

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

CLICKNSETTLE COM INC
Form 10QSB
May 12, 2006

=====

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, 2006

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 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 May 9, 2006, 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

INDEX

PART I. FINANCIAL INFORMATION	Page

ITEM 1. FINANCIAL STATEMENTS	
Consolidated Balance Sheets at March 31, 2006 (unaudited) and June 30, 2005	3
Consolidated Statements of Operations for the three and nine month periods ended March 31, 2006 and 2005 (unaudited)	4
Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Loss for the nine month periods ended March 31, 2006 and 2005 (unaudited)	5
Consolidated Statements of Cash Flows for the nine month periods ended March 31, 2006 and 2005 (unaudited)	6
Notes to Consolidated Financial Statements	7
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
ITEM 3. CONTROLS AND PROCEDURES	16
PART II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	18
Signatures	20

2

clickNsettle.com, Inc. and Subsidiaries CONSOLIDATED BALANCE SHEETS

	March 31, 2006	June 2005
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents including amount to pay related party buyer of \$0 and \$620,798, respectively	\$ 133,048	\$ 87,000
Due from related party buyer of discontinued operations	1,285	2,000
Prepaid expenses and other current assets	17,466	2,000
	-----	-----
	\$ 151,799	\$ 89,000

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 352	\$ 1
Due to related party buyer of discontinued operations	--	62
Accrued expenses and other liabilities	28,584	8
	-----	-----
Total current liabilities	28,936	72
	-----	-----
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	1
Additional paid-in capital	10,208,757	10,17
Accumulated deficit	(10,012,158)	(9,92
Common stock in treasury at cost, 252,498 shares	(83,918)	(8
	-----	-----
Total stockholders' equity	122,863	17
	-----	-----
	\$ 151,799	\$ 89
	=====	=====

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*
	2006	-----
	-----	-----
Net revenues	--	--
General and administrative expenses	\$ 24,034	50,533
Interest income, net	1,348	611
	-----	-----
Loss from continuing operations	\$ (22,686)	(49,922)
Discontinued operations		
Loss from operations of discontinued business, including loss on disposal of \$424,923 and \$531,294, respectively	--	\$ (473,614)
	-----	-----

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

NET LOSS	\$ (22,686)	\$ (523,536)
	=====	=====
Net loss per common share - basic and diluted		
From continuing operations	\$ (0.00)	\$ (0.01)
From discontinued operations	--	(0.05)
	-----	-----
NET LOSS	\$ (0.00)	\$ (0.06)
	=====	=====
Weighted-average shares outstanding - basic and diluted	9,929,056	8,969,056
	=====	=====

*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
Nine Months Ended March 31, 2006 and 2005 (unaudited)

	Common stock		Additional	Accumulated	
	Shares	Amount	paid-in	deficit	
	-----	-----	-----	-----	-----
Balances at July 1, 2004	8,701,554	\$ 8,702	\$ 10,104,325	\$ (9,116,951)	\$
Exercise of stock options	600,000	600	24,396		
Net loss				(763,108)	
Change in unrealized gain on marketable securities					
Comprehensive loss					
Balances at March 31, 2005	9,301,554	9,302	10,128,721	(9,880,059)	
	=====	=====	=====	=====	=====
Balances at July 1, 2005	10,181,554	10,182	10,179,757	(9,929,292)	
Imputed contribution to capital for accounting services provided by Buyer			29,000		
Net loss				(82,866)	
Comprehensive loss					
Balances at March 31, 2006	10,181,554	\$ 10,182	\$ 10,208,757	\$ (10,012,158)	\$
	=====	=====	=====	=====	=====

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

	Common stock in treasury	Total stockholders' equity	Compre- hensive loss
	-----	-----	-----
Balances at July 1, 2004	\$ (83,918)	\$ 963,580	
Exercise of stock options		24,996	
Net loss		(763,108)	\$ (763,108)
Change in unrealized gain on marketable securities		(51,422)	(51,422)

Comprehensive loss			\$ (814,530)
			=====
	-----	-----	
Balances at March 31, 2005	(83,918)	174,046	
	=====	=====	
Balances at July 1, 2005	(83,918)	176,729	
Imputed contribution to capital for accounting services provided by Buyer		29,000	
Net loss		(82,866)	\$ (82,866)

Comprehensive loss			\$ (82,866)
			=====
	-----	-----	
Balances at March 31, 2006	\$ (83,918)	\$ 122,863	
	=====	=====	

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	2
Net loss	\$
Loss from discontinued operations	-----
Loss from continuing operations	
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities	
Imputed contribution to capital for accounting services provided by Buyer	
Changes in operating assets and liabilities	
Decrease (increase) in prepaid expenses and other current assets	
(Decrease) in amount due to related party buyer of discontinued operations	(
(Decrease) increase in accounts payable, accrued expenses and other liabilities	

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Net cash used in continuing operations	(
Net cash used in discontinued operations	
Net cash used in operating activities	(
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	
Proceeds from exercise of stock options	
Net cash provided by financing activities	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(
Cash and cash equivalents at beginning of period	
Cash and cash equivalents at end of period	\$
Non-cash investing and financing activities	
Loss on sale of discontinued operations (See Note 2)	\$

*Revised. See Note 2.

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, 2006
(Unaudited)

1. The consolidated balance sheet as of March 31, 2006 and the related consolidated statements of operations for the three and nine month periods ended March 31, 2006 and 2005 have been prepared by clickNsettle.com, Inc. In the opinion of management, all adjustments necessary to present fairly the financial statements as of March 31, 2006 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, 2006 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 of January 1, 2006, the Company transferred ownership of its remaining wholly-owned subsidiary, Michael Marketing LLC, to National Arbitration and

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Mediation, Inc. (see Note 2 below). Such subsidiary was inactive and had no operations or net assets. Previously, the Company dissolved its other wholly-owned subsidiary, clickNsettle.com LLC, as it also was inactive and had no operations or net assets. As such, the Company no longer owns any subsidiaries.

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. 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. On January 13, 2005, at the annual meeting of shareholders, the Company's shareholders approved the sale of the assets of the Company's dispute resolution business (the "ADR business") and the assumption of all current and future liabilities and commitments of the ADR business to National Arbitration and Mediation, Inc. (the "Buyer"), a company owned by the Company's Chief Executive Officer, Roy Israel. 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 \$8,800 in total as of March 31, 2006). Also, as of March 31, 2006, the Company remained contingently liable for additional payables and other items of approximately \$249,400 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 and nine months ended March 31, 2005 includes the following:

7

	Three months Ended 3/31/05	Nine months Ended 3/31/05
	-----	-----
Loss from operations of discontinued business	(\$ 48,691)	(\$181,892)
Loss from disposal:		
Loss on sale*	(\$419,768)	(\$419,768)
Transaction costs of sale	(5,155)	(111,526)
	-----	-----
Loss from disposal	(\$424,923)	(\$531,294)
	-----	-----
Loss from discontinued operations	(\$473,614)	(\$713,186)
	=====	=====

*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

The results from discontinued operations for the three and nine months ended

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

March 31, 2005 follow:

	Three months ended March 31, 2005 -----	Nine months ended March 31, 2005 -----
Net Revenues	\$ 58,649 -----	\$ 1,807,570 -----
Operating costs and expenses		
Costs of services	12,693	395,554
Sales and marketing expenses	30,951	593,027
General and administrative expenses	64,163	1,037,600
Loss on impairment of furniture and equipment	0	15,885
	-----	-----
	107,807	2,042,066
	-----	-----
Loss from operations	(49,158)	(234,496)
	-----	-----
Other Income		
Investment income		45,701
Interest and dividends	376	5,777
Other income	91	1,126
	-----	-----
	467	52,604
	-----	-----
Loss from operations of discontinued business	\$ (48,691) =====	\$ (181,892) =====

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. The liabilities and assets other than cash were transferred to the Buyer as of January 13, 2005, while the cash balances were transferred thereafter. As such, the Company incurred interest expense on the unpaid balance. The interest rate charged was equal to the interest rate earned on invested balances. The interest charge for the three months ended March 31, 2006 and 2005 was \$0 and \$1,892, respectively. The interest charge for the nine months ended March 31, 2006 and 2005 was \$3,250 and \$1,892, respectively. Interest expense is netted against interest income in continuing operations on the accompanying statement of operations. The cash balances were fully transferred from the Company to the Buyer during the period from August 2005 through February 2006.

8

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 and nine months ended March 31, 2005, the Company incurred \$5,155 and \$111,526, respectively, 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.

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

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. Additionally, the Company has revised the statement of cash flows to separately disclose the operating, investing and financing portions of the cash flows attributable to the discontinued operations, which in prior periods were reported on a combined basis.

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 5,322,888, at March 31, 2006 and 2005, respectively, would be antidilutive, as the Company incurred net losses for the three and nine month periods ended March 31, 2006 and 2005.

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 costs 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

	Three months ended March 31,	
	2006	2005
	-----	-----
Net loss, as reported	\$ (22,686)	\$ (523,536)
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	--	(37,462)
	-----	-----
Proforma net loss	\$ (22,686)	\$ (560,998)
	=====	=====
Net loss per common share:		
Basic and diluted - as reported	\$ (0.00)	\$ (0.06)
Basic and diluted - pro forma	\$ (0.00)	\$ (0.06)
	=====	=====
	Nine months ended March 31,	
	2006	2005

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

Net loss, as reported	\$ (82,866)	\$ (763,108)
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	--	(63,448)
Proforma net loss	\$ (82,866)	\$ (826,556)
Net loss per common share:		
Basic and diluted - as reported	\$ (0.01)	\$ (0.09)
Basic and diluted - pro forma	\$ (0.01)	\$ (0.10)

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 above 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.

During the three and nine month periods ended March 31, 2006 and 2005, the Company did not grant any options. During those same periods, 600,000 options were exercised during the three and nine month periods ended March 31, 2005. Additionally, as of April 1, 2006, the Stock Plan automatically terminated in accordance with its original plan document. The outstanding stock options as of April 1, 2006 are exercisable through the termination date of each option agreement.

10

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123 (R), "Share-based Payment" ("SFAS No. 123R"). 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) is effective for public entities that file as small business issuers as of the beginning of the annual reporting period that begins after December 15, 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.

5. The components of comprehensive loss are as follows:

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

	Three months ended March 31,	
	2006	2005
Net loss	\$ (22,686)	\$ (523,536)
Change in unrealized gain (loss) on marketable securities	-----	-----
Comprehensive loss	\$ (22,686) =====	\$ (523,536) =====
	Nine months ended March 31,	
	2006	2005
Net loss	\$ (82,866)	\$ (763,108)
Change in unrealized gain (loss) on marketable securities	-----	-----
Reclassification adjustment - loss included in net loss	-----	(51,422) -----
Comprehensive loss	\$ (82,866) =====	\$ (814,530) =====

11

Item 2. 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 dispute resolution business (the "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

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

transaction, it is expected that such transaction will be accomplished by the issuance of stock of the Company, resulting in significant dilution to the current stockholders.

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

We have incurred operating losses during the last nine years and through March 31, 2006. 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 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.

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.

12

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 May 9, 2006. 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

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

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 to combine with 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

13

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 be effective 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 transaction, 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 transaction. Typically, in these transactions, which are commonly called reverse merger acquisitions, voting control of the merged company changes from the stockholders of the pre-existing public company to those of the target company. Any transaction 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.

Third Quarter Ended March 31, 2006 Compared to Third Quarter Ended March 31, 2005

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

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

financial statements for the quarter ended March 31, 2005 have been reclassified to show the results of operations as discontinued operations. Currently, the Company is actively searching for a new operating business to combine with. There can be no assurances that any such transaction will be consummated.

Loss from continuing operations. The loss from continuing operations was \$22,686 for the three months ended March 31, 2006 versus \$49,922 for the three months ended March 31, 2005. Loss from continuing operations primarily reflects expenses incurred by the Company to maintain its existence as a publicly traded entity including its public reporting obligations subsequent to the sale of its operating business. Such expenses include insurance, audit and legal fees. Continuing operations in fiscal year 2006 also reflects the cost of accounting services that were contributed by National Arbitration and Mediation, Inc. ("the Buyer") pursuant to the asset purchase agreement. Such services, valued at \$4,000, were performed from January 1, 2006 through March 31, 2006 and included the preparation of the December 31, 2005 quarterly financial statements and related Securities and Exchange Commission (the "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. The loss from continuing operations in the prior period reflects similar expenses incurred after January 13, 2005 (the date of the sale of the operating business) through March 31, 2005. Such expenses declined in the current year period as compared to the prior year period as the Company was able to secure reduced fees for professional services, etc., as there is no operating business in the current fiscal year.

Loss from discontinued operations. Loss from discontinued operations was \$0 for the three months ended March 31, 2006 versus \$473,614 for the three months ended March 31, 2005. The loss for the three 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. The loss on the sale was \$419,768 and the

14

transaction costs incurred were \$5,155, totaling \$424,923. The loss from operations of the discontinued business for the three months ended March 31, 2005 was \$48,691 and includes net revenues and net expenses of \$58,649 and \$107,807, respectively. Offsetting this loss was interest, dividends and other income of \$467.

Income Taxes. Tax benefits resulting from net losses incurred for the three months ended March 31, 2006 and 2005 were not recognized as the Company's annual effective tax rate for each of these interim periods was estimated to be 0%.

Net Loss. For the three months ended March 31, 2006, we had a net loss of \$22,686 as compared to a net loss of \$523,536 for the three months ended March 31, 2005. 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 March 31, 2005 included the loss on the sale of the ADR business and related transaction costs of \$424,923.

Nine months Ended March 31, 2006 Compared to Nine months Ended March 31, 2005

Loss from continuing operations. The loss from continuing operations was \$82,866 for the nine months ended March 31, 2006 versus \$49,922 for the nine months ended March 31, 2005. Loss from continuing operations primarily reflects expenses incurred by the Company to maintain its existence as a publicly traded entity including its public reporting obligations subsequent to the sale of its operating business. Such expenses include insurance, audit and legal fees and the cost of an advertisement to publicize the availability of the Company's

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

publicly traded shell. 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 \$29,000, were performed from July 1, 2005 through March 31, 2006 and included the preparation of the June 30, 2005 annual financial statements and the September 30 and December 31, 2005 quarterly financial statements and related 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. The loss from continuing operations in the prior period reflects similar expenses incurred after January 13, 2005 (the date of the sale of the operating business) through March 31, 2005, a period of approximately two and one-half months. Such expenses were lower in the prior year period as compared to the current year period, as the current year period reflects nine months of such activity versus two and one-half months in the prior year period.

Loss from discontinued operations. Loss from discontinued operations was \$0 for the nine months ended March 31, 2006 versus \$713,186 for the nine months ended March 31, 2005. The loss for 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. The loss on the sale was \$419,768 and the transaction costs incurred were \$111,526, totaling \$531,294. The transaction costs incurred during the nine months ended March 31, 2005 included professional fees to an investment-banking firm and accounting, tax advice 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 nine months ended March 31, 2005 was \$181,892 and includes net revenues and net expenses of \$1,807,570 and \$2,042,066, 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 and interest, dividends and other income of \$6,903.

Income Taxes. Tax benefits resulting from net losses incurred for the nine months ended March 31, 2006 and 2005 were not recognized as the Company's effective tax rate for each of these interim periods was estimated to be 0%.

15

Net Loss. For the nine months ended March 31, 2006, we had a net loss of \$82,866 as compared to a net loss of \$763,108 for the nine months ended March 31, 2005. The loss decreased, as the Company is no longer operating the ADR business which had not been profitable in the prior nine-month period. Additionally, the loss in the nine months ended March 31, 2005 included the loss on the sale of the ADR business and related transaction costs of \$531,294.

Liquidity and Capital Resources

At March 31, 2006, the Company had a working capital surplus of \$122,863 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 \$737,636 for the nine months ended March 31, 2006 versus \$447,164 for the nine months ended March 31, 2005. Cash used in continuing operations increased by \$735,885 principally because the Company paid all of the amount due the Buyer of the ADR operations during the period from August 2005 through February 2006. Offsetting this increase was a decline of \$445,413 as such amount was used by discontinued operations in the prior year period.

Net cash provided by investing activities was \$0 for the nine months ended

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

March 31, 2006 versus \$531,470 for the nine months ended March 31, 2005. There was no cash provided from investing activities from continuing operations in both periods. The change in cash from investing activities of discontinued operations was principally due to the fact that during the first half 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, 2006 was \$0 versus \$24,996 during the nine months ended March 31, 2005. In the prior year period, the President of the Company exercised stock options in January 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 merger transaction. There can be no assurances that an operating entity will be acquired or that a merger transaction will be consummated.

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. 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. The accompanying consolidated financial statements do not include any adjustments that may result should the Company be unable to continue as a going concern.

Item 3. 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

16

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.

17

PART II OTHER INFORMATION

Item 1. Legal Proceedings.
None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults upon Senior Securities

Edgar Filing: CLICKNSEATTLE COM INC - Form 10QSB

None.

Item 4. Submission of Matters to a Vote of Security Holders
None.

Item 5. Other Information.
None.

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 (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)**

18

-
- (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.
 - (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.

19

SIGNATURES

Edgar Filing: CLICKNSETTLE COM INC - Form 10QSB

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

clickNsettle.com, Inc.

Date: May 11, 2006

By: /s/ Roy Israel
Roy Israel, Chairman of the
Board, CEO and President

Date: May 11, 2006

By: /s/ Patricia Giuliani-Rheaume

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

20