

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

CLICKNSETTLE COM INC
Form 10QSB
November 14, 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 September 30, 2005

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

Commission File Number: 0-21419

clickNsettle.com, Inc.

(Name of Small Business Issuer as Specified in Its Charter)

Delaware

(State or Other Jurisdiction
of Incorporation or Organization)

23-2753988

(IRS 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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of November 10, 2005, 9,929,056 shares of common stock of the issuer were outstanding.

Transitional Small Business Disclosure Format Yes No

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

PART I.	FINANCIAL INFORMATION	Page

ITEM 1.	FINANCIAL STATEMENTS	
	Consolidated Balance Sheets at September 30, 2005 (unaudited) and June 30, 2005	3
	Consolidated Statements of Operations for the three month periods ended September 30, 2005 and 2004 (unaudited)	4
	Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Loss for the three month periods ended September 30, 2005 and 2004 (unaudited)	5
	Consolidated Statements of Cash Flows for the three month periods ended September 30, 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	11
ITEM 3.	CONTROLS AND PROCEDURES	16
PART II.	OTHER INFORMATION	
	Item 6. Exhibits and Reports on Form 8-K	17
	Signatures	19

clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	September 30, 2005	June 20
	-----	-----
		(deriv audited state
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents including \$191,698 to be used to pay related party buyer	\$ 388,495	\$
Prepaid expenses and other current assets	9,592	
	-----	-----
	\$ 398,087	\$
	=====	=====

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 1,633	\$
Due to related party buyer of discontinued operations	191,698	
Accrued expenses and other liabilities	47,482	
	-----	-----
Total current liabilities	240,813	
	-----	-----
COMMITMENTS AND CONTINGENCIES (See Notes)		
STOCKHOLDERS' EQUITY		
Preferred stock - \$.001 par value; 5,000,000 shares authorized; 0 shares issued		
Common stock - \$.001 par value; 25,000,000 shares authorized; 10,181,554 shares issued	10,182	
Additional paid-in capital	10,199,757	1
Accumulated deficit	(9,968,747)	(
Common stock in treasury at cost, 252,498 shares	(83,918)	
	-----	-----
Total stockholders' equity	157,274	
	-----	-----
	\$ 398,087	\$
	=====	=====

The accompanying notes are an integral part of these statements.

3

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

	Three months ended September 2005	2004
	-----	-----
Net revenues	--	
General and administrative expenses	\$ 40,853	
Interest income, net	1,398	
	-----	-----
Loss from continuing operations	\$ (39,455)	
Discontinued operations		
Loss from operations of discontinued business, including loss on disposal of \$69,657	--	\$
	-----	-----
NET LOSS	\$ (39,455)	\$
	=====	=====

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Net loss per common share - basic and diluted		
From continuing operations	\$	(0.00) \$
From discontinued operations		--
	-----	-----
NET LOSS	\$	(0.00) \$
	=====	=====
Weighted-average shares outstanding - basic and diluted		9,929,056
	=====	=====

*Reclassified. See Note 2.

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
Three Months Ended September 30, 2005 and 2004 (unaudited)

	Common stock		Additional	Accumulated	Accumulated	Comm
	Shares	Amount	paid-in	deficit	other	stock
	-----	-----	capital	-----	comprehensive	treas
					income (loss)	
Balances at						
July 1, 2004	8,701,554	\$ 8,702	\$10,104,325	(\$9,116,951)	\$ 51,422	(\$83,
Net loss				(180,477)		
Change in unrealized						
gain on marketable						
securities					(51,422)	
Comprehensive loss						
Balances at						
September 30, 2004	8,701,554	\$ 8,702	\$10,104,325	\$ (9,297,428)	\$ --	\$ (83,
	=====	=====	=====	=====	=====	=====
Balances at						
July 1, 2005	10,181,554	10,182	10,179,757	(9,929,292)		(83,
Imputed contribution						
to capital for						
accounting services						
provided by Buyer			20,000			
Net loss				(39,455)		
Comprehensive loss						
Balances at						
September 30, 2005	10,181,554	10,182	10,199,757	(9,968,747)	--	(83,

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

=====

The accompanying notes are an integral part of these statements.

5

clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
Three months ended September 30,

	2005	2004
	-----	-----
Cash flows from operating activities		
Net loss	\$ (39,455)	\$
Adjustments to reconcile net loss to net cash used in operating activities		
Imputed contribution to capital for accounting services provided by Buyer	20,000	
Increase in assets and liabilities of discontinued operations, net		
Changes in operating assets and liabilities		
Decrease in prepaid expenses and other current assets	16,996	
Decrease in amount due to related party buyer of discontinued operations	(429,100)	
Decrease in accounts payable, accrued expenses and other liabilities	(50,630)	
Net cash used in operating activities	----- (482,189)	-----
Cash flows from investing activities		
Net cash provided by investing activities of discontinued operations	----- --	-----
Net cash provided by investing activities	----- --	-----
Cash flows from financing activities		
Net cash used in financing activities	----- --	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(482,189)	
Cash and cash equivalents at beginning of period	870,684	
Cash and cash equivalents at end of period	----- \$ 388,495	----- \$

*Reclassified. See Note 2.

The accompanying notes are an integral part of these statements.

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

6

CLICKNSETTLE.COM, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements Three months ended September 30, 2005 (Unaudited)

1. The consolidated balance sheet as of September 30, 2005 and the related consolidated statements of operations for the three month periods ended September 30, 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 September 30, 2005 and for all periods presented, consisting of normal recurring adjustments, have been made. Results of operations for the three-month period ended September 30, 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, 2005 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, 2005 consolidated financial statements.

As a result of continued losses, the use of cash to operate as a publicly-held shell company 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, 2005 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.

On October 18, 2004, the Company entered into a definitive asset purchase agreement with National Arbitration and Mediation, Inc. (the "Buyer"), a company affiliated with the Company's Chief Executive Officer, Roy Israel. The agreement provided that the Buyer would acquire the assets of the Company's dispute resolution business (the "ADR business") and assume all current and future liabilities and commitments of the ADR business. The agreement also 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 has been and will be used for continued public reporting obligations and potentially to acquire a new operating business or enter into a merger transaction.

The Board of Directors had 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 was 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

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

7

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 \$15,400 in total as of September 30, 2005). The Buyer has assumed the remaining payments due on the lease of a postage meter (which approximated \$350 in total as of September 30, 2005) until such time as the lessor issues a release of liability to the Company or the lease expires. Also, as of September 30, 2005, the Company remained contingently liable for additional payables and other items of approximately \$272,600 assumed by the Buyer but not paid as of that date.

The loss from discontinued operations, including the loss on disposal of the discontinued operations, for the three months ended September 30, 2004 include the following:

	Three months ended September 30, 2004

Loss from operations of discontinued business	(\$110,820)
Loss from disposal: Transaction costs of sale	(69,657)

Loss from discontinued operations	(\$180,477)
	=====

As the sale was not completed until January 13, 2005, the loss from disposal through September 30, 2004 included professional fees to an investment banking firm and legal fees related to services rendered in connection with the sale of the Company's ADR business.

The results from discontinued operations for the three months ended September 30, 2004 follow:

	Three months ended September 30, 2004

Net Revenues	\$ 770,394

Operating costs and expenses	
Costs of services	166,736
Sales and marketing expenses	253,597
General and administrative expenses	508,964
Loss on impairment of furniture and equipment	1,066

	930,363

Loss from operations	(159,969)

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Other Income	-----
Investment income	45,701
Interest and dividends	2,935
Other income	513

	49,149

Loss from operations of discontinued business	\$ (110,820)
	=====

8

Pursuant to the asset purchase agreement, 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. This amount was determined based upon the Company's financial statements as of that date without adjustment for any subsequent realization of assets, incurrence of any additional liabilities or resolution of contingencies by the Buyer. Although the liabilities and assets other than cash were transferred to the Buyer as of January 13, 2005, all of the cash balances have yet to be transferred as of September 30, 2005. As a result, the accompanying balance sheet shows cash and cash equivalents of \$388,495. However, as of September 30, 2005, the Company has a balance due to the Buyer in the amount of \$191,698. This amount includes interest due from the Company to the Buyer on the unpaid balance. The interest rate charged is equal to the interest rate earned on invested balances. The interest charge for the three months ended September 30, 2005 and 2004 was \$2,155 and \$0, respectively. As of September 30, 2005, the total accrued interest charges were \$6,284, all of which was accrued and unpaid. A portion of the total balance due to the Buyer, in the amount of \$50,000, was transferred to the Buyer in November 2005.

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 ended September 30, 2004, the Company incurred \$69,657 of such costs, which are included in the loss on sale of discontinued operations on the accompanying statement of operations.

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 merger transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction will be consummated.

The prior period financial statements have been reclassified to show the assets, liabilities and results of operations as discontinued operations.

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 448,990 and 6,090,290, at September 30, 2005 and 2004, respectively, would be antidilutive as the Company incurred net losses for the three month periods ended September 30, 2005 and 2004.

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

4. 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.

9

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. As the Company did not retain any employees subsequent to the sale, all employee options expired at the close of business on April 13, 2005 unless they were exercised prior thereto.

	Three months ended September 2005	2004
	-----	-----
Net loss, as reported	\$ (39,455)	\$
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	--	
	-----	-----
Proforma net loss	\$ (39,455)	\$
	-----	-----
Net loss per common share:		
Basic and diluted - as reported	\$ (0.00)	\$
Basic and diluted - pro forma	\$ (0.00)	\$

During the three-month periods ended September 30, 2005 and 2004, the Company did not grant any options and no options were exercised during such three-month periods, respectively.

5. In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123 (R), "Share-based Payment" ("SFAS No. 123R"). SFAS No. 123 (R)

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

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) is effective for public entities that file as small business issuers as of the beginning of the annual reporting period that begins after December 31, 2005 and, thus, will be effective for us beginning with the first quarter of fiscal year 2007. The adoption of this statement is not expected to have a material impact on the financial statements of the Company

10

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. (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 Shall 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 merger transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction 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 merger transaction. In addition, if the Company does acquire a new operating business or enters into a merger transaction, 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 nine years and through September 30, 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 merger transaction, costs will be incurred. There can be no assurances that

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

the cash on hand will be sufficient to cover such costs. Therefore, the results of our operations and our financial condition may be materially and adversely affected.

11

The Company's independent auditors have included a going concern paragraph in their report on the June 30, 2005 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 cash to operate as a publicly-held shell company and the uncertainty as to the Company's ability to effect a merger or a similar transaction with the intent to acquire a new 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 5,148,646 shares or approximately 51.85% of the common stock outstanding based on 9,929,056 shares of common stock outstanding as of November 10, 2005. Of that number, Mr. Israel, our CEO, 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 15c-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.

RESULTS OF OPERATIONS

Overview

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 merger

transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction will be consummated.

Selection of a Business

The Company is now considering business opportunities either through merger or merger transactions that might create value for our stockholders. We have no day-to-day operations at the present time. The officers and directors of the Company devote limited time and attention to the affairs of the Company. The Company may have to wait some time before consummating a suitable transaction. The Company does not intend to restrict its consideration to any particular business or industry segment.

However, due to the Company's limited financial resources, the scope and number of suitable candidate business ventures available is limited. The decision to participate in a specific business opportunity will be made upon management's analysis of the quality of the other firm's management and personnel, the anticipated acceptability of its products or marketing concepts, the merits of its technology and numerous other factors. Since the Company may participate in a business opportunity with a newly organized business or with a business which is entering a new phase of growth, the Company may incur risk due to the failure of the target's management to have proven its abilities of effectiveness, or the failure to establish a market for the target's products or services or the failure to realize profits.

Acquisition of a Business

With respect to any mergers or acquisitions, negotiations with target company management will be expected to focus on the percentage of the Company that target company stockholders would acquire in exchange for their stockholdings in the target company. Depending upon, among other things, the target company's assets and liabilities, the Company's stockholders will in all likelihood hold a substantially lesser percentage ownership interest in the Company following any merger or acquisition. Typically, in these transactions, which are commonly called reverse acquisitions, voting control of the merged company changes from the stockholders of the pre-existing public company to those of the target company. Any merger or acquisition effected by the Company can be expected to have a significant dilutive effect on the percentage of shares held by the Company's stockholders immediately preceding the transaction.

First Quarter Ended September 30, 2005 Compared to First Quarter Ended September 30, 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 for the quarter ended September 30, 2004 have been reclassified to show the results of operations as discontinued operations. Currently, the Company is actively searching for a new operating business to acquire or to enter into a merger transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction will be consummated.

Loss from continuing operations. The loss from continuing operations was \$39,455 for the three months ended September 30, 2005 versus \$0 for the three months ended September 30, 2004. The Company sold its sole operating business on January 13, 2005. Loss from continuing operations primarily reflects expenses incurred by the Company to maintain its existence as a publicly traded entity

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

including its public reporting obligations subsequent to the sale of its

13

operating business. Such expenses include insurance, audit fees and legal costs. Continuing operations in fiscal year 2006 also reflects the cost of accounting services that were contributed by the Buyer pursuant to the asset purchase agreement. Such services, valued at \$20,000, were performed from July 1, 2005 through September 30, 2005 and included the preparation of the June 30, 2005 financial statements and related year-end SEC filings. Such value has been recorded as an imputed charge on the statement of operations with an equivalent offset to additional paid-in capital. There was no loss from continuing operations in the three months ended September 30, 2004 as the results of operations for that period have been reclassified as discontinued operations.

Loss from discontinued operations. Loss from discontinued operations was \$0 for the three months ended September 30, 2005 versus \$180,477 for the three months ended September 30, 2004. The loss for the three months ended September 30, 2004 includes transaction costs incurred to affect the sale. The transaction costs incurred through September 30, 2004 were \$69,657 and included professional fees to an investment banking firm and legal fees related to services rendered in connection with the sale of the Company's ADR business. The loss from operations of the discontinued business for the three months ended September 30, 2004 was \$110,820 and includes net revenues and net expenses of \$770,394 and \$930,363 respectively. Offsetting this loss was gains on sales of investments of \$45,701 as the Company sold its entire portfolio of marketable securities during the first quarter of fiscal year 2005. 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 three months ended September 30, 2004, the Company recorded no depreciation expense as the Company had recorded a loss from impairment on its furniture and fixtures at the end of the prior fiscal year.

Income Taxes. Tax benefits resulting from net losses incurred for the three months ended September 30, 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 September 30, 2005, we had a net loss of \$39,455 as compared to a net loss of \$180,477 for the three months ended September 30, 2004. The loss decreased as the Company is no longer operating the ADR business which had not been profitable in the prior quarterly period. Additionally, the loss in the three months ended September 30, 2004 included \$69,657 of transaction costs incurred in connection with the sale of the ADR business.

Liquidity and Capital Resources

At September 30, 2005, the Company had a working capital surplus of \$157,274 as compared to \$176,729 at June 30, 2005. The decrease in working capital occurred primarily as a result of the net loss. The Company has no operating business.

Net cash used in operating activities was \$482,189 for the three months ended September 30, 2005 versus \$95,521 for the three months ended September 30, 2004. Cash used in operating activities (including discontinued operations) principally increased as the Company paid down a large portion of the amount due

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

to the Buyer of the ADR operations during August 2005.

14

Net cash provided by investing activities was \$0 for the three months ended September 30, 2005 versus \$331,470 for the three months ended September 30, 2004. The change in cash from investing activities was principally due to the fact that during the first quarter 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.

On January 13, 2005, at the annual meeting of shareholders, the Company's shareholders approved the sale of the ADR business and such sale was immediately consummated thereafter. 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 \$15,400 in total as of September 30, 2005). The Buyer has assumed the remaining payments due on the lease of a postage meter (which approximated \$350 in total as of September 30, 2005) until such time as the lessor issues a release of liability to the Company or the lease expires. Also, as of September 30, 2005, the Company remained contingently liable for additional payables and other items of approximately \$272,600 assumed by the Buyer but not paid as of that date.

Pursuant to the asset purchase agreement, 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. This amount was determined based upon the Company's financial statements as of that date without adjustment for any subsequent realization of assets, incurrence of any additional liabilities or resolution of contingencies by the Buyer. 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 has been and will be used for continued public reporting obligations and potentially to acquire a new operating business or enter into a merger transaction. Although the liabilities and assets other than cash were transferred to the Buyer as of January 13, 2005, all of the cash balances have yet to be transferred as of September 30, 2005. As a result, the accompanying balance sheet shows cash and cash equivalents of \$388,495. However, as of September 30, 2005, the Company has a balance due to the Buyer in the amount of \$191,698. This amount includes interest due from the Company to the Buyer on the unpaid balance. The interest rate charged is equal to the interest rate earned on invested balances. The interest charge for the three months ended September 30, 2005 and 2004 was \$2,155 and \$0, respectively. As of September 30, 2005, the total accrued interest charges were \$6,284, all of which was accrued and unpaid. A portion of the total balance due to the Buyer, in the amount of \$50,000, was transferred to the Buyer in November 2005.

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 ended September 30, 2004, the Company incurred \$69,657 of such costs, which are included in the loss on sale of discontinued operations on the accompanying statement of operations.

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 merger transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction will be consummated.

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

As a result of continued losses, the use of cash to operate as a publicly-held shell company and the uncertainty as to the Company's ability to effect a merger or a similar transaction with the intent to acquire a new operating business, there is substantial doubt about

15

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, 2005 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

Our disclosure controls and procedures are designed to ensure that material information relating to the Company are made known to our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and others in the Company involved in the preparation of this quarterly report, by others within the Company. Our CEO and CFO have reviewed our disclosure controls and procedures within 90 days prior to the filing of this quarterly report and have concluded that they are effective. There were no significant changes in our internal controls or other factors that could significantly affect our internal controls subsequent to the last date they were reviewed by our CEO and CFO.

16

PART II - OTHER INFORMATION

- Item 1. Legal Proceedings.
Not applicable.
- Item 2. Changes in 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
-----	-----

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

- 3.1(a) Certificate of Incorporation, as amended(1)
- 3.1(d) Certificate of Amendment of Certificate of Incorporation(3)
- 3.1(e) Certificate of Amendment of Certificate of Incorporation, as amended (4)
- 3.1(f) Certificate of Amendment of Certificate of Incorporation, second amendment(5)
- 3.2 By-Laws of the Company, as amended(2)
- 10.1 1996 Stock Option Plan, amended and restated(2)
- 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 Form 8-K filed on June 21, 2000.
 - (4) Incorporated herein in its entirety by reference to the Company's 2001 Annual Report on Form 10-KSB.

17

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

** Filed herewith.

B. Reports on Form 8-K:
None.

18

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: November 10, 2005

By: /s/ Roy Israel

Roy Israel, Chairman of the
Board, CEO and President

Date: November 10, 2005

By: /s/ Patricia Giuliani-Rheaume

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Patricia Giuliani-Rheaume, Vice President,
Chief Financial Officer and Treasurer