BRAIN TREE INTERNATIONAL INC
Form 10-Q
February 16, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended December 31, 2009

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 000-53601

BRAIN TREE INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

UTAH	**870496850**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1390 South 1100 East # 204, Salt Lake City, Utah 84105-2463

(Address of principal executive offices)

(801) 938-5598

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

(Do not check if a smaller reporting company)

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

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Class	**Outstanding as of February 10, 2010**

Common Stock, $0.001 par value	35,031,558

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited balance sheets of Brain Tree International, Inc. at December 31, 2009 and June 30, 2009 (audited), related unaudited statements of operations, stockholders' equity (deficit) and cash flows for the six months ended December 31, 2009 and 2008 and the period July 26, 1983 (date of inception) to December 31, 2009, have been prepared by management in conformity with United States generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the period ended December 31, 2009, are not necessarily indicative of the results that can be expected for the fiscal year ending June 30, 2010 or any other subsequent period.

BRAIN TREE INTERNATIONAL, INC.

(A Development Stage Company)

FINANCIAL STATEMENTS

December 31, 2009 and June 30, 2009

BRAIN TREE INTERNATIONAL, INC.

Development Stage Company

BALANCE SHEETS-unaudited
December 31, 2009 and June 30, 2009

	Dec 31, 2009	Jun 30, 2009
ASSETS		
CURRENT ASSETS		
Cash	$ 874	$ 7,488
Total Current Assets	$ 874	$ 7,488
PATENTS PENDING-net	$ 10,010	$ 9,288
Total Assets	$ 10,884	$ 16,776
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Note Payable-related party	$ 55,000	$ 55,000
Accrued interest payable	$ 8,544	$ 6,392
Accounts Payable	$ 3,695	$ 1,500
Total Current Liabilities	$ 67,239	$ 62,892
STOCKHOLDERS' DEFICIENCY		
Preferred stock		
3,000,000 shares authorized at $.001 par value;		
none outstanding	-	-
Common stock		
47,000,000 shares authorized at $.001 par value;		
35,031,558 shares issued and outstanding	$ 35,032	$ 35,032
Capital in excess of par value	$129,246	$129,246
Accumulated deficit during development stage	($220,633)	($210,394)
Total Stockholders' Deficiency	($ 56,355)	($ 46,116)
	$10,844	$16,776

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

BRAIN TREE INTERNATIONAL, INC.
Development Stage Company

STATEMENTS OF OPERATIONS - unaudited

For the Three and Six Months Ended December 31, 2009 and 2008 and the

Period July 26, 1983 (date of inception) to December 31, 2009

	Three Months		Six Months		
	Dec 31, 2009	Dec 31, 2008	Dec 31, 2009	Dec 31 2008	July 26, 1983 to Dec 31, 2009
REVENUES	$ -	$ -	$ -	$ -	$ -
EXPENSES					
Sales and Administrative Expenses	$3,718	$5,485	$7,709	$9,097	$208,453
Amortization	$189	$176	$378	$308	$3,636
NET LOSS FROM OPERATIONS	($3,907)	($5,661)	($8,087)	($9,405)	($212,089)
Other expenses					
Interest	$1,076	$830	$2,152	$1,285	$8,544
NET LOSS	($4,983)	($6,491)	($10,239)	($10,690)	($220,633)
NET LOSS PER COMMON SHARE					
Basic and diluted	$ -	$ -	$ -	$ -	
WEIGHTED AVERAGE OUTSTANDING SHARES					
Basic (stated in 1000's)	35,032	35,032	35,032	35,032	

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

BRAIN TREE INTERNATIONAL, INC.

Development Stage Company

STATEMENT OF CASH FLOWS - unaudited
For the Six Months Ended December 31, 2009 and 2008 and the Period July 26, 1983 (date of inception) to December 31, 2009

	Dec 31, 2009	Dec 31 2008	July 26, 1983 to Dec 31 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	($10,239)	($10,690)	($220,633)
Adjustments to reconcile net loss to net cash provided by operating activities			
Amortization	$378	$308	$3,636
Capital stock issued for services	-	-	$24,726
Changes in accounts payable	$4,347	$1,285	$12,239
Net Change in Cash from Operations	($5,514)	($9,097)	($180,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase patent	($1,100)	($1,500)	($13,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable-related party	-	$15,000	$55,000
Contributions to capital	-	-	$3,698
Proceeds from issuance of common stock	-	-	$135,854
Net Change in Cash	($6,614)	$4,403	$874
Cash at Beginning of Period	$7,488	$1,526	-
Cash at End of Period	$874	$5,929	$874

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

BRAIN TREE INTERNATIONAL, INC.

Development State Company

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. ORGANIZATION

Brain Tree International, Inc. was incorporated in the State of Utah on July 26, 1983 with 50,000,000 authorized shares at a par value of $0.001. On June 20, 2000 the articles of incorporation were amended to provide for 47,000,000 authorized common shares at a par value of $0.001 and 3,000,000 authorized shares at a par value of $0.001. None of the preferred shares have been issued and the terms have not been established.

The Company was organized to specialize in high technology and is engaged in the business of developing an apparatus, method, and system for providing enhanced digital services using an analog broadcast license.

The Company has not recorded significant revenues to date and is classified as a development stage company in accordance with SFAS 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Methods

The Company recognizes income and expenses based on the accrual method of accounting.

Dividend Policy

The Company has not yet adopted a policy regarding payment of dividends.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that will be in effect, when the differences are expected to reverse. An allowance against deferred tax assets is recorded, when it is more likely than not, that such tax benefits will not be realized.

On December 31, 2009, the Company had a net operating loss available for carryforward of $107,361. The income tax benefit of approximately $ 32,208 from the carryforward has been fully offset by a valuation reserve because the use of the future tax benefit is doubtful since the Company has been unable to project a reliable estimated net income for the future. The net operating loss will expire starting in 2009 through 2031.

Financial and Concentrations Risk

The Company does not have any concentration or related financial credit risk.

BRAIN TREE INTERNATIONAL, INC.

Development State Company

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actually outstanding. Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of any common share rights unless the exercise becomes antidilutive and then only the basic per share amounts are shown in the report.

Statement of Cash Flows

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

Advertising and Market Development

The company expenses advertising and market development costs as incurred.

Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of the assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing these financial statements.

Financial Instruments

The carrying amounts of financial instruments are considered by management to be their estimated fair values due to their short term maturities.

BRAIN TREE INTERNATIONAL, INC.

Development State Company

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent accounting pronouncements will

have a material impact on its financial statements.

3. PATENT

On July 14, 2003 the Company filed a US Patent application, which was issued June 30, 2009, for an (apparatus, method, and system for providing enhanced digital services using an analog broadcast license(. The Company is amortizing the patent over the estimated useful life of 20 years using the straight line method. The Company recorded amortization expense of $378 and $618 during the periods ended December 31, 2009 and June 30, 2009 respectively.

4. CAPITAL STOCK

From its inception the Company has issued 11,570,000 private placement common shares for services of $24,726, 2,500,000 common shares for a public offering of $103,354 and 20,961,558 private placement common shares for $32,500.

5. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

Officer-directors and other related parties have acquired 88 % of the outstanding common capital stock and have made contributions to capital of $ 3,698. The Company has a $30,000, 6%, demand note payable due a principal shareholder which has conversion rights at $.01 per share at the discretion of the note holder. No value has been recognized for the conversion rights.

The Company has a standby revolving line of credit of $50,000 with the same principal shareholder. The line of credit is convertible to common stock at $0.01 per share at the option of the principal shareholder. The interest rate is 10% per annum on the outstanding balance. The line of credit is unsecured and is due in full on December 31, 2010. The Company has borrowed $25,000 of the line of credit as of December 31, 2009. No value has been recognized for the conversion rights.

6. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company does not have sufficient working capital for its planned activity, and to service its debt, which raises substantial doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining additional working capital and the management of the Company has developed a strategy, which it believes will accomplish this objective through short term loans from an officer-director, and additional equity investment, which will enable the Company to continue operations for the coming year.

BRAIN TREE INTERNATIONAL, INC.

Development State Company

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2009

7. SUBSEQUENT EVENTS

The Company has a standby revolving line of credit of $50,000 with a principal shareholder. The line of credit is convertible to common stock at $0.01 per share at the option of the principal shareholder. The interest rate is 10% per annum on the outstanding balance. The line of credit is unsecured and is due in full on December 31, 2010. The Company borrowed additional $10,000 of the line of credit on January 1, 2010. No value has been recognized for the conversion rights.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Form 10-Q.

Results of Operations

We are a development stage company with minimal cash assets and limited operations. Ongoing operating expenses, including the costs associated with the preparation and filing of our registration statement and periodic reports, have been paid for by advances from a stockholder. A total of $65,000 has been advanced by Lane Clissold, a principal stockholder. The debt is evidenced by a convertible promissory note in the amount of $30,000, payable upon demand with an interest rate of 6% and convertible at the option of the note holder into Brain Tree common stock at $0.01 per share. We also have with the same stockholder an unsecured revolving line of credit for $50,000, at an interest rate of 10%, due December 31, 2010 and which is convertible at the option of the note holder into Brain Tree common stock at $0.01 per share. We have used to date $35,000 of the line of credit.

We anticipate that we will require approximately $35,000 over the next 12 months to fund operations and maintain our corporate viability. In the next 12 months, we will continue to rely on funds from credit lines and/or stockholders. We do not have a firm commitment from any stockholder or director to provide any additional funding and there can be no assurance that potential funding will be available in the future.

Results of Operations

Our fiscal year end is June 30. During the six month period ended December 31, 2009, we did not realize any revenues or for the three month period (“second quarter”) ended December 31, 2009.

Total expenses were $3,907 for the second quarter of fiscal year 2010 compared to $5,661 for the corresponding 2009 fiscal year period, a decrease of 31% for the 2010 period. Expenses during the second quarter of fiscal year 2010 were primarily for administrative expenses, which decreased 32% $3,718 for the second quarter of fiscal 2010 from $5,485 for the 2009 period. The second quarter decrease was primarily attributed to a 58% ($2,190) decrease in legal fees, partially offset by an increase of 600% ($600) in rent expenses.

Total expenses were $8,087 for the six month period ended December 31, 2009 compared to $9,405 for the corresponding 2008 period, a decrease of 14% for the 2009 period. Expenses for the 2009 six month period were primarily for administrative expenses that decreased 15% ($1,388), primarily due to a 50% ($1,844) decrease in legal fees, offset by an increase of 60% ($306) in professional and filing fees.

The net loss for the second quarter of fiscal year 2010 was $4,983 compared with a net loss of $6,491 for the second quarter of fiscal 2009. The decrease in net loss during the second quarter is due to the 31% decrease in administrative expenses, offset by a 30% ($246) increase in interest expenses and a 7% ($13) increase in amortization expenses.

The net loss for the first six months of fiscal year 2010 was $10,239 compared with a net loss of $10,690 for the first six months of fiscal 2009 a decrease of 4%. The decrease in the loss during the first six months of fiscal 2010 was due to the 15 % decrease in administrative expenses offset by a 67% ($867) increase in interest expenses and a 22% ($70) increase in amortization expenses.

Liquidity and Capital Resources

At December 31, 2009 and June 30, 2009, we had total assets consisting of cash and a patent net of amortization of $10,884 and $16,776, respectively. Total liabilities at December 31, 2009 and June 30, 2009were $67,239 and $62,892 respectively. Total liabilities at December 31, 2009 consisted of $1,200 for rent, $2,495 in professional fees, $8,544 in accrued interest and two demand notes in the amount of $30,000 and $25,000 issued to a principal stockholder. The notes are payable upon demand and bear interest rates respectively of 6% and 10%. Both note payables are convertible at the option of the note holder to Brain Tree common stock at $0.01 per share.

Because we currently have no revenues and limited cash reserves, we anticipate that we may have to rely on our directors and stockholders to pay expenses until such time as we realize adequate revenues from the development of patent technology. There is no assurance that we will be able to generate adequate revenues in the immediate future to satisfy cash needs. At December 31, 2009, we had cash on hand of $874, working capital of a negative $66,365 and a stockholders' deficiency of $56,335. At June 30, 2009, we had cash on hand of $7,488, working capital of a negative $55,404 and a stockholders' deficiency of $46,116.

Plan of Operation

During the next 12 months we intend to focus our efforts on additional financing and new directors with expertise in engineering and the ability to assist in corporate financing and product apparatus development of our technology. At this time we do not have any new Board nominees and we have not hired anyone to assist in a search. Any new Board nominees may come from our current directors' personal contacts, prospects from trade shows, and/or referrals from engineering consultants. Our options concerning product development would likely come from outside engineering consultants. We have not retained an engineering consultant or firm to assist in a product apparatus design and prototype.

Because we lack immediate requisite funds, it may be necessary to rely on advances from directors and/or stockholders. We currently have a line of credit of up to $50,000 from a stockholder, of which we have used $35,000. Otherwise, there are no firm commitments from anyone to advance future funds. Management intends to hold expenses to a minimum and to obtain services on a contingency basis when possible. Furthermore, directors have agreed to defer any compensation until such time as business warrants the payment of such.

After paying certain costs and expenses related to ongoing administrative costs and associated professional fees, including the cost of being a public company, management estimates that it will have sufficient funds to operate for the next twelve months. If we are not able to generate revenues at that time and do not have enough funds to continue operations, it may be necessary to seek additional financing. This would most likely come from current directors, although the directors are under no obligation to provide additional funding and there is no assurance outside funding will be available on terms acceptable to us, or at all.

We do not expect that we will have to make any significant capital expenditures for new equipment or other assets during fiscal 2010. If additional equipment does become necessary, management believes that we may have to seek outside financing to acquire the equipment or assets.

Currently, we have two employees. Our Vice-President devotes approximately 20 hours per week to company business, and our President assists on an as-needed basis. Management believes that these employees will be adequate for the foreseeable future, or until operations reach a level to justify additional employees. Further, we believe that in the event increased business necessitates additional employees, we will be able to pay the added expenses of these employees from increased revenues.

Inflation

In the opinion of management, inflation has not and will not have a material effect on our operations in the immediate future. Management will continue to monitor inflation and evaluate the possible future effects of inflation on our business and operations.

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements.

Forward Looking and Cautionary Statements

This report includes certain "forward-looking statements" relating to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products and services, anticipated market performance and similar matters. The words "may," "will," expect," anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify forward-looking statements regarding events, conditions, and financial trends that may affect future plans of operations, business strategy, operating results, and financial position.

We caution readers that a variety of factors could cause actual results to differ materially from anticipated results or other matters expressed in forward-looking statements. These risks and uncertainties, many of which are beyond our control, include:

- the sufficiency of existing capital resources and the ability to raise additional capital to fund cash requirements for future operations;
- the ability to complete development of our technology;
- the ability to secure necessary broadcast license, if required;
- uncertainties involved in the rate of growth of our business and acceptance of our technology;
- anticipated size or trends of the market segments in which we will compete and the anticipated competition in those markets;
- volatility of the stock market; and
- general economic conditions.

Although management believes the expectations reflected in these forward-looking statements are reasonable, such expectations cannot guarantee future results, levels of activity, performance or achievements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

This item is not required for a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure and control procedures are also designed to ensure that such information is accumulated and communicated to management, including the chief executive officer and principal accounting officer, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. In designing and evaluating the disclosure controls and procedures, management recognizes that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, management is required to apply its reasonable judgment. Based on the evaluation described above, our management, including our principal executive officer and principal accounting officer, concluded that, as of December 30, 2009, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. Management has evaluated whether any change in our internal control over financial reporting occurred during the first quarter of fiscal 2009. Based on its evaluation, management, including the chief executive officer and principal accounting officer, has concluded that there has been no change in our internal control over financial reporting during the first quarter of fiscal 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or to which any of our property is subject and, to the best of our knowledge, no such actions against us are contemplated or threatened.

Item 1A. Risk Factors

This item is not required for a smaller reporting company.

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

This Item is not applicable.

Item 3. Defaults Upon Senior Securities

This Item is not applicable.

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

This Item is not applicable.

Item 5. Other Information

This Item is not applicable.

Item 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRAIN TREE INTERNATIONAL, INC.

Date: February 16, 2010

By: /S/ DONNA T. NORMAN

Donna T. Norman

President, C.E.O. and Director

Date: February 16, 2010

By: /S/ GEORGE I. NORMAN, III

George I. Norman, III

Vice President and Director

(Principal Financial Officer)

(Principal Accounting Officer)