

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

CLICKNSETTLE COM INC
Form 10QSB
May 13, 2005

=====

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

FORM 10-QSB

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

For the quarterly period ended March 31, 2005

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.)

990 Stewart Avenue, First Floor
Garden City, New York 11530

(Address of Principal Executive Offices)

(516) 794-8950

(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 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 May 11, 2005, 9,929,056 shares of common stock of the issuer were outstanding.

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

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

ITEM 1. FINANCIAL STATEMENTS	
Consolidated Balance Sheets at March 31, 2005 (unaudited) and June 30, 2004	3
Consolidated Statements of Operations for the three and nine month periods ended March 31, 2005 and 2004 (unaudited)	4
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Loss for the nine month periods ended March 31, 2005 and 2004 (unaudited)	5
Consolidated Statements of Cash Flows for the nine month periods ended March 31, 2005 and 2004 (unaudited)	6
Notes to Consolidated Financial Statements	7
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	13
ITEM 3. CONTROLS AND PROCEDURES	19
PART II. OTHER INFORMATION	
Item 4. Submission of Matters to a Vote of Security Holders	20
Item 6. Exhibits and Reports on Form 8-K	21
Signatures	23

clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	March 31, 2005	
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 840,171	\$
Certificates of deposit	--	
Marketable securities	--	
Prepaid expenses and other current assets	42,038	
Current assets of discontinued operations	--	
	-----	-----
Total current assets	882,209	

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

NONCURRENT ASSETS OF DISCONTINUED OPERATIONS	--	
	-----	-----
	\$ 882,209	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 3,660	\$
Amount due to buyer of discontinued operations	617,954	
Accrued expenses and other liabilities	86,549	
Current liabilities of discontinued operations	--	
	-----	-----
Total current liabilities	708,163	
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock - \$.001 par value; 25,000,000 shares authorized; 9,301,554 and 8,701,554 shares issued and outstanding, respectively	9,302	
Additional paid-in capital	10,128,721	
Accumulated deficit	(9,880,059)	
Accumulated other comprehensive income	--	
Less common stock in treasury at cost, 252,498 shares	(83,918)	
	-----	-----
Total stockholders' equity	174,046	
	-----	-----
	\$ 882,209	\$
	=====	=====

The accompanying notes are an integral part of these statements.

3

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

	Three months ended March 31, 2005	2004	Nin
	-----	-----	-----
Net revenues	\$ --	\$ --	\$
General and administrative expenses	47,476	65,762	
	-----	-----	-----
Loss from operations	(47,476)	(65,762)	
Investment income (loss)	987	(8,423)	
	-----	-----	-----
Loss from continuing operations before income taxes	(46,489)	(74,185)	

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Income taxes		--	--	
		-----	-----	-----
Loss from continuing operations	\$	(46,489)	\$ (74,185)	\$
Discontinued operations				
Loss from operations of discontinued business, including loss on disposal		(477,048)	(137,917)	
Income taxes		--	--	
		-----	-----	-----
Loss on discontinued operations		(477,048)	(137,917)	
NET LOSS	\$	(523,537)	\$ (212,102)	\$
		=====	=====	=====
Net loss per common share - basic and diluted				
From continuing operations	\$	(0.01)	\$ (0.01)	\$
From discontinued operations, net of income taxes		(0.05)	(0.02)	
		-----	-----	-----
NET LOSS	\$	(0.06)	\$ (0.03)	\$
		=====	=====	=====
Weighted-average shares outstanding - basic and diluted		8,969,056	8,449,056	8
		=====	=====	=====

The accompanying notes are an integral part of these statements.

4

clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS
Nine months ended March 31, 2005 and 2004 (unaudited)

	Common stock		Additional	Accumulated	Accumulated other
	Shares	Amount	paid-in capital	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				(562,458)	
Change in unrealized gain (loss) on marketable securities					20,912
Comprehensive loss					

Balances at March 31, 2004	8,701,554	8,702	10,104,325	(8,956,705)	64,872

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Balances at June 30, 2004	8,701,554	8,702	10,104,325	(9,116,951)	51,422
Exercise of stock options	600,000	600	24,396		
Net loss				(763,108)	
Change in unrealized gain (loss) on marketable securities					(51,422)
Comprehensive loss					
Balances at March 31, 2005	9,301,554	9,302	10,128,721	(9,880,059)	--

The accompanying notes are an integral part of these statements.

5

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

Cash flows from operating activities	
Net loss	
Adjustments to reconcile net loss to net cash used in operating activities	
(Decrease) increase in assets and liabilities of discontinued operations	
(Gain) on sales of marketable securities	
Changes in operating assets and liabilities	
(Increase) in prepaid expenses and other current assets	
Increase in amount due to buyer of discontinued operations	
(Decrease) increase in accounts payable, accrued expenses and other liabilities	
Net cash used in operating activities	
Cash flows from investing activities	
Purchases of marketable securities	
Proceeds from sales of marketable securities and maturity of certificates of deposit	
Net cash used in investing activities of discontinued operations	
Net cash provided by (used in) investing activities	
Cash flows from financing activities	
Proceeds from exercise of stock options	
Net cash provided by financing activities	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

Non-cash investing and financing activities:

Net assets sold

The accompanying notes are an integral part of these statements.

6

CLICKNSETTLE.COM, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements Nine months ended March 31, 2005 (Unaudited)

1. The consolidated balance sheet as of March 31, 2005 and the related consolidated statements of operations for the three and nine month periods ended March 31, 2005 and 2004 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 March 31, 2005 and for all periods presented, consisting of normal recurring adjustments, have been made. Results of operations for the three and nine month periods ended March 31, 2005 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 2), 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. 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

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

Mediation, Inc. (the "Buyer"), a company affiliated with the Company's Chief Executive Officer, Roy Israel. Pursuant to the Asset Purchase Agreement, the Buyer acquired the assets of the Company's dispute resolution business (the "ADR business"). In consideration, the Buyer assumed 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 have owed Mr. Israel, in one lump sum, approximately \$1,015,000, which represented three times his then current base salary. Additionally, the Asset Purchase Agreement provided that a minimum of \$200,000 in cash was to remain with the Company before giving affect to transaction costs. A portion of this cash has been utilized by the Company to pay for the costs associated with the sale of the ADR business and the balance

7

will be used for continued public reporting obligations and potentially to acquire a new operating business or enter into a business combination.

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 (which approximated \$22,000 in total as of January 13, 2005). The Buyer has assumed the remaining payments due on the lease of a postage meter (which approximated \$2,000 in total as of January 13, 2005) 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 outstanding unvested employee stock 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, a total of 3,485,400 unexercised employee stock options expired at the close of business on April 13, 2005.

The loss from discontinued operations, including the loss on disposal of the discontinued operations, for the three and nine months ended March 31, 2005 and 2004 include the following:

	Three months ended March 31,	
	2005	2004
Loss from disposal:		
Loss on sale	(\$419,768)	--
Transaction costs of sale	(5,156)	--
	(\$424,924)	--
Loss from operations of discontinued business	(52,124)	(\$137,917)
	(\$477,048)	(\$137,917)

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

	Nine months ended March 31,	
	2005	2004
	-----	-----
Loss from disposal:		
Loss on sale	(\$419,768)	--
Transaction costs of sale	(111,526)	--
	-----	-----
Loss from disposal	(\$531,294)	--
Loss from operations of discontinued business	(102,397)	(\$402,406)
	-----	-----
Loss from discontinued operations	(\$633,691)	(\$402,406)
	-----	-----

The loss on the sale was calculated as follows:

Book value of liabilities assumed	\$ 667,438
Book value of assets sold	(1,087,206)

Loss on transaction	\$ 419,768

8

Pursuant to the Asset Purchase Agreement, the cash that remained in the Company was increased 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 was 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 January 13, 2005 for certain of the transaction costs). As of January 13, 2005, the Remaining Net Capital before Commitments was \$643,728. Therefore, \$263,266 represents the amount in excess of \$380,462; 60% of which, or \$157,960 is additional cash to remain in the Company. Therefore, as of January 13, 2005, the total cash to be retained by the Company was \$254,331 before unpaid transaction costs, taxes, other payables and accrued liabilities. Although the liabilities and assets other than cash were transferred to the Buyer as of January 13, 2005, the cash balances have yet to be transferred as of March 31, 2005. As a result, the accompanying balance sheet shows cash and cash equivalents of \$840,171. However, as of March 31, 2005, the Company has a balance due to the Buyer in the amount of \$617,954. Such balance is expected to be substantially transferred before June 30, 2005, the end of the Company's fiscal year.

The costs of the transaction, which have been paid by the Company, included legal, accounting, tax advice and the cost of the fairness opinion. During the three months and nine months ended March 31, 2005, the Company incurred \$5,156 and \$111,526, respectively, of such costs, which are included in the loss on sale of discontinued operations on the accompanying statement of operations. At March 31, 2005, all such amounts have been paid.

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.

The prior period financial statements have been reclassified to show the assets, liabilities and results of operations of the ADR business for all periods presented as discontinued operations.

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

3. 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 5,322,888 and 5,750,288 at March 31, 2005 and 2004, respectively, would be antidilutive as the Company incurred net losses for the three and nine month periods ended March 31, 2005 and 2004.

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 expired on March 12, 2005. There were no purchases in the nine month period ended March 31, 2005, and, through March 31, 2005, the Company had purchased 252,498 shares under the Plan for an aggregate cost of \$83,918.

9

5. The components of comprehensive loss are as follows:

	Three months ended March 31, 2005	2004
	-----	-----
Net loss	\$ (523,537)	\$ (212,102)
Change in unrealized gain (loss) on marketable securities	--	9,873
	-----	-----
Comprehensive loss	\$ (523,537)	\$ (202,229)
	-----	-----
	Nine months ended March 31, 2005	2004
	-----	-----
Net loss	\$ (763,108)	\$ (562,458)
Change in unrealized gain (loss) on marketable securities	--	20,912
Reclassification adjustment - loss included in net loss	(51,422)	--
	-----	-----
Comprehensive loss	\$ (814,530)	\$ (541,546)
	-----	-----

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.

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

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. 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. As of January 13, 2005, upon the sale of the Company's operating business, in accordance with the Company's Incentive and Nonqualified Stock Option Plan (the "Stock Plan"), all outstanding unvested employee stock options vested as of that date. Also, in accordance with the Stock Plan, a total of 3,485,400 unexercised employee stock options expired at the close of business on April 13, 2005. As a result, in the following table, the proforma compensation expense for the three and nine months ended March 31, 2005 reflects the effect of the accelerated vesting.

10

	Three months ended March 31, 2005	2004
	-----	-----
Net loss, as reported	\$ (523,537)	\$ (212,102)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(37,462)	(35,182)
	-----	-----
Proforma net loss	\$ (560,999)	\$ (247,284)
	-----	-----
Net loss per common share:		
Basic and diluted - as reported	\$ (0.06)	\$ (0.03)
Basic and diluted - pro forma	\$ (0.06)	\$ (0.03)
	Nine months ended March 31, 2005	2004
	-----	-----
Net loss, as reported	\$ (763,108)	\$ (562,458)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(63,448)	(116,829)
	-----	-----
Proforma net loss	\$ (826,556)	\$ (679,287)
	-----	-----
Net loss per common share:		
Basic and diluted - as reported	\$ (0.09)	\$ (0.07)
Basic and diluted - pro forma	\$ (0.10)	\$ (0.08)

During the nine-month periods ended March 31, 2005 and 2004, the Company granted 0 and 240,000 options, respectively, and 600,000 and 0 options were exercised during such nine-month periods, respectively. In April 2005, the Company's

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

President, Chief Financial Officer and former Director of Information Technology exercised a total of 880,000 options at exercise prices ranging from \$0.042 to \$0.046 per share.

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.

11

8. 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, was no longer in compliance with the BSE's requirements of \$1,000,000 in total assets and \$500,000 in shareholders' equity. The BSE agreed to provide a 90-day extension through May 2, 2005. As the Company was not able to regain compliance, the Company's stock was delisted from the BSE on May 2, 2005.

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

12

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,

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

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 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 March 31, 2005. 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

13

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 5,148,648 shares or approximately 51.85% of the common stock outstanding based on 9,929,056 shares of common stock outstanding as of May 11, 2005. Of that number, Mr. Israel beneficially owns 3,525,788 shares or approximately 35.5% 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

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

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, was no longer in compliance with the BSE's requirements of \$1,000,000 in total assets and \$500,000 in shareholders' equity. The BSE agreed to provide a 90-day extension through May 2, 2005. As the Company was unable to regain compliance, the Company's stock was delisted from the BSE on May 2, 2005.

14

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.

Third Quarter Ended March 31, 2005 Compared to Third Quarter Ended March 31, 2004

The Company sold its sole operating business, ADR services, on January 13, 2005. Since that time, the Company has not had an operating business. The financial statements have been reclassified to show the assets, liabilities and results of operations of the ADR business for all periods presented as discontinued operations. Loss from continuing operations reflects expenses incurred by the Company to maintain its existence as a publicly traded entity including its public reporting obligations. 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.

Loss from continuing operations. Loss from continuing operations declined by 37.3% from \$74,185 for the quarter ended March 31, 2004 to \$46,489 for the quarter ended March 31, 2005. The Company sold its sole operating business on January 13, 2005. The decline in the loss is primarily due to lower costs incurred for legal services and taxes due to the lower level of activity. Additionally, in the three months ended March 31, 2004, the Company had realized losses on the sale of investments in the amount of \$10,927. There were no realized investment losses in the three months ended March 31, 2005.

Loss from discontinued operations. Loss from discontinued operations increased from \$137,917 for the quarter ended March 31, 2004 to \$477,048 for the quarter ended March 31, 2005. The loss in the three months ended March 31, 2005

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

includes the loss on the sale of the ADR business as well as the transaction costs incurred to affect the sale, while the loss in the three months ended March 31, 2004 does not. The loss on the sale was \$419,768 and the transaction costs incurred were \$5,156, totaling \$424,924. The loss from operations of the discontinued business for the quarter ended March 31, 2005 was \$52,124 as compared to \$137,917 for the quarter ended March 31, 2004. The decline in the loss was due to the fact that the three months ended March 31, 2005 only includes net revenues and expenses of \$58,649 and \$110,773, respectively, from January 1 through January 13, the date of the sale, while the three months ended March 31, 2004 includes the net revenues and expenses of \$809,868 and \$947,785, respectively, for the full quarterly period.

Income Taxes. Tax benefits resulting from net losses incurred for the three-month periods ended March 31, 2005 and 2004 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 March 31, 2005, we had a net loss of \$523,537 as compared to a net loss of \$212,102 for the three months ended March 31, 2004. The loss increased primarily due to the loss incurred on the sale of the ADR business, offset by lower losses from the discontinued operations as such operations ceased on January 13, 2005.

15

Nine Months Ended March 31, 2005 Compared to Nine Months Ended March 31, 2004

Loss from continuing operations. Loss from continuing operations declined by 19.1% from \$160,052 for the nine months ended March 31, 2004 to \$129,417 for the nine months ended March 31, 2005. The Company sold its sole operating business on January 13, 2005. The decline in the loss is primarily due to lower costs incurred for legal services and taxes due to the lower level of activity.

Loss from discontinued operations. Loss from discontinued operations increased from \$402,406 for the nine months ended March 31, 2004 to \$633,691 for the nine months ended March 31, 2005. The loss in the nine months ended March 31, 2005 includes the loss on the sale of the ADR business as well as the transaction costs incurred to affect the sale, while the loss in the nine months ended March 31, 2004 does not. The loss on the sale was \$419,768 and the transaction costs incurred were \$111,526, totaling \$531,294. The loss from operations of the discontinued business for the nine months ended March 31, 2005 was \$102,397 as compared to \$402,406 for the nine months ended March 31, 2004. The decline in the loss was due to the fact that the nine months ended March 31, 2005 includes net revenues and expenses of \$1,807,570 and \$1,909,967, respectively, for approximately 6.5 months through January 13, 2005, the date of the sale, while the nine months ended March 31, 2004 includes net revenues and expenses of \$2,724,722 and \$3,127,128, respectively, for the full nine-month period. Additionally, during the first half of the 2005 fiscal year, the Company had been exploring strategic alternatives to preserve shareholder value. In furthering that goal, the Company had instituted cost cutting measures with respect to salaries and related costs (including a 15% salary reduction for employees earning more than \$100,000 per annum), travel and entertainment, advertising, auto expenses and legal fees. Furthermore, during the nine months ended March 31, 2005, the Company recorded no depreciation expense as the Company had recorded a loss from impairment on its furniture and fixtures equal to its net book value in the fourth quarter of fiscal year 2004.

Income Taxes. Tax benefits resulting from net losses incurred for the nine-month periods ended March 31, 2005 and 2004 were not recognized as we

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

recorded a full valuation allowance against the net operating loss carryforwards during the periods.

Net Loss. For the nine months ended March 31, 2005, we had a net loss of \$763,108 as compared to a net loss of \$562,458 for the nine months ended March 31, 2004. The loss increased primarily due to the loss incurred on the sale of the ADR business, offset by lower losses from the discontinued operations as such operations ceased on January 13, 2005 and as cost cutting measures had been instituted in the current period while the Company was exploring strategic alternatives.

Liquidity and Capital Resources

At March 31, 2005, the Company had a working capital surplus of \$174,046 compared to \$913,854 at June 30, 2004. The decrease in working capital occurred primarily as a result of the net loss, which includes the loss on the sale of the ADR business on January 13, 2005. Thereafter, the Company has had no operating business.

Net cash used in operating activities was \$447,164 for the nine months ended March 31, 2005 versus \$563,932 for the nine months ended March 31, 2004. Cash used in

16

operating activities (including discontinued operations) principally decreased due to a higher net loss offset by changes in operating assets and liabilities.

Net cash provided by investing activities was \$531,470 for the nine months ended March 31, 2005 versus net cash used in investing activities of \$72,677 for the nine months ended March 31, 2004. The change in cash from investing activities was primarily due to the fact that during the first nine 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.

Net cash provided by financing activities during the nine months ended March 31, 2005 was \$24,996 versus \$0 during the nine months ended March 31, 2004. The increase was due to the fact that the President of the Company exercised stock options in January 2005.

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 acquired the assets of the Company's ADR business. In consideration, the Buyer assumed 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 have owed Mr. Israel, in

Edgar Filing: CLICKNSSETTLE COM INC - Form 10QSB

one lump sum, approximately \$1,015,000, which represented three times his then current base salary. Additionally, the Asset Purchase Agreement provided that a minimum of \$200,000 in cash was to remain with the Company, before giving affect to transaction costs. A portion of this cash has been utilized by the Company to pay for the costs associated with the sale of the ADR business and the balance will be used for continued public reporting obligations and potentially to acquire a new operating business or enter into a business combination.

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

17

guaranteed the payments due on the remainder of the Company's automobile lease (which approximated \$22,000 in total as of January 13, 2005). The Buyer has assumed the remaining payments due on the remaining term of the lease of a postage meter (which approximated \$2,000 in total as of January 13, 2005) 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 outstanding employee stock 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, a total of 3,485,400 unexercised employee stock options expired at the close of business on April 13, 2005.

Pursuant to the Asset Purchase Agreement, the cash to remain in the Company after the sale was consummated on January 13, 2005 was increased 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 was 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 January 13, 2005 for certain of the transaction costs). As of January 13, 2005, the Remaining Net Capital before Commitments was \$643,728. Therefore, \$263,266 represents the amount in excess of \$380,462; 60% of which, or \$157,960 is additional cash to remain in the Company. Therefore, as of January 13, 2005, the total cash to be retained by the Company was \$254,331 before unpaid transaction costs, taxes, other payables and accrued liabilities. Although the liabilities and assets other than cash were transferred to the Buyer as of January 13, 2005, the cash balances have yet to be transferred as of March 31, 2005. As a result, the accompanying balance sheet shows cash and cash equivalents of \$840,171. However, as of March 31, 2005, the Company has a balance due to the Buyer in the amount of \$617,954. Such balance is expected to be substantially transferred before June 30, 2005, the end of the Company's fiscal year.

The costs of the transaction, which have been paid by the Company,

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

included legal, accounting, tax advice and the cost of the fairness opinion. During the three months and nine months ended March 31, 2005, the Company incurred \$5,156 and \$111,526, respectively, of such costs, which are included in the loss on sale of discontinued operations on the accompanying statement of operations. At March 31, 2005, all such amounts have been paid.

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.

18

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.

19

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

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.
On January 13, 2005, we held our annual meeting of shareholders. At the meeting, the shareholders voted on four proposals. The following represents the results of the voting, both in person and by proxy:

1. Election of Directors:

Roy Israel	7,843,284 votes for; 0 votes against; 95,162 votes withheld.
Anthony J. Mercorella	7,846,282 votes for; 0 votes against; 92,164 votes withheld.
Kenneth G. Geraghty	7,844,284 votes for; 0 votes against; 94,162 votes withheld.
Robert M. Silverson, Jr.	7,844,284 votes for; 0 votes against; 94,162 votes withheld.
Willem F. Specht	7,844,284 votes for; 0 votes against; 94,162 votes withheld.
Corey J. Gottlieb	7,844,284 votes for; 0 votes against; 94,162 votes withheld.
Randy Gerstenblatt	7,844,284 votes for; 0 votes against; 94,162 votes withheld.

2. For ratification of appointment of Grant Thornton LLP as our independent accountants for fiscal year 2005:
7,853,324 votes for;
83,124 votes against; 1,998 abstentions

3. For approval of the amendment to the Company's Certificate of Incorporation authorizing the Board of Directors, in its sole discretion, to increase the authorized common stock, par value \$.001 per share, of the Company from 25,000,000 shares up to and including 300,000,000 shares:
7,829,044 votes for;
103,406 votes against; 5,996 abstentions

20

4. For approval of the asset purchase agreement with National Arbitration & Mediation, Inc., a company affiliated with the present Chief Executive Officer of the Company, pursuant to which the buyer would acquire the assets and would assume all the current and future liabilities and commitments of the Company's sole operating business, alternative dispute resolution services.
4,716,014 votes for;

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

124,148 votes against;
5,996 abstentions; 3,092,288 not voted

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 (5)
3.1 (e)	Certificate of Amendment of Certificate of Incorporation, as amended (6)
3.1 (f)	Certificate of Amendment of Certificate of Incorporation, second amendment (7)
3.2	By-Laws of the Company, as amended (2)
4.1	Stock Purchase Agreement dated May 10, 2000 (4)
4.2	Stock Purchase Warrant dated May 10, 2000 (4)
4.3	Exchangeable Preferred Stock and Warrants Purchase Agreement (3)
10.1	1996 Stock Option Plan, amended and restated (2)
10.16	Asset Purchase Agreement dated October 18, 2004 (8)
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)**

- (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 1998 Annual Report on Form 10-KSB.
- (3) Incorporated herein in its entirety by reference to the Company's SB-2 filed on March 28, 2000.
- (4) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on May 17, 2000.

- (5) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on June 21, 2000.
- (6) Incorporated herein in its entirety by reference to the Company's 2001 Annual Report on Form 10-KSB.
- (7) Incorporated herein in its entirety by reference to the Company's 2004 Annual Report on Form 10-KSB.
- (8) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on October 20, 2004.

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

** Filed herewith.

(b) Reports on Form 8-K.

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. Form 8-K was filed on February 2, 2005 by the Company to announce that the Boston Stock Exchange had suspended the Company's listing thereon as the Company, after the sale of its sole operating business, was no longer in compliance with the Boston Stock Exchange's requirements of \$1,000,000 in total assets and \$500,000 in shareholders' equity.

22

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: May 12, 2005

By: /s/ Roy Israel

Roy Israel, President and CEO

Date: May 12, 2005

By: /s/ Patricia A. Giuliani-Rheaume

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

23