation of condensed 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 three 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.

*2. Debt Discount*

In determining the accounting treatment to be used for our convertible debentures and associated stock warrants we relied upon Emerging Issues Task Force Issue (EITFI) 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios" and EITFI 00-27 "Application of Issue No. 98-5 to Certain Convertible Securities." We issue warrants as part of our convertible debentures and other financings. We value the warrants using the Black-Scholes pricing model based on expected fair value at issuance and the estimated fair value and any beneficial conversion feature expense is recorded as debt discount. The debt discount is amortized to non-cash interest over the life of the debenture assuming the debenture will be held to maturity which is normally 2 years. If the debenture is converted to common stock previous to its maturity date, any debt discount not previously amortized is expensed to non-cash interest at the time of the conversion.

*3. Going Concern*

These financial statements have been prepared on a going concern basis. However, during the nine months ended March 31, 2007 and the year ended June 30, 2006, the Company incurred net losses of $1,457,697 and $845,393, respectively, and had an accumulated deficit of $7,699,406 and $6,241,709, at March 31, 2007 and June 30, 2006, respectively. In addition, as of March 31, 2007, the Company had a working capital deficit of $1,443,202 and is in default on $220,963 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**

On December 29, 2005, the Company completed the acquisition of substantially all the assets of Brendan Sub pursuant to a Merger Agreement and completed the disposition of substantially all the assets of Omni-Washington and Butler pursuant to a Stock Purchase Agreement. As a result of these transactions and the issuance of common stock to the shareholders, noteholders and individuals who assisted in the merger, Brendan Sub, a now wholly-owned subsidiary of the Company, became the accounting acquirer and the transaction was accounted for as a reverse merger acquisition.

As a result of Brendan Sub being the accounting acquirer and the post acquisition financial statements being the historical statements of Brendan Sub, the fiscal year end of Brendan Sub was changed from December 31 to June 30. The Company's transition period was the six months ended June 30, 2005.

*Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006*

**Selected Financial Information**

| | Three Months Ended March 31, 2007 | 2006 | Increase (Decrease) | % |
|---|---|---|---|---|
| Statements of Operations | | | | |
| Revenues | $ 164,888 | $ 251,449 | $ (86,561) | -34.4% |
| | | | | |
| Selling expenses | 10,608 | 24,067 | (13,459) | -55.9% |
| General and administrative expenses | 519,230 | 306,663 | 212,567 | 69.3% |
| Interest expense | 128,046 | 30,508 | 97,538 | -319.7% |
| Total expenses | 657,884 | 361,238 | 296,646 | 82.1% |
| | | | | |
| Net (loss) | $ (492,996) | $ (109,789) | $ 383,207 | 349.0% |
| | | | | |
| Net (loss) per basic and diluted share | $ (0.02) | $ - | $ 0.02 | N/A |

<u>Revenues</u>

Revenues for the quarter ended March 31, 2007 decreased $86,561, 34.4%, to $164,888 compared to $251,449 for the quarter ended March 31, 2006. The primary reason for the revenue decrease was an initial order for a minor prerelease component of our upgraded version of the StatLIA software which amounted to approximately $127,000 during the quarter ended March 31, 2006, was not repeated during the current quarter. We anticipate that revenue will decline for the next several quarters 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 2007.

<u>Selling Expenses</u>

Selling expenses decreased by $13,459, a 55.9% decrease, to $10,608 for the three months ended March 31, 2007 from $24,067 for the three months ended March 31, 2006. This decrease was primarily due to a reduction in commission expense for the three months ended March 31, 2007 related to customer validations.

<u>General and Administrative Expenses</u>

General and administrative expenses increased by $212,567, a 69.3% increase, to $519,230 for the quarter ended March 31, 2007 from $306,663 for the quarter ended March 31, 2006. The primary reasons for the increase were approximately $38,000 increase in expenses related to investor relations and $183,000 related to an increase in personnel and infrastructure related to upgrading our StatLIA software to an enterprise version.

Interest Expense

Interest expense increased by $97,538, a 319.7% increase, to $128,046 for the quarter ended March 31, 2007 from $30,508 for the quarter ended March 31, 2006. The primary reason for the increase was the increase in interest related to the issuance of 8% convertible debentures.

*Nine Months Ended March 31, 2007 Compared to Nine Months Ended March 31, 2006*

**Selected Financial Information**

| | Nine Months Ended March 31, 2007 | Nine Months Ended March 31, 2006 | Increase (Decrease) | % |
|---|---|---|---|---|
| Statements of Operations | | | | |
| Revenues | $ 387,536 | $ 473,097 | $ (85,561) | -18.1% |
| Selling expenses | 58,570 | 75,930 | (17,360) | -22.9% |
| General and administrative expenses | 1,485,513 | 821,550 | 663,963 | 80.8% |
| Interest expense | 301,150 | 178,249 | 122,901 | -68.9% |
| Total expenses | 1,845,233 | 1,075,729 | 769,504 | 71.5% |
| Net (loss) | $ (1,457,697) | $ (602,632) | $ 855,065 | 141.9% |
| Net (loss) per basic and diluted share | $ (0.06) | $ (0.05) | $ 0.01 | 20.0% |

Revenues

Revenues for the nine months ended March 31, 2007 decreased $85,561, 18.1%, to $387,536 for the nine months ended March 31, 2007 compared to $473,097 for the nine months ended March 31, 2006. The primary reason for the revenue decrease was an initial order for a minor prerelease component of our upgraded version of the StatLIA software which amounted to approximately $127,000 during the fiscal nine months ended March 31, 2006, was not repeated during the current fiscal year. We anticipate that revenue will decline for the next several quarters 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 2007.

Selling Expenses

Selling expenses decreased by $17,360, a 22.9% decrease, to $58,570 for the nine months ended March 31, 2007 from $75,930 for the nine months ended March 31, 2006. This decrease was primarily due to a reduction in commission expense for the nine months ended March 31, 2007 related to customer validations.

General and Administrative Expenses

General and administrative expenses increased by $663,963, an 80.8% increase, to $1,485,513 for the nine months ended March 31, 2007 from $821,550 for the nine months ended March 31, 2006. The primary reasons for the increase were $58,000 increase in non-cash compensation as a result of expensing employee stock options, and $459,000 related to an increase in personnel and infrastructure related to upgrading our StatLIA software to an enterprise version and approximately $76,000 increase in investor relation expenses.

Interest Expense

Interest expense increased by $122,901, a 68.9% increase, to $301,150 for the nine months ended March 31, 2007 from $178,249 for the nine months ended March 31, 2006. The primary reason for the increase was the increase in interest related to the issuance of 8% convertible debentures partially offset by the conversion of notes payable into common stock of Omni in December 2005.

**Capital Resources**

| Working Capital | | As of March 31, 2007 | | June 30, 2006 | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Current assets | $ | 212,424 | $ | 205,920 | $ | 6,504 |
| Current liabilities | | 1,655,626 | | 1,765,729 | | (110,103) |
| Working capital deficit | $ | (1,443,202) | $ | (1,559,809) | $ | (116,607) |
| | | | | | | |
| Long-term debt | $ | 1,208,180 | $ | 117,650 | $ | 1,090,530 |
| | | | | | | |
| Stockholders' deficit | $ | (2,364,807) | $ | (1,596,529) | $ | 768,278 |

| Nine Months Ended March 31, | | Nine Months Ended March 31, 2007 | | 2006 | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Statements of Cash Flows Select Information | | | | | | |
| | | | | | | |
| Net cash provided (used) by: | | | | | | |
| Operating activities | $ | (1,247,463) | $ | (504,734) | $ | 742,729 |
| Investing activities | $ | (112,507) | $ | (59,841) | $ | 52,666 |
| Financing activities | $ | 1,317,782 | $ | 697,424 | $ | 620,358 |

| Balance Sheet Select Information | | As of March 31, 2007 | | June 30, 2006 | | Increase (Decrease) |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 107,324 | $ | 149,512 | $ | (42,188) |
| Accounts receivable | $ | 74,489 | $ | 56,107 | $ | 18,382 |
| Accounts payable and accrued expenses | $ | 1,314,089 | $ | 1,348,419 | $ | (34,330) |

**Liquidity**

Brendan has historically financed its operations through debt and equity financings. At March 31, 2007, we had cash holdings of $107,324, a decrease of $42,188 compared to June 30, 2006. Our net working capital deficit at March 31, 2007, was $1,443,202 compared to $1,559,809 as of June 30, 2006.

These financial statements have been prepared on a going concern basis. However, during the nine months ended March 31, 2007 and the year ended June 30, 2006, the Company incurred net losses of $1,457,697 and $845,393, respectively, and had an accumulated deficit of $7,699,406 and $6,241,709, at March 31, 2007 and June 30, 2006, 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, 2007, the Company issued $1,567,500 of 8% convertible debentures, net of costs amounting to $120,000.

Management plans to continue to provide for its capital needs during the twelve months ending March 31, 2008, 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” (“SFAS No. 159”). SFAS No. 159 provides entities with an option to report selected financial assets and liabilities at fair value, with the objective to reduce both the complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. We will be required to adopt SFAS No. 159 in the first quarter of fiscal year 2008. We are currently evaluating the requirements of SFAS No. 159 and have not yet determined the impact, if any, its adoption will have on our consolidated financial position and results of operations.

## 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 significant 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.

## PART II. OTHER INFORMATION

## ITEM 2. RECENT SALES OF UNREGISTERED SECURITIES

During the period of October 1, 2006 through April 26, 2007, the Company sold to and received cash from a group of investors 8% Convertible Debentures for an aggregate $567,500 and common stock purchase warrants to purchase up to 2,270,000 common shares. In addition, the Company issued warrants to purchase up to 280,000 common shares to two individuals for services they provided.

8% Convertible Debentures

| Debenture holder | Issuance Date of Debenture | | Amount of Debenture | Number of Shares May Be Converted Into | Maturity Date of Debenture |
|---|---|---|---|---|---|
| Tim Flowers | 12/18/2006 | $ | 10,000 | 20,000 | 12/18/2008 |
| Steven Pratt | 12/18/2006 | $ | 10,000 | 20,000 | 12/18/2008 |
| Donald Opperman | 12/18/2006 | $ | 10,000 | 20,000 | 12/18/2008 |
| Mitchell Luedloff | 12/18/2006 | $ | 10,000 | 20,000 | 12/18/2008 |
| Nazeah Aladray | 12/18/2006 | $ | 10,000 | 20,000 | 12/18/2008 |
| James and Josephine Zolin | 12/18/2006 | $ | 25,000 | 50,000 | 12/18/2008 |
| Lowell Giffhorn | 12/18/2006 | $ | 50,000 | 100,000 | 12/18/2008 |
| Victor Gabourel | 12/18/2006 | $ | 50,000 | 100,000 | 12/18/2008 |
| Anthony Wayne Opperman | 12/18/2006 | $ | 50,000 | 100,000 | 12/18/2008 |
| Jesse Giffhorn | 1/2/2007 | $ | 12,500 | 25,000 | 1/2/2009 |
| Todd Flannery | 1/10/2007 | $ | 50,000 | 100,000 | 1/10/2009 |
| Jason Neilitz | 1/10/2007 | $ | 75,000 | 150,000 | 1/10/2009 |
| Doug Kincaid Jr. | 1/10/2007 | $ | 75,000 | 150,000 | 1/10/2009 |
| Adnan Aladray | 1/15/2007 | $ | 20,000 | 40,000 | 1/15/2009 |
| James and Josephine Zolin | 1/24/2007 | $ | 10,000 | 20,000 | 1/24/2009 |
| Jerome Chrobak | 1/24/2007 | $ | 25,000 | 50,000 | 1/24/2009 |
| Bruce Belz, Trustee Belz Family Trust | 1/24/2007 | $ | 25,000 | 50,000 | 1/24/2009 |
| Victor Gabourel | 1/24/2007 | $ | 50,000 | 100,000 | 1/24/2009 |
| Richard Daniels | 4/12/2007 | $ | 25,000 | 50,000 | 4/12/2009 |
| Victor Gabourel | 4/26/2007 | $ | 100,000 | 200,000 | 4/26/2009 |
| James and Josephine Zolin | 4/26/2007 | $ | 10,000 | 20,000 | 4/26/2009 |
| Jerome Chrobak | 4/26/2007 | $ | 25,000 | 50,000 | 4/26/2009 |
| | | | | | |
| | | $ | 727,500 | 1,455,000 | |

Common Stock Purchase Warrants

| Name | Date of Issuance | Number of Shares | Exercise Price | Expiraton Date | |
|---|---|---|---|---|---|
| Dian Griesel | 10/1/2006 | 240,000 | $0.60 | 10/1/2011 | Services |
| Lowell Giffhorn | 12/18/2006 | 100,000 | $0.60 | 12/18/2011 | Debenture |
| James and Josephine Zolin | 12/18/2006 | 50,000 | $0.60 | 12/18/2011 | Debenture |
| Victor Gabourel | 12/18/2006 | 100,000 | $0.60 | 12/18/2011 | Debenture |
| Anthony Wayne Opperman | 12/18/2006 | 100,000 | $0.60 | 12/18/2011 | Debenture |
| Tim Flowers | 12/18/2006 | 20,000 | $0.60 | 12/18/2011 | Debenture |
| Steven Pratt | 12/18/2006 | 20,000 | $0.60 | 12/18/2011 | Debenture |
| Donald Opperman | 12/18/2006 | 20,000 | $0.60 | 12/18/2011 | Debenture |
| Mitchell Luedloff | 12/18/2006 | 20,000 | $0.60 | 12/18/2011 | Debenture |
| Nazeah Aladray | 12/18/2006 | 20,000 | $0.60 | 12/18/2011 | Debenture |
| Lowell Giffhorn | 12/18/2006 | 100,000 | $1.00 | 12/18/2007 | Debenture |
| James and Josephine Zolin | 12/18/2006 | 50,000 | $1.00 | 12/18/2007 | Debenture |
| Victor Gabourel | 12/18/2006 | 100,000 | $1.00 | 12/18/2007 | Debenture |
| Anthony Wayne Opperman | 12/18/2006 | 100,000 | $1.00 | 12/18/2007 | Debenture |
| Tim Flowers | 12/18/2006 | 20,000 | $1.00 | 12/18/2007 | Debenture |
| Steven Pratt | 12/18/2006 | 20,000 | $1.00 | 12/18/2007 | Debenture |
| Donald Opperman | 12/18/2006 | 20,000 | $1.00 | 12/18/2007 | Debenture |
| Mitchell Luedloff | 12/18/2006 | 20,000 | $1.00 | 12/18/2007 | Debenture |
| Nazeah Aladray | 12/18/2006 | 20,000 | $1.00 | 12/18/2007 | Debenture |
| Jesse Giffhorn | 1/2/2007 | 25,000 | $0.60 | 1/2/2012 | Debenture |
| Jesse Giffhorn | 1/2/2007 | 25,000 | $1.00 | 1/2/2008 | Debenture |
| Jason Neilitz | 1/10/2007 | 150,000 | $0.60 | 1/10/2012 | Debenture |
| Doug Kincaid Jr. | 1/10/2007 | 150,000 | $0.60 | 1/10/2012 | Debenture |
| Todd Flannery | 1/10/2007 | 100,000 | $0.60 | 1/10/2012 | Debenture |
| Michael Morrisett | 1/10/2007 | 40,000 | $0.60 | 1/10/2008 | Services |
| Jason Neilitz | 1/10/2007 | 150,000 | $1.00 | 1/10/2008 | Debenture |
| Doug Kincaid Jr. | 1/10/2007 | 150,000 | $1.00 | 1/10/2008 | Debenture |
| Todd Flannery | 1/10/2007 | 100,000 | $1.00 | 1/10/2008 | Debenture |
| Adnan Aladray | 1/15/2007 | 40,000 | $0.60 | 1/15/2012 | Debenture |
| Adnan Aladray | 1/15/2007 | 40,000 | $1.00 | 1/15/2008 | Debenture |
| James and Josephine Zolin | 1/24/2007 | 20,000 | $0.60 | 1/24/2012 | Debenture |
| Victor Gabourel | 1/24/2007 | 100,000 | $0.60 | 1/24/2012 | Debenture |
| Jerome Chrobak | 1/24/2007 | 50,000 | $0.60 | 1/24/2012 | Debenture |
| Bruce Belz, Trustee Belz Family Trust | 1/24/2007 | 50,000 | $0.60 | 1/24/2012 | Debenture |
| James and Josephine Zolin | 1/24/2007 | 20,000 | $1.00 | 1/24/2008 | Debenture |
| Victor Gabourel | 1/24/2007 | 100,000 | $1.00 | 1/24/2008 | Debenture |
| Jerome Chrobak | 1/24/2007 | 50,000 | $1.00 | 1/24/2008 | Debenture |
| Bruce Belz, Trustee Belz Family Trust | 1/24/2007 | 50,000 | $1.00 | 1/24/2008 | Debenture |
| Richard Daniels | 4/12/2007 | 50,000 | $0.60 | 4/12/2012 | Debenture |
| Richard Daniels | 4/12/2007 | 50,000 | $1.00 | 4/12/2008 | Debenture |

| | | | | | |
|---|---|---|---|---|---|
| Victor Gabourel | 4/26/2007 | 200,000 | $0.60 | 4/26/2012 | Debenture |
| James and Josephine Zolin | 4/26/2007 | 20,000 | $0.60 | 4/26/2012 | Debenture |
| Jerome Chrobak | 4/26/2007 | 50,000 | $0.60 | 4/26/2012 | Debenture |
| Victor Gabourel | 4/26/2007 | 200,000 | $1.00 | 4/26/2008 | Debenture |
| James and Josephine Zolin | 4/26/2007 | 20,000 | $1.00 | 4/26/2008 | Debenture |
| Jerome Chrobak | 4/26/2007 | 50,000 | $1.00 | 4/26/2008 | Debenture |
| | | | | | |
| | | 3,190,000 | | | |

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.

**ITEM 6. EXHIBITS.**

(a) Exhibits -

| Exhibit No. | Title |
|---|---|
| 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 14, 2007

By: /s/ JOHN R. DUNN II

John R. Dunn II
Chief Executive Officer
(Principal Executive and duly authorized
to sign on behalf of the Registrant)