CLICKNSETTLE COM INC
Form 10QSB
February 14, 2005

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended December 31, 2004

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission File Number: 0-21419

CLICKNSETTLE.COM, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	23-2753988
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1010 Northern Boulevard
Great Neck, New York 11021
(Address of Principal Executive Offices)

(516) 829-4343
(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 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 |_|

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of February 11, 2005, 9,046,056 shares of common stock of the issuer were outstanding.

Transitional small business disclosure format (check one): Yes |_| No |X|

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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31, 2004
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,032,271
Certificates of deposit	--
Marketable securities	--
Accounts receivable (net of allowance for doubtful accounts of $135,195)	291,532
Prepaid expenses and other current assets (net of allowance for doubtful note receivable of $48,848)	83,382
Total current assets	1,407,185
FURNITURE AND EQUIPMENT - AT COST, less accumulated depreciation	--
OTHER ASSETS	49,726
	$ 1,456,911

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 189,207
Accrued expenses and other liabilities	329,680
Accrued payroll and employee benefits	53,651
Deferred revenues	211,787
Total current liabilities	784,325
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Common stock - $.001 par value; 25,000,000 shares authorized; 8,701,554 shares issued and outstanding	8,702
Additional paid-in capital	10,104,325
Accumulated deficit	(9,356,523)
Accumulated other comprehensive income	--
Less common stock in treasury at cost, 252,498 shares	(83,918)
Total stockholders' equity	672,586
	$ 1,456,911

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three months ended December 31, 2004	2003
Net revenues	$ 978,527	$ 927,068
Operating costs and expenses		
Cost of services	216,125	225,876
Sales and marketing expenses	308,479	325,161
General and administrative expenses	464,473	607,760
Loss on impairment of furniture and equipment	14,819	
Reorganization costs	36,714	
	1,040,610	1,158,797
Loss from operations	(62,083)	(231,729)
Other income (expense)		

Investment income (loss)	2,466	(8,717)
Other income	522	858
	2,988	(7,859)
Loss before income taxes	(59,095)	(239,588)
Income taxes	--	--
NET LOSS	$ (59,095)	$ (239,588)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.03)
Weighted-average shares outstanding - basic and diluted	8,449,056	8,449,056

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
Six months ended December 31, 2004 and 2003 (unaudited)

	Common stock		Additional		Accumulated other
	Shares	Amount	paid-in capital	Accumulated deficit	comprehensive income (loss)
Balances at June 30, 2003	1,450,259	$1,450	$10,111,577	($8,394,247)	$ 43,960 (
Six-for-one forward stock split effectuated on December 22, 2003	7,251,295	7,252	(7,252)		
	8,701,554	8,702	10,104,325	(8,394,247)	43,960
Net loss				(350,356)	
Change in unrealized gain (loss) on marketable securities					11,039
Comprehensive loss					
Balances at December 31, 2003	8,701,554	8,702	10,104,325	(8,744,603)	54,999
Balances at June 30, 2004	8,701,554	8,702	10,104,325	(9,116,951)	51,422
Net loss				(239,572)	
Change in unrealized gain (loss) on marketable securities					(51,422)

Comprehensive loss					
Balances at December 31, 2004	8,701,554	8,702	10,104,325	(9,356,523)	--

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
Six months ended December 31,

	2004
Cash flows from operating activities	
Net loss	$ (239,572)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	--
(Gain) on sales of marketable securities	(45,701)
Loss on impairment of furniture and equipment	15,885
Provision for bad debts	1,523
Recovery from write-down of note receivable	--
Changes in operating assets and liabilities	
Decrease in accounts receivable	34,882
(Increase) in prepaid expenses, other current assets and other assets	(23,078)
(Decrease) in accounts payable, accrued expenses and other liabilities	(1,076)
Increase (decrease) in accrued payroll and employee benefits	4,586
Increase (decrease) in deferred revenues	38,369
Net cash used in operating activities	(214,182)
Cash flows from investing activities	
Purchases of marketable securities and certificates of deposit	--
Proceeds from sales of marketable securities and maturity of certificates of deposit	531,469
Increase in receivable for securities sold	
Purchases of furniture and equipment	(15,885)
Net cash provided by (used in) investing activities	515,584
Cash flows from financing activities	
Net cash used in financing activities	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	301,402
Cash and cash equivalents at beginning of period	730,869
Cash and cash equivalents at end of period	$ 1,032,271

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The accompanying notes are an integral part of these statements.

CLICKNSETTLE.COM, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements
Six months ended December 31, 2004
(Unaudited)

1. The consolidated balance sheet as of December 31, 2004 and the related consolidated statements of operations for the three and six month periods ended December 31, 2004 and 2003 have been prepared by clickNsettle.com, Inc., including the accounts of its wholly-owned subsidiaries. In the opinion of management, all adjustments necessary to present fairly the financial position as of December 31, 2004 and for all periods presented, consisting of normal recurring adjustments, have been made. Results of operations for the three and six month periods ended December 31, 2004 are not necessarily indicative of the operating results expected for the full year.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended June 30, 2004 included in the Company's Annual Report on Form 10-KSB. The accounting policies used in preparing these consolidated financial statements are the same as those described in the June 30, 2004 consolidated financial statements.

As a result of continued losses, the use of significant cash in operations and the uncertainty as to the Company's ability to effect a merger or a similar transaction with the intent to acquire a different operating business (see Note 8), there is substantial doubt about the Company's ability to continue as a going concern. The Company's independent auditors have included a going concern paragraph in their report on the June 30, 2004 consolidated financial statements which have been prepared assuming the Company will continue as a going concern. Accordingly, the accompanying consolidated financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

2. Basic earnings per share are based on the weighted average number of common shares outstanding without consideration of potential common stock. Diluted earnings per share are based on the weighted-average number of common and potential common shares outstanding. The calculation takes into account the shares that may be issued upon exercise of stock options and warrants, reduced by the shares that may be repurchased with the funds received from the exercise, based on the average price during the period. Diluted earnings per share is the same as basic earnings per share as potential common shares of 5,924,888 and 5,800,892 at December 31, 2004 and 2003, respectively, would be antidilutive as the Company incurred net losses for the three and six month periods ended December 31, 2004 and 2003.

3. For advertising and external public relations costs, the Company incurred $76,580 and $45,512 for the quarters ended December 31, 2004 and 2003, respectively, and $78,464 and $103,608 for the six months ended December 31, 2004 and 2003, respectively. Such amounts include advertising expenses related to the Company's commitment with American Lawyer Media, Inc., for which the Company incurred $75,854 and $43,265 for the quarters ended December 31, 2004 and 2003, respectively, and $75,854 and $92,280 for the six months ended December 31, 2004 and 2003, respectively. As of December 31, 2004, the Company

had no commitments for future advertising.

4. On March 12, 2004, the Company extended its March 1998 purchase plan (the "Plan"), pursuant to which the number of shares of common stock of the Company eligible for purchase under the Plan remained at an aggregate of 1,600,002 shares. The Plan shall expire on the earlier of all of the shares being purchased or March 12, 2005, provided, however, that the Plan may be discontinued at any time by the Company. The Plan may also be extended on a year-to-year basis. There were no

purchases in the six month period ended December 31, 2004, and, through December 31, 2004, the Company had purchased 252,498 shares under the Plan for an aggregate cost of $83,918.

5. The components of comprehensive loss are as follows:

	Three months ended December 31, 2004	2003
Net loss	$ (59,095)	$(239,588)
Change in unrealized gain (loss) on marketable securities	--	55,105
Comprehensive loss	$ (59,095)	$(184,483)

	Six months ended December 31, 2004	2003
Net loss	$(239,572)	$(350,356)
Change in unrealized gain (loss) on marketable securities		11039
Reclassification adjustment - loss included in net loss	(51,422)	
Comprehensive loss	$(290,994)	$(339,317)

6. In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS No. 148"). SFAS No. 148 encourages, but does not require, companies to record compensation cost for stock-based compensation plans at fair value. In addition, SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and amends the disclosure requirements of Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"). SFAS No. 148 requires disclosures in the summary of significant accounting policies in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results.

The Company adopted, effective December 31, 2002, the disclosure provisions of SFAS No. 148 and continues to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25,

"Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation expense cost is not recognized for options granted to employees and to members of the board of directors when such options are granted to board members in their capacity as directors. During the six-month periods ended December 31, 2004 and 2003, the Company granted 0 and 240,000 options, respectively, and no options were exercised during such six-month periods. In January 2005, the Company's President exercised 600,000 options at an exercise price of $0.042 per share. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

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	Three months ended December 31, 2004	Three months ended December 31, 2003
Net loss, as reported	$ (59,095)	$ (239,588)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(12,993)	(41,010)
Proforma net loss	$ (72,088)	$ (280,598)
Net loss per common share:		
Basic and diluted - as reported	$ (0.01)	$ (0.03)
Basic and diluted - pro forma	$ (0.01)	$ (0.03)

	Six months ended December 31, 2004	Six months ended December 31, 2003
Net loss, as reported	$ (239,572)	$ (350,356)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(25,986)	(81,648)
Proforma net loss	$ (265,558)	$ (432,004)
Net loss per common share:		
Basic and diluted - as reported	$ (0.03)	$ (0.04)
Basic and diluted - pro forma	$ (0.03)	$ (0.05)

7. In December 2004, the FASB issued SFAS No. 123 (R), "Accounting for Stock-Based Compensation." SFAS No. 123 (R) establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (R) requires that the fair value of such equity instruments be recognized as an expense in the historical financial statements as services are performed. Prior to SFAS No. 123 (R), only certain pro forma disclosures of fair value were required. SFAS No. 123 (R) shall be effective for the Company as of the beginning of the first interim reporting period that

begins after June 15, 2005. The adoption of this statement is not expected to have a material impact on the financial statements of the Company commencing with the first quarter ending September 30, 2005.

8. In July 2004, the Board of Directors decided to explore strategic alternatives for the Company in an effort to protect shareholder value. As a result of the numerous scandals in recent years and the passing of the Sarbanes-Oxley Act of 2002 to safeguard shareholders, micro-cap companies such as the Company are faced with mounting legal and audit fees to meet the new compliance requirements now needed to remain as a publicly traded entity. In addition to being expensive in

terms of out-of-pocket expenditures, these requirements are costly in that they are time-consuming and place a strain on the Company's limited personnel resources.

On October 18, 2004, the Company entered into a definitive asset purchase agreement (the "Asset Purchase Agreement") with National Arbitration and Mediation, Inc. (the "Buyer"), a company affiliated with the Company's Chief Executive Officer, Roy Israel. Pursuant to the Asset Purchase Agreement, the Buyer had the right to acquire the assets of the Company's dispute resolution business (the "ADR business"). In consideration, the Buyer was to assume all current and future liabilities and commitments of the ADR business. Furthermore, Mr. Israel agreed not to trigger his change-in-control provision under his employment contract as a result of the Buyer acquiring the ADR business. If such provision was triggered upon the sale or liquidation of the ADR business, the Company would owe Mr. Israel, in one lump sum, approximately $1,015,000 as such amount represents three times his then current base salary. Additionally, the Asset Purchase Agreement provides that a minimum of $200,000 in cash is to remain with the Company before giving affect to transaction costs. This cash will be utilized by the Company to pay for the costs associated with the sale of the ADR business, for continued public reporting obligations and potentially to acquire a new operating business or enter into a business combination. Based on a final balance sheet that will be prepared after the closing date, the cash to be retained by the Company may increase to the extent of 60% of the excess of the Remaining Net Capital before Commitments over $380,462 as of the closing date. The Remaining Net Capital Before Commitments shall mean the fair market value of the assets purchased less the following: (a) recorded liabilities assumed and (b) $200,000 in cash to remain with the Company (to be adjusted based on the timing of payments for the transaction costs). The transaction costs, which are to be paid by the Company with the $200,000 cash balance, is expected to include, but not be limited to, legal, accounting, tax advice and the cost of the fairness opinion. During the three months and six months ended December 31, 2004, the Company incurred $36,714 and $106,371, respectively, of such costs, which are included in Reorganization Costs on the accompanying statement of operations. At December 31, 2004, $2,743 of such amount is unpaid and included in accounts payable in the accompanying balance sheet.

The Board of Directors received an opinion, dated October 15, 2004, from an unrelated party, Capitalink, L.C., that, as of that date, based upon and subject to the assumptions made, matters considered and limitations on its review as set forth in the opinion, the purchase consideration is fair, from a financial point of view, to the Company's unaffiliated stockholders.

On January 13, 2005, at the annual meeting of shareholders, the Company's shareholders approved the transaction. Immediately thereafter, the Company completed the sale of the ADR business. In connection therewith, the Buyer assumed the current and future commitments of the Company. Specifically, the

Company has been released from its lease agreements for office space in Great Neck and Brooklyn, New York and from its employment agreements with its President and Chief Financial Officer. Additionally, the Buyer has guaranteed the payments due on the remainder of the Company's automobile lease. The Buyer has assumed the remaining payments due on the lease of a postage meter (which approximates $2,000 in total) until such time as the lessor issues a release of liability to the Company. Furthermore, in accordance with the Company's stock option plan, all unvested employees options vested as of the date of the sale of the ADR business. As the Company did not retain any employees subsequent to the sale, all employee options will expire if not exercised on or by April 13, 2005.

Since the consummation of the sale, the Company has no operating business. Currently, the Company is actively searching for a new operating business to acquire or to enter into a business combination. There can be no assurances that an operating entity will be acquired or that a business combination will be consummated.

9. On February 2, 2005, the Company was informed by the Boston Stock Exchange ("BSE") that the Company's listing thereon would be suspended as of the close of trading that day. The suspension is due to the fact that the Company, after the sale of its sole operating business, is no longer in compliance with the BSE's requirements of $1,000,000 in total assets and $500,000 in shareholders' equity. However, the BSE has agreed to provide a 90-day extension through May 2, 2005. If the Company were to regain compliance on or before that day, the Company's stock would not be delisted from the BSE.

The Company's common stock continues to be quoted on the OTC Bulletin Board under the stock symbol CLIK.

10. The following unaudited pro forma condensed balance sheet of the Company is based on and should be read in conjunction with the historical financial statements and notes thereto appearing in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2004. The Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2004 reflects the financial position of the Company after giving effect to the sale on January 13, 2005 and assumes that such transaction was consummated as of December 31, 2004. Non-recurring items representing the costs of the transaction and the estimated loss on the transaction are reflected in the pro forma balance sheet in the stockholders' equity line.

In the opinion of Management, the accompanying pro forma condensed consolidated balance sheet includes all material adjustments necessary to reflect, on a pro forma basis, the impact of the transaction on the historical balance sheet of the Company. The adjustments are described in the notes to the unaudited pro forma condensed consolidated balance sheet and are set forth in the "Pro Forma Adjustments" column.

The unaudited pro forma condensed consolidated balance sheet has been presented for illustrative purposes only and is not necessarily indicative of the future financial position of the Company, or of the financial position of the Company had the transaction been in effect as of the date presented.

clickNsettle.com, Inc. and Subsidiaries
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 2004
(unaudited)

		Pro Form
	As Reported	Effects of t Transaction (
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,032,271	(767,642
Accounts receivable, net	291,532	(291,532
Prepaid expenses and other current assets, net	83,382	(1,349
Total current assets	1,407,185	(1,060,523
FURNITURE AND EQUIPMENT, net	--	
OTHER ASSETS	49,726	(49,726
	$ 1,456,911	$(1,110,249
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 189,207	$ (176,957
Accrued expenses and other liabilities	329,680	(277,219
Accrued payroll and employee benefits	53,651	(53,651
Deferred revenues	211,787	(211,787
Total current liabilities	784,325	(719,614
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - $.001 par value; 25,000,000 shares authorized; 8,701,554 shares issued and outstanding	8,702	
Additional paid-in capital	10,104,325	
Accumulated deficit	(9,356,523)	(390,635
Less common stock in treasury at cost, 252,498 shares	(83,918)	
Total stockholders' equity	672,586	(390,635
	$ 1,456,911	$(1,110,249

See accompanying Notes to Pro Forma Condensed Financial Information.

clickNsettle.com, Inc. and Subsidiaries
NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(unaudited)

(1) The pro forma balance sheet reflects the financial position of the Company after giving effect to the sale of principally all the Company's assets and liabilities and assumes that such transaction was consummated as of December 31, 2004. As such, the Company would recognize a financial reporting loss equal to the excess of assets sold (excluding assets remaining with the Company) over the recorded liabilities assumed by the Buyer and other adjustments as follows:

Book value of liabilities assumed	719,614
Consideration by Buyer in providing future management services	30,000
Book value of assets sold	(1,140,249)
Book loss on Transaction	$ (390,635)

Such loss is reflected in stockholders' equity in the column "Effects of the Transaction" on the accompanying pro forma balance sheet.

The cash that is to remain in the Company after the Transaction is to increase to the extent of 60% of the excess of the Remaining Net Capital before Commitments (as defined) over $380,462 as of the closing date. The Remaining Net Capital Before Commitments is calculated as the fair market value of the assets purchased less the following: (a) recorded liabilities assumed and (b) $96,371 (that is, $200,000 in cash to remain with the Company less payments of $103,629 already made through December 31, 2004 for certain of the Transaction costs). As of December 31, 2004, the Remaining Net Capital Before Commitments would have been $660,892. Therefore, $280,430 represents the amount in excess of $380,462; 60% of which, or $168,258 is additional cash to remain in the Company. Therefore, total remaining cash in the Company would be $264,629 before unpaid Transaction costs, taxes and other payables and accrued liabilities.

(2) The Company estimates that $129,000 will be incurred for expenses related to the Transaction (which will include the costs of legal, accounting, tax advice and the fairness opinion) and for taxes as follows:

Estimated legal, accounting and tax advice	$ 74,000
Cost of fairness opinion	42,500
Subtotal	116,500
Estimated taxes on Transaction	12,500
Total net non-recurring expenses	$129,000

Of such total, $106,371 has already been recorded in the historical December 31, 2004 financial statements. Therefore, an additional $22,629 of accrued expenses are recorded on the accompanying pro forma balance sheet. Such amount is reflected in stockholders' equity in the column "Other" on the accompanying pro forma balance sheet.

(3) After the Transaction, the pro forma balance sheet contains cash, a prepaid balance for insurance, market fees and management services to be provided by the Buyer and accounts payable and accrued liabilities for unpaid Transaction costs and taxes and for recurring accounting and other market-related services.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

From time to time, including in this quarterly report on Form 10-QSB, clickNsettle.com, Inc. (formerly NAM Corporation) (the Company, or we) may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, future operations, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements.

RISK FACTORS

We face risks. These risks include those described below and may include additional risks of which we are not currently aware or which we currently do not believe are material. If any of the events or circumstances described in the following risks actually occurs, our financial condition or results of operations could be adversely affected. These risks should be read in conjunction with the other information set forth in this report.

We do Not have an Operating Business and if the Company Acquires a New Business, the Shareholders may Suffer Significant Dilution

On January 13, 2005, the Company sold its ADR business. The Company is searching for an operating entity to acquire or to enter into a business combination. There can be no assurances that an operating entity will be acquired or that a business combination will be consummated. Also, the cash retained by the Company may not be sufficient to pay for the costs associated with the sale of the ADR business, for continued public reporting obligations and to acquire a new operating business or to enter into a business combination. In addition, if the Company does acquire a new operating business or enters into a business combination, it is expected that such transaction will be accomplished by the issuance of stock of the Company resulting in significant dilution.

We have Recent, and Anticipate Continuing, Losses and have Going Concern Considerations

We have incurred operating losses during the last eight years and through December 31, 2004. Going forward, if we do not acquire another operating business, there will be no future revenues being generated. However, the Company will continue to incur costs for continued public reporting obligations. Also, it is likely that in order to acquire a new operating business or to enter into a business combination, costs will be incurred. Therefore, the results of our operations and our financial condition may be materially and adversely affected.

The Company's independent auditors have included a going concern paragraph in their report on the June 30, 2004 consolidated financial statements which have been prepared assuming the Company will continue as a going concern. As a result of continued losses, the use of significant cash in operations and the uncertainty as to the Company's ability to effect a merger or a similar transaction with the intent to acquire a different operating business, there is substantial doubt about the Company's ability to continue as a going concern.

Our Current Stockholders Have the Ability to Exert Significant Control

Our executive officers, directors, and their affiliates beneficially own 4,268,648 shares or approximately 47.2% of the common stock outstanding based on 9,049,056 shares of common stock outstanding as of February 11, 2005. Of that number, Mr. Israel beneficially owns 2,925,788 shares or approximately 32.3% of the common stock. As a result, these stockholders acting in concert may have significant influence on votes to elect or remove any or all of our directors and to control substantially all corporate activities in which we are involved, including tender offers, mergers, proxy contests or other purchases of common stock.

Our Common Stock is Traded on the NASD OTC Electronic Bulletin Board and is subject to the Penny Stock Rules

Trading in our securities has been conducted in the over-the-counter market in the NASD's OTC Electronic Bulletin Board. As a result, an investor may find it more difficult to purchase, dispose of and obtain accurate quotations as to the value of our securities.

In addition, as the trading price of our common stock has been less than $5.00 per share, trading in our common stock is also subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under that rule, broker/dealers who recommend such low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements, including (a) a requirement that they make an individualized written suitability determination for the purchaser and (b) receive the purchaser's written consent prior to the transaction.

The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 also requires additional disclosure in connection with any trades involving a stock defined as a penny stock (generally, any equity security not traded on an exchange or quoted on The NASDAQ SmallCap Market that has a market price of less than $5.00 per share), including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith. Such requirements could severely limit the market liquidity of our securities and the ability of stockholders to sell their securities in the secondary market.

On February 2, 2005, the Company was informed by the Boston Stock Exchange ("BSE") that the Company's listing thereon would be suspended as of the close of trading that day. The suspension is due to the fact that the Company, after the sale of its sole operating business, is no longer in compliance with the BSE's requirements of $1,000,000 in total assets and $500,000 in shareholders' equity. However, the BSE has agreed to provide a 90-day extension through May 2, 2005. If the Company were to regain compliance on or before that day, the Company's stock would not be delisted from the BSE.

GENERAL

Through January 13, 2005, we provided alternative dispute resolution services, or ADR services, to insurance companies, law firms, corporations and municipalities. We focused the majority of our marketing efforts on developing and expanding relationships with these entities, which we believe are some of

the largest consumers of ADR services.

Second Quarter Ended December 31, 2004 Compared to Second Quarter Ended December 31, 2003

Revenues. Revenues increased 5.6% to $978,527 for the three months ended December 31, 2004 from $927,068 for the three months ended December 31, 2003. The increase is primarily due to an increase in the number of cases heard between the periods offset by a decrease in the average dollars earned per hearing.

Cost of Services. Cost of services decreased 4.3% to $216,125 for the second quarter ended December 31, 2004 from $225,876 for the second quarter ended December 31, 2003. Additionally, the cost of services as a percentage of revenues declined slightly from 24.4% for the prior year quarterly period to 22.1% for the current year quarterly period. The ratio of cost of services to revenues will fluctuate based on the type of cases administered, the number of hours per case and our ability (or inability) to take advantage of volume arrangements with hearing officers which usually lower the cost per case.

Sales and Marketing. Sales and marketing costs decreased 5.1% to $308,479 for the second quarter ended December 31, 2004 from $325,161 for the second quarter ended December 31, 2003. Sales and marketing costs as a percentage of revenues decreased to 31.5% in the second quarter of fiscal year 2005 from 35.1% in the second quarter of fiscal year 2004. Most of the decrease relates to salaries and related costs, travel and entertainment and promotions, which, in the aggregate, decreased by approximately $48,000. Such decrease was offset by an increase in advertising costs of approximately $31,000.

General and Administrative. General and administrative costs decreased 23.6% to $464,473 for the second quarter ended December 31, 2004 from $607,760 for the second quarter ended December 31, 2003. We incurred lower charges in the amount of approximately $78,600 for legal expenses, depreciation, bad debts, auto expenses, contributions and employee recruiting. The Company is no longer recording depreciation expense as the Company has recorded a loss from impairment on its furniture and equipment equal to its net book value. The remainder of the decrease (approximately $66,200) relates to employee costs and related items (including benefits, payroll taxes and outside services). Employee costs declined as, due to our electronic case administration system, we required fewer personnel in our information technology department and for other administrative functions. In prior years, costs had increased in these areas to further develop the Company's proprietary computer systems, for which a patent was granted in July 2004. Additionally, as of July 14, 2004, those employees earning in excess of $100,000 voluntarily agreed to a 15% reduction in their salary. General and administrative costs as a percentage of revenues decreased to 47.5% for the second quarter ended December 31, 2004 from 65.6% for the second quarter ended December 31, 2003.

Loss on Impairment of Furniture and Equipment. As of June 30, 2004, we recorded a loss on the impairment of furniture and equipment equal to its net book value due to uncertainty as to the Company's ability to continue as a going concern. In the second quarter of fiscal year 2005, we recorded an additional loss on impairment equal to the price paid for

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furniture and equipment purchased during the quarter. See Liquidity and Capital Resources below. No similar loss was recognized in the prior year period.

Reorganization Costs. During the quarter ended December 31, 2004,

the Company incurred $36,714 in costs related to services rendered in connection with the transaction to sell the Company's ADR business. These costs include professional fees for legal, accounting and tax.

Other Income (Expense). Other income (expense) changed from an expense of $7,859 for the second quarter ended December 31, 2003 to income of $2,988 for the second quarter ended December 31, 2004. Other income (expense) is composed primarily of investment income and realized gains (losses) generated from investments. Realized losses were $11,475 in the second quarter of fiscal year 2004 versus $0 in the second quarter of fiscal year 2005, resulting in an increase of $11,475.

Income Taxes. Tax benefits resulting from net losses incurred for the three- month periods ended December 31, 2004 and 2003 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods.

Net Loss. For the three months ended December 31, 2004, we had a net loss of $59,095 as compared to a net loss of $239,588 for the three months ended December 31, 2003. The loss declined primarily as a result of (a) cost cutting measures including a voluntary 15% salary reduction for employees earning more than $100,000 per annum and (b) an increase of 5.6% in revenues as insurance companies made an accelerated effort to close out cases by their year-end, offset by impairment and reorganization costs.

Six Months Ended December 31, 2004 Compared to Six Months Ended December 31, 2003

Revenues. Revenues decreased 8.7% to $1,748,921 for the six months ended December 31, 2004 from $1,914,854 for the six months ended December 31, 2003. The decline is primarily due to a decrease in the average dollars earned per hearing.

Cost of Services. Cost of services decreased 13.8% to $382,861 for the six months ended December 31, 2004 from $444,283 for the six months ended December 31, 2003. Additionally, the cost of services as a percentage of revenues declined from 23.2% for the prior year six-month period to 21.9% for the current year six-month period. The ratio of cost of services to revenues will fluctuate based on the type of cases administered, the number of hours per case and our ability (or inability) to take advantage of volume arrangements with hearing officers which usually lower the cost per case.

Sales and Marketing. Sales and marketing costs decreased 13.3% to $562,076 for the six months ended December 31, 2004 from $648,663 for the six months ended December 31, 2003. Sales and marketing costs as a percentage of revenues decreased to 32.1% for the first six months of fiscal year 2005 from 33.9% for the first six months of fiscal year 2004. Most of the decrease relates to salaries and related costs, travel and entertainment and promotions, which, in the aggregate, decreased by approximately $62,200. Additionally, advertising costs declined by approximately $25,100.

General and Administrative. General and administrative costs decreased 21.1% to $973,437 for the six months ended December 31, 2004 from $1,234,179 for the six months ended December 31, 2003. Most of the decrease (approximately $157,600) relates to employee costs and related items (including benefits, payroll taxes and outside services). Employee costs declined as, due to our electronic case administration system, we required fewer personnel in our

information technology department and for other administrative functions. In prior years, costs had increased in these areas to further develop the Company's proprietary computer systems, for which a patent was granted in July 2004. Additionally, as of July 14, 2004, those employees earning in excess of $100,000 voluntarily agreed to a 15% reduction in their salary. Further, we incurred lower charges in the amount of approximately $102,800 for depreciation, legal fees, bad debts, contributions, auto expenses and employee recruitment. The Company is no longer recording depreciation expense as the Company has recorded a loss from impairment on its furniture and equipment equal to its net book value. General and administrative costs as a percentage of revenues decreased to 55.7% for the six months ended December 31, 2004 from 64.5% for the six months ended December 31, 2003.

Loss on Impairment of Furniture and Equipment. As of June 30, 2004, we recorded a loss on the impairment of furniture and equipment equal to its net book value due to uncertainty as to the Company's ability to continue as a going concern. In the first six months of fiscal year 2005, we recorded an additional loss on impairment equal to the price paid for furniture and equipment purchased during the period. See Liquidity and Capital Resources below. No similar loss was recognized in the prior year period.

Reorganization Costs. During the six months ended December 31, 2004, the Company incurred $106,371 in costs related to services rendered in connection with the impending transaction to sell the Company's ADR business. These costs include professional fees to an investment banking firm and for legal, accounting and tax advice. An investment banking firm was hired by the disinterested members of the Board of Directors to opine as to whether or not the terms of the proposed transaction was fair, from a financial point of view, to the unaffiliated stockholders.

Other Income. Other income declined from $61,915 for the six months ended December 31, 2003 to $52,137 for the six months ended December 31, 2004. Other income is composed primarily of investment income and realized gains (losses) generated from investments. Realized gains were $45,701 for the first six months of fiscal year 2005 versus $54,683 for the first six months of fiscal year 2004, resulting in a decline of $8,982. During the first quarter of fiscal year 2005, the Company sold its entire portfolio of marketable securities which resulted in the aforementioned gain.

Income Taxes. Tax benefits resulting from net losses incurred for the six-month periods ended December 31, 2004 and 2003 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods.

Net Loss. For the six months ended December 31, 2004, we had a net loss of $239,572 as compared to a net loss of $350,356 for the six months ended December 31, 2003. The loss declined principally due to reductions in operating costs and expenses offset by a decline in revenues and an increase in reorganization costs.

Liquidity and Capital Resources

At December 31, 2004, the Company had a working capital surplus of $622,860 compared to $913,854 at June 30, 2004. The decrease in working capital occurred primarily as a result of the loss from operations.

Net cash used in operating activities was $214,182 for the six months ended December 31, 2004 versus $447,104 in the prior comparable period.

Cash used in operating activities principally decreased due to a lower loss from operations and by changes in operating assets and liabilities.

Net cash provided by investing activities was $515,584 for the six months ended December 31, 2004 versus net cash used in investing activities of $130,791 in the comparable prior period. The change in cash from investing activities was primarily due to the fact that during the first six months of fiscal year 2005, the Company sold its marketable securities and its certificates of deposit matured, the proceeds of which were invested primarily in money market funds.

There were no financing activities during the six months ended December 31, 2004 and 2003.

We have incurred net losses and had negative cash flow from operations during the last eight years and through December 31, 2004. Cash and cash equivalents arising principally from equity transactions have provided sufficient working capital to fund losses incurred and capital expenditures, as well as to provide cash to redeem preferred stock outstanding and to purchase treasury stock. As of December 31, 2004, we had $1,032,271 in aggregate cash and cash equivalents.

In July 2004, our Board of Directors decided to explore strategic alternatives for the Company in an effort to protect shareholder value. As a result of the numerous scandals in recent years and the passing of the Sarbanes-Oxley Act of 2002 to safeguard shareholders, micro-cap companies such as ours are faced with mounting legal and audit fees to meet the new compliance requirements now needed to remain as a publicly traded entity. In addition to being expensive in terms of out-of-pocket expenditures, these requirements are costly in that they are time-consuming and place a strain on our limited personnel resources.

On October 18, 2004, the Company entered into a definitive asset purchase agreement with National Arbitration and Mediation, Inc., a company affiliated with the Company's Chief Executive Officer. Pursuant to the Asset Purchase Agreement, the Buyer had the right to acquire the assets of the Company's ADR business. In consideration, the Buyer was to assume all current and future liabilities and commitments of the ADR business. Furthermore, Mr. Israel agreed not to trigger his change-in-control provision under his employment contract as a result of the Buyer acquiring the ADR business. If such provision was triggered upon the sale or liquidation of the ADR business, the Company would owe Mr. Israel, in one lump sum, approximately $1,015,000 as such amount represents three times his then current base salary. Additionally, the Asset Purchase Agreement provides that a minimum of $200,000 in cash is to remain with the Company, before giving affect to transaction costs. This cash will be utilized by the Company to pay for the costs associated with the sale of the ADR business, for continued public reporting obligations and potentially to acquire a new operating business or enter into a business combination. Based on a final balance sheet that will be prepared after the closing date, the cash to be retained by the Company may increase to the extent of 60% of the excess of the Remaining Net Capital before Commitments over $380,462 as of the closing date. The Remaining Net Capital Before Commitments shall mean the fair market value of the assets purchased less the following: (a) recorded liabilities assumed and (b) $200,000 in cash to remain with the Company (to be adjusted based on the timing of payments for the transaction costs). The transaction costs, which are to be paid by the Company with the $200,000 cash balance, is expected to include, but not be limited to, legal, accounting, tax advice and the cost of the fairness opinion. During the three and six months ended December 31, 2004, the Company incurred $36,714 and $106,371, respectively, of such costs, which are included in Reorganization

Costs on the accompanying statement of operations. At December 31, 2004, $2,743 of such amount is unpaid and included in accounts payable in the accompanying balance sheet.

The Board of Directors received an opinion, dated October 15, 2004, from an unrelated party, Capitalink, L.C., that, as of that date, based upon and subject to the assumptions made, matters considered and limitations on its review as set forth in the opinion, the purchase consideration is fair, from a financial point of view, to the Company's unaffiliated stockholders. Capitalink, L.C. is an investment-banking firm that is regularly engaged in the evaluation of businesses and their securities in connection with mergers, acquisitions, corporate restructurings and private placements.

On January 13, 2005, at the annual meeting of shareholders, the Company's shareholders approved the transaction. Immediately thereafter, the Company completed the sale of the ADR business. In connection therewith, the Buyer assumed the current and future commitments of the Company. Specifically, the Company has been released from its lease agreements for office space in Great Neck and Brooklyn, New York and from its employment agreements with its President and Chief Financial Officer. Additionally, the Buyer has guaranteed the payments due on the remainder of the Company's automobile lease. The Buyer has assumed the remaining payments due on the lease of a postage meter (which approximates $2,000 in total) until such time as the lessor issues a release of liability to the Company. Furthermore, in accordance with the Company's stock option plan, all unvested employees options vested as of the date of the sale of the ADR business. As the Company did not retain any employees subsequent to the sale, all employee options will expire if not exercised on or by April 13, 2005.

Since the consummation of the sale, the Company has no operating business. Currently, the Company is actively searching for a new operating business to acquire or to enter into a business combination. There can be no assurances that an operating entity will be acquired or that a business combination will be consummated.

As a result of continued losses, the use of significant cash in operations and the uncertainty as to the Company's ability to effect a merger or a similar transaction with the intent to acquire a different operating business, there is substantial doubt about the Company's ability to continue as a going concern. The Company's independent auditors have included a going concern paragraph in their report on the June 30, 2004 consolidated financial statements which have been prepared assuming the Company will continue as a going concern. Accordingly, the accompanying consolidated financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

Controls and Procedures

A. Evaluation of Disclosure Controls and Procedures:

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with

participation of our management, including our President and Chief

Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon and as of the date of that evaluation, the President and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act are recorded, processed, summarized and reported as and when required.

B. Changes in Internal Control over Financial Reporting:

There were no changes in our internal controls over financial reporting identified in connection with our evaluation of these controls as of the end of the period covered by this report that could have significantly affected those controls subsequent to the date of the evaluation referred to in the previous paragraph, including any correction action with regard to significant deficiencies and material weakness.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable.

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

Not applicable.

Item 3. Defaults upon Senior Securities.

Not applicable.

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

Not applicable.

Item 5. Other information.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit Number	Description of Document
3.1(a)	Certificate of Incorporation, as amended(1)
3.1(d)	Certificate of Amendment of Certificate of Incorporation(7)
3.1(e)	Certificate of Amendment of Certificate of Incorporation, as amended(10)

3.1(f)	Certificate of Amendment of Certificate of Incorporation, second amendment(14)
3.2	By-Laws of the Company, as amended(3)
4.1	Stock Purchase Agreement dated May 10, 2000(6)
4.2	Stock Purchase Warrant dated May 10, 2000(6)
4.3	Exchangeable Preferred Stock and Warrants Purchase Agreement(5)
10.1	1996 Stock Option Plan, amended and restated(3)
10.2	Employment Agreement between Company and Roy Israel effective July 1, 2002(11)
10.5	Employment Agreement between Company and Patricia Giuliani-Rheaume(2)
10.7	Lease Agreement for Great Neck, New York facility(1)
10.7.1	Amendment to Lease Agreement for Great Neck, New York facility(4)
10.7.2	Second Amendment to Lease Agreement for Great Neck, New York facility(9)
10.14	Advertising Agreement dated August 11, 2000(8)
10.14.1	Amendment to Advertising Agreement dated August 11, 2000(12)
10.14.2	Second Amendment to Advertising Agreement dated August 11, 2000(13)
10.14.3	Third Amendment to Advertising Agreement dated August 11, 2000(14)
10.16	Asset Purchase Agreement dated October 18, 2004(15)
31.1	Rule 13a-14(a)/15d-14(a) Certification (CEO)**
31.2	Rule 13a-14(a)/15d-14(a) Certification (CFO)**
32.1	Section 1350 Certification (CEO)**
32.2	Section 1350 Certification (CFO)**

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(1) Incorporated herein in its entirety by reference to the Company's Registration Statement on Form SB-2, Registration No. 333-9493, as filed with the Securities and Exchange Commission on August 2, 1996.

(2) Incorporated herein in its entirety by reference to the Company's 1997 Annual Report on Form 10-KSB.

(3) Incorporated herein in its entirety by reference to the Company's 1998 Annual Report on Form 10-KSB.

(4) Incorporated herein in its entirety by reference to the Company's 1999 Annual Report on Form 10-KSB.

(5) Incorporated herein in its entirety by reference to the Company's SB-2 filed on March 28, 2000.

(6) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on May 17, 2000.

(7) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on June 21, 2000.

(8) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on August 24, 2000.

(9) Incorporated herein in its entirety by reference to the Company's 2000 Annual Report on Form 10-KSB.

(10) Incorporated herein in its entirety by reference to the Company's 2001 Annual Report on Form 10-KSB.

(11) Incorporated herein in its entirety by reference to the Company's 2002 Annual Report on Form 10-KSB.

(12) Incorporated herein in its entirety by reference to the Company's 2003 Annual Report on Form 10-KSB.

(13) Incorporated herein in its entirety by reference to the Company's Quarterly Report for the quarter ended December 31, 2003 on Form 10-QSB.

(14) Incorporated herein in its entirety by reference to the Company's 2004 Annual Report on Form 10-KSB.

(15) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on October 20, 2004.

** Filed herewith.

(b) Reports on Form 8-K.

Form 8-K was filed on October 20, 2004 to announce that the Company entered into a definitive asset purchase agreement with National Arbitration and Mediation, Inc., a company affiliated with the Company's Chief Executive Officer, pursuant to which the buyer would acquire the assets and assume all current and future liabilities of the Company's dispute resolution business.

Form 8-K was filed on November 16, 2004 by the Company to announce its revenues and results for the first quarter ended September 30, 2004.

Form 8-K was filed on January 18, 2005 by the Company to announce the completion of its sale of its dispute resolution business on January 13, 2005.

SIGNATURES

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

CLICKNSETTLE.COM, INC.

Date: February 11, 2005

By: /s/ Roy Israel

Roy Israel, President and CEO

Date: February 11, 2005

By: /s/ Patricia A. Giuliani-Rheaume

Patricia A. Giuliani-Rheaume, Vice President, Treasurer and CFO