CLICKNSETTLE COM INC
Form 10QSB
February 13, 2004

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

FORM 10-QSB

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

For the quarterly period ended December 31, 2003

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

Commission File Number: 0-21419

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

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

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of February 6, 2004, 8,449,056 shares of common stock of the issuer were outstanding.

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

CLICKNSETTLE.COM, INC.
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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	December 31 2003
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,220,89
Marketable securities	347,81
Accounts receivable (net of allowance for doubtful accounts of $140,000)	258,98
Other receivables	18,74
Prepaid expenses and other current assets (net of allowance for doubtful note receivable of $48,848 and $49,148, respectively)	84,22
Total current assets	1,930,65
FURNITURE AND EQUIPMENT - AT COST, less accumulated depreciation	119,02
OTHER ASSETS	42,97
	$ 2,092,65
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Accounts payable	$ 178,68
Accrued expenses and other liabilities	277,84

Accrued payroll and employee benefits	97,66
Deferred revenues	198,95
Total current liabilities	753,14
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Common stock - $.001 par value; 25,000,000 shares authorized; 8,701,554 shares issued and outstanding	8,70
Additional paid-in capital	10,104,32
Accumulated deficit	(8,744,60
Accumulated other comprehensive income	54,99
Less common stock in treasury at cost, 252,498	(83,91
Total stockholders' equity	1,339,50
	$ 2,092,65

The accompanying notes are an integral part of these statements.

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

	Three months ended December 31, 2003	2002
Net revenues	$ 927,068	$ 961,839
Operating costs and expenses		
Cost of services	225,876	229,603
Sales and marketing expenses	325,161	278,563
General and administrative expenses	607,760	586,005
	1,158,797	1,094,171
Loss from operations	(231,729)	(132,332)
Other income (expenses)		
Investment (loss) income	(8,717)	15,835
Other income	858	2,128
	(7,859)	17,963
Loss before income taxes	(239,588)	(114,369)

Income taxes	--	--
NET LOSS	$ (239,588)	$ (114,369)
Net loss per common share - basic and diluted	$ (0.03)	$ (0.01)
Weighted-average shares outstanding - basic and diluted	8,449,056	8,449,056

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE LOSS
Six months ended December 31, 2003 and 2002 (unaudited)

	Common stock		Additional		Accumulated
	Shares	Amount	paid-in capital	Accumulated deficit	other comprehensive income (loss)
Balances at June 30, 2002	1,450,259	$1,450	$10,111,324	($7,914,736)	($21,114)
Compensation related to stock options			253		
Net loss				(323,704)	
Change in unrealized gain (loss) on marketable securities					(3,547)
Comprehensive loss					
Balances at December 31, 2002	1,450,259	$1,450	$10,111,577	($8,238,440)	($24,661)
Balances at June 30, 2003	1,450,259	1,450	10,111,577	(8,394,247)	43,960
Six-for-one forward stock split effectuated on December 22, 2003	7,251,295	7,252	(7,252)		
	8,701,554	8,702	10,104,325	(8,394,247)	43,960
Net loss				(350,356)	
Change in unrealized gain (loss) on marketable securities					11,039

Comprehensive loss

Balances at December 31, 2003	8,701,554	8,702	10,104,325	(8,744,603)	54,999

The accompanying notes are an integral part of these statements.

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

	2003
Cash flows from operating activities	
Net loss	$ (350,35
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation and amortization	35,82
(Gains) on sales of marketable securities	(54,68
Write-down of marketable securities	-
Advertising in exchange for common stock	-
Compensation related to stock options	-
Provision for write-down of note receivable	
Recovery from write-down of note receivable	(30
Changes in operating assets and liabilities	
Decrease in accounts receivable	176,68
(Increase) in prepaid expenses and other current assets	(44,09
(Decrease) in accounts payable, accrued expenses and other liabilities	(96,51
(Decrease) increase in accrued payroll and employee benefits	(43,63
(Decrease) in deferred revenues	(70,02
Net cash used in operating activities	(447,10
Cash flows from investing activities	
Purchases of marketable securities	(725,28
Proceeds from sales of marketable securities	624,26
Increase in receivable for securities sold	(18,74
Purchases of furniture and equipment	(11,02
Net cash (used in) provided by investing activities	(130,79
Cash flows from financing activities	
Net cash used in financing activities	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(577,89
Cash and cash equivalents at beginning of period	1,798,78

Cash and cash equivalents at end of period	$ 1,220,89

The accompanying notes are an integral part of these statements.

CLICKNSETTLE.COM, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements
Six months ended December 31, 2003
(Unaudited)

1. The consolidated balance sheet as of December 31, 2003 and the related consolidated statements of operations for the three and six month periods ended December 31, 2003 and 2002 have been prepared by clickNsettle.com, Inc., including the accounts of its wholly-owned subsidiaries. In the opinion of management, all adjustments necessary to present fairly the financial position as of December 31, 2003 and for all periods presented, consisting of normal recurring adjustments, have been made. Results of operations for the three and six month periods ended December 31, 2003 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, 2003 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, 2003 consolidated financial statements.

2. On December 22, 2003, the Company effected a 6-for-1 forward stock split. All references to number of shares and per share data in the consolidated financial statements and accompanying notes have been restated. The par value of the common stock remained unchanged at $.001 per share.

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 5,800,892 and 3,859,620 at December 31, 2003 and 2002, respectively, would be antidilutive as the Company incurred net losses for the three and six month periods ended December 31, 2003 and 2002.

4. The cost of advertising is expensed when the advertising takes place. For advertising and external public relations costs, the Company incurred $45,512 and $8,106 for the quarters ended December 31, 2003 and 2002, respectively, and $103,608 and $33,967 for the six month periods ended December 31, 2003 and 2002, respectively. Of such totals, non-cash advertising charges comprised $18,285 for the six-month period ended December 31, 2002. In accordance with the terms of the August 2000 advertising agreement, as amended, with American Lawyer Media, Inc., the Company will purchase $250,000 of advertising subsequent to the initial two-year term. Such advertising is to be expended from May 2003 through September 2004. During the quarter and six months ended December 31, 2003, the Company incurred $43,265 and $92,280 respectively, of advertising expense related to this commitment. The remaining commitment outstanding as of December

31, 2003 is $134,885.

5. On March 14, 2003, the Company extended its March 1998 purchase plan (the "Plan"), pursuant to which the number of shares of common stock of the Company eligible for purchase under the Plan remained at an aggregate of 1,600,002 shares. The Plan shall expire on the earlier of all of the shares being purchased or March 14, 2004, provided, however, that the Plan may be discontinued at any time by the Company. The Plan may also be extended on a year-to-year basis. There were no

purchases in the six-month period ended December 31, 2003, and, through December 31, 2003, the Company had purchased 252,498 shares under the Plan for an aggregate cost of $83,918.

6. The components of comprehensive loss are as follows:

	Three months ended December 31, 2003	2002
Net loss	$(239,588)	$(114,369)
Change in unrealized gain (loss) on marketable securities	55,105	53,186
Comprehensive loss	$(184,483)	$ (61,183)

	Six months ended December 31, 2003	2002
Net loss	$(350,356)	$(323,704)
Change in unrealized gain (loss) on marketable securities	11,039	(3,547)
Comprehensive loss	$(339,317)	$(327,251)

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

The Company adopted, effective December 31, 2002, the disclosure provisions of SFAS No. 148 and continues to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, compensation expense is not recognized for options granted to employees and to members of the board of directors when such options are granted to board members in their capacity as directors. During the six-month periods ended December 31, 2003 and 2002, the Company granted 240,000 and 0 options, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for the six-month period ended December 31, 2003: a dividend yield of zero; a risk-free interest rate of 1.96%; an expected term of 3 years; an expected stock price volatility of 124.7%; and a forfeiture rate of 15%. 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.

	Three months ended December 31, 2003	Three months ended December 31, 2002
Net loss, as reported	$(239,588)	$(114,369)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(41,010)	(109,529)
Proforma net loss	$(280,598)	$(223,898)
Net loss per common share:		
Basic and diluted - as reported	$ (0.03)	$ (0.01)
Basic and diluted - pro forma	$ (0.03)	$ (0.03)

	Six months ended December 31, 2003	Six months ended December 31, 2002
Net loss, as reported	$(350,356)	$(323,704)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(81,648)	(252,415)
Proforma net loss	$(432,004)	$(576,119)
Net loss per common share:		
Basic and diluted - as reported	$ (0.04)	$ (0.04)
Basic and diluted - pro forma	$ (0.05)	$ (0.07)

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. The risks and uncertainties that may affect the operations, performance, development and results of our business include, without limitation, the following: changes in the insurance and legal industries; our inability to retain current or new hearing officers; changes in the public court systems; and the degree and timing of the market's acceptance of our arbitration and mediation programs and electronic oversight applications and other risks that are set forth herein.

RISK FACTORS

Our business faces 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 business, 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 have Recent, and Anticipate Continuing, Losses

We have incurred operating losses during the last seven years and through December 31, 2003. Going forward, we may continue to incur operating losses and make capital expenditures and, as a result, we will need to generate higher revenues to achieve and maintain profitability and provide working capital needed to fund losses. We cannot assure you that we can achieve or sustain profitability in the future. If revenues grow slower than we anticipate, or if operating expenses exceed our current expectations and cannot be adjusted accordingly, our business, the results of our operations and our financial condition may be materially and adversely affected.

We Depend On Insurance-Related Disputes

The majority of our alternative dispute resolution ("ADR") services involve claims that are usually covered by insurance. We resolve many of these disputes in a matter of hours. Since our revenues are derived primarily from certain administrative and hourly fees, a high volume of these cases is required in order for us to generate revenues sufficient to maintain our operations. Although catastrophic injury, self-insured commercial and employment initiatives represent a growing percentage of our revenues, there can be no assurance that we will be able to continue to expand our insurance and non-insurance-related dispute business, or maintain or increase our current level of cases. In addition, we cannot assure you that changes in the insurance industry will not affect our business.

Possible Improvements in the Public Court System, Including Use of ADR Services, May Affect Our Business

The ADR industry, in general, furnishes an alternative to public dispute mechanisms, principally the local, state and federal court systems. Our marketing efforts have been based on our belief that there exists a high degree of dissatisfaction among litigants and their counsel with the public court system. If the public courts, in the markets we are currently serving or seek to serve, reduce case backlogs and provide effective settlement mechanisms at no, or at a substantially reduced cost to litigants, our business opportunities in such markets may be significantly reduced. Several public court systems, both on the federal and state level, including certain federal and state courts located in New York State, have instituted court coordinated ADR programs. Similar programs are under consideration in a number of states and may be adopted at any time. The success of such ADR programs could have a material adverse effect on our business by diminishing the demand for private ADR services.

The Private ADR Services Business is Highly Competitive

The private ADR business is highly competitive, both on a national and regional level. Barriers to entry into the ADR business are relatively low, and new competitors can begin doing business relatively quickly. There are two types of competitors, not-for-profit and for-profit entities:

- We believe that our largest not-for-profit competitor is the American Arbitration Association, as it has significant market share in complex commercial cases.

- We believe that our largest for-profit competitor is JAMS.

At this time, we believe that numerous other private ADR firms are competing with us in the regions we currently serve. Increased competition could decrease the fees we are able to charge for our services and limit our ability to obtain qualified hearing officers. This could have a material adverse effect on our ability to be profitable in the future. Certain competitors may have greater financial or other capabilities than us. Accordingly, there is no assurance that we can successfully compete in the present or future marketplace for ADR services.

We Depend Upon Our Key Personnel

Our success will be largely dependent on the personal efforts of Roy Israel, our Chief Executive Officer, President and Chairman of the Board of Directors. Although we have entered into an employment agreement with Mr. Israel, which expires in 2007, the loss of his services could have a material adverse effect on our business and prospects. We have obtained "key-man" life insurance on the life of Mr. Israel. The Company is the sole beneficiary in the amount of $1 million. Our success is also dependent upon our ability to hire and retain qualified marketing and other personnel in our offices. We may not be able to hire or retain such necessary personnel.

We Do Not Have Written Contracts with the Majority of Our Clients

We currently rely on our marketing efforts and relationships with insurance companies, law firms, corporations and municipalities to obtain cases. We do not have written agreements with the majority of our clients, but we have instituted the process of obtaining written agreements with our existing clients and with new clients. We also rely on case referrals from our current clients. We may not continue to receive our current level of, or an adequate level of, referrals of cases. If we do not maintain such levels, there could be a material adverse effect on our business.

We Depend Upon Qualified Hearing Officers

The market for our services depends on a perception by our clients that our hearing officers are impartial, qualified, and experienced. Our ability to retain qualified hearing officers in the event that competition increases would be uncertain. We have mitigated this risk by retaining exclusive hearing officers. Of the total number of cases heard during the fiscal year ended June 30, 2003, approximately 66% were heard by exclusive hearing officers. Accordingly, at any time, the remaining hearing officers who are not under contract with us can refuse to continue to provide their services to us and are free to render services independently or through competing ADR services. If qualified hearing officers are unwilling or unable to continue to provide their services through us for any reason, including possible agreements to provide their services to our competitors on an exclusive basis, our business and operations could be materially and adversely affected.

Our Current Stockholders Have the Ability to Exert Significant Control

Our executive officers, directors, and their affiliates beneficially own 3,755,136 shares or approximately 44.4% of the common stock outstanding based on 8,449,056 shares of common stock outstanding as of February 6, 2004. Of that number, Mr. Israel beneficially owns 2,410,278 shares or approximately 28.5% 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 that could give our stockholders the opportunity to realize a premium over the then prevailing market price for their shares of common stock.

We May Be Unable to Protect Our Proprietary Technology and We May Be Sued for Infringing on the Rights of Others

Our success depends, in part, upon our ability to protect our proprietary software technology and operate without infringing upon the rights of others. We rely on a combination of methods to protect our proprietary intellectual property, technology and know-how, such as:

- trade secret laws
- copyright law
- trademark law
- patent law
- contractual provisions
- confidentiality agreements
- certain technology and security measures

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The steps we have taken regarding our proprietary technology, however, may be insufficient to deter misappropriation.

In the systems and software industries, it is common that companies receive notices from time to time alleging infringement of patents, copyrights or other intellectual property rights of others. We may from time to time be notified of claims that we may be infringing upon patents, copyrights or other intellectual property rights owned by third parties. Companies may pursue claims against us with respect to the alleged infringement of patents, copyrights or other intellectual property rights owned by third parties. Although we believe we have not violated or infringed upon any intellectual property patents and have taken measures to protect our own rights, there is no assurance that we will avoid litigation. Litigation may be necessary to protect our intellectual property rights and trade secrets, to determine the validity of and scope of the proprietary rights of others or to defend against third party claims of invalidity. Any litigation could result in substantial costs and the diversion of resources away from the day-to-day operation of our business.

Existing copyright, trademark, patent and trade secret laws afford only limited protection. Existing laws, in combination with the steps we have taken to protect our proprietary rights may be inadequate to prevent misappropriation of our technology or other proprietary rights. Also, such protections do not preclude competitors from independently developing products with functionality or features similar or superior to our products and technologies.

Our Common Stock is No Longer Listed on The Nasdaq SmallCap Market

On March 5, 2003, The Nasdaq Listing Qualifications Panel delisted our common stock from The Nasdaq SmallCap Market. Since that date, 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 to obtain accurate quotations as to the value of our securities.

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

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

GENERAL

We provide ADR services to insurance companies, law firms, corporations and municipalities. We focus 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. Furthermore, we believe that there is greater market acceptance and a positive trend relating to the utilization of ADR services as opposed to the traditional litigation process. The variety, complexity and volume of cases being submitted for ADR are illustrative and, we believe, accurate barometers of the integration of ADR into the legal landscape. Further, we see this trend continuing. We believe that with our roster of qualified hearing officers, administrative capabilities, electronic oversight applications, knowledge of dispute resolution and reputation within the corporate and legal communities, we are uniquely positioned to provide a comprehensive total solution to disputing parties over broad geographic areas.

We currently operate from locations in New York and Massachusetts.

Our objective is to become the leading provider of dispute resolution services by providing services and technology designed to enhance and streamline the traditional and often time-consuming and expensive legal process. We believe we are uniquely positioned within the ADR industry as we offer highly qualified hearing officers, premium services and innovative solutions designed to appeal to a client base which has become more sophisticated with the continuing acceptance and utilization of ADR. We have a patent pending on our inventions relating to dispute resolution processing and oversight. Additionally, depending upon market acceptance, we will review the needs of our current and prospective customers and offer those solutions that we believe will be of most value to our clients and to our shareholders. We believe that our marketing efforts going forward will best be directed towards large-scale applications that benefit from our proprietary electronic infrastructure. As such, our marketing emphasis will be driven by our unique capabilities as an administrator. Additionally, the staff presently dedicated to our existing client base will be charged with growing our business and exploiting our inherent market advantages. Therefore, our plan is as follows: (1) exploit potential revenue streams driven by our technological innovations in software, systems and intellectual property such as (i) the administration of high-volume, customized dispute resolution programs for large corporations, governmental bodies, law firms and agencies and (ii) targeting revenue opportunities related to our various technology-based solutions; (2) build brand recognition of National Arbitration and Mediation (NAM) as the premier provider of dispute resolution solutions through our advertising campaign; (3) continue to attract and retain the services of highly talented, former top-tier judges and attorneys to act as independent and impartial hearing officers; and (4) broaden the type and complexity of the dispute resolution cases we administer.

In our current environment, corporate governance, integrity of process and transparency have taken center stage in how corporations, municipalities and other entities are to conduct operations. Our suite of services, particularly those related to oversight applications, can enhance business practices by enabling our clients to better manage their operations through data driven features and, at the same time, produce cost savings given the tremendous expense related to traditional litigation versus our quicker, more efficient dispute resolution solutions.

We have and may continue to incur net losses in the future as a result of (a) marketing and other costs associated with our investment in technology and (b) our advertising expenses. Our advertising campaign commenced in August 2000 when we signed an agreement with American Lawyer Media, Inc., the nation's leading legal journalism and information company, to

provide $1,000,000 of advertising and promotional opportunities in their national and regional publications over a two-year period in exchange for 368,844 shares of our common stock (as adjusted for the 1-for-3 reverse stock split effectuated on August 20, 2001 and as adjusted for the 6-for-1 forward stock split effectuated on December 22, 2003). At the time this advertising was contracted for, we were promoting our new corporate name, clickNsettle.com, as well as continuing to promote our established brand name, National Arbitration and Mediation (NAM). We believe that National Arbitration and Mediation (NAM) is a proven and well-respected brand in the ADR industry. As part of our agreement, as amended, with American Lawyer Media, Inc., we agreed to purchase an additional $250,000 of advertising. Such advertising is to be expended from May 2003 through September 2004. However, we currently anticipate that, at the conclusion of our present campaign, we will reduce our advertising expenses and we believe our revenues will not be adversely impacted.

Second Quarter Ended December 31, 2003 Compared to Second Quarter Ended December 31, 2002

Revenues. Revenues remained at a comparable level with a decrease of $34,771 from $961,839 for the quarter ended December 31, 2002 to $927,068 for the quarter ended December 31, 2003. Likewise, the number of cases heard and the average dollars earned per hearing were relatively consistent between the periods. We believe that lawsuits continue to be commenced and that ADR services should prove to be vital to insurers in their ability to address a growing caseload with reduced costs and increased efficiency. We believe ADR services will benefit clients as they seek to optimize efficiencies in the litigation process in order to improve their own financial outlook as, due to low interest rates, insurers cannot rely on investment income to offset operational and indemnity expenses. Additionally, plaintiffs benefit from a speedier resolution of their claims which is of greater importance in difficult economic times.

Cost of Services. Cost of services decreased 1.6% to $225,876 for the second quarter ended December 31, 2003 from $229,603 for the second quarter ended December 31, 2002. Additionally, the cost of services as a percentage of revenues remained stable at 24% for both quarterly periods. The ratio of cost of services to revenues will fluctuate based on the type of cases administered, the number of hours per case and our ability (or inability) to take advantage of volume arrangements with hearing officers which usually lower the cost per case.

Sales and Marketing. Sales and marketing costs increased 16.7% to $325,161 for the second quarter ended December 31, 2003 from $278,563 for the second quarter ended December 31, 2002. Sales and marketing costs as a percentage of revenues increased to 35.1% in the second quarter of fiscal year 2004 from 29.0% in the second quarter of fiscal year 2003. Most of the increase (approximately $37,400) relates to advertising costs. Our initial agreement with American Lawyer Media, Inc., which provided us with $1,000,000 worth of advertising and promotional opportunities in their national and regional publications over a two-year period, ended in August 2002. As part of our agreement, as amended, with American Lawyer Media, Inc., we agreed to purchase an additional $250,000 worth of advertising. Such advertising is to be expended from May 2003 through September 2004. During the three months ended December 31, 2003, we incurred $43,265 of advertising expense related to this commitment. Additionally, travel, entertainment and promotions increased by approximately $10,900 as our marketing efforts have been concentrated on demonstrating our complete line of services to new and existing clients as we believe there exists great potential to expand these relationships.

General and Administrative. General and administrative costs increased 3.7% to $607,760 for the second quarter ended December 31, 2003 from $586,005 for the second

quarter ended December 31, 2002. Most of the increase (approximately $65,600) relates to employee costs and related items (including benefits, payroll taxes, outside services and auto expense), contributions, taxes and legal expenses. Offsetting the above increases was a decrease in printing, depreciation, dues, postage, costs associated with being a NASDAQ listed company and rental expenses totaling approximately $43,300. General and administrative costs as a percentage of revenues increased to 65.6% for the second quarter ended December 31, 2003 from 60.9% for the second quarter ended December 31, 2002.

Other Income (Expenses). Other income (expenses) changed to an expense of $7,859 for the second quarter ended December 31, 2003 from income of $17,963 for the second quarter ended December 31, 2002. Other income (expenses) is composed primarily of investment income and realized gains (losses) generated from investments. Realized gains (losses) (which includes write-downs for other than temporary declines in the value of marketable securities) was ($11,475) in the second quarter of fiscal year 2004 versus realized gains of $9,485 in the second quarter of fiscal year 2003, resulting in a decline of $20,960. Additionally, net interest income generated primarily from investments in money market funds declined by $3,593 from $6,350 in the prior year period due to lower invested balances and interest rates as compared to the prior period.

Income Taxes. Tax benefits resulting from net losses incurred for the periods ended December 31, 2003 and 2002 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods.

Net Loss. For the three months ended December 31, 2003, we had a net loss of $239,588 as compared to a net loss of $114,369 for the three months ended December 31, 2002. The loss increased principally due to higher advertising costs and administrative expenses as well as lower net investment results.

Six months Ended December 31, 2003 Compared to Six months Ended December 31, 2002

Revenues. Revenues remained at a comparable level with a decrease of $40,344 from $1,955,198 for the six months ended December 31, 2002 to $1,914,854 for the six months ended December 31, 2003. Likewise, the number of cases heard and the average dollars earned per hearing were relatively consistent between the periods. We believe that lawsuits continue to be commenced and that ADR services should prove to be vital to insurers in their ability to address a growing caseload with reduced costs and increased efficiency. We believe ADR services will benefit clients as they seek to optimize efficiencies in the litigation process in order to improve their own financial outlook as, due to low interest rates, insurers cannot rely on investment income to offset operational and indemnity expenses. Additionally, plaintiffs benefit from a speedier resolution of their claims which is of greater importance in difficult economic times.

Cost of Services. Cost of services decreased 3.1% to $444,283 for the six months ended December 31, 2003 from $458,529 for the six months ended December 31, 2002. Additionally, the cost of services as a percentage of revenues remained stable at 23% for both six-month periods. The ratio of cost of services to revenues will fluctuate based on the type of cases administered, the number of hours per case and our ability (or inability) to take advantage of volume arrangements with hearing officers which usually lower the cost per case.

Sales and Marketing. Sales and marketing costs increased 10.4% to $648,663 for the six months ended December 31, 2003 from $587,530 for the six months ended December 31, 2002. Sales and marketing costs as a percentage of revenues increased to 33.9%

in the first six months of fiscal year 2004 from 30.0% in the first six months of fiscal year 2003. Most of the increase (approximately $69,600) relates to advertising costs. Our initial agreement with American Lawyer Media, Inc., which provided us with $1,000,000 worth of advertising and promotional opportunities in their national and regional publications over a two-year period, ended in August 2002. The related non-cash amount expensed for the six months ended December 31, 2003 and 2002 was $0 and $18,285, respectively. As part of our agreement, as amended, with American Lawyer Media, Inc., we agreed to purchase an additional $250,000 worth of advertising. Such advertising is to be expended from May 2003 through September 2004. During the six months ended December 31, 2003, we incurred $92,280 of advertising expense related to this commitment. Additionally, travel, entertainment and promotions increased by approximately $13,100 as our marketing efforts have been concentrated on demonstrating our complete line of services to new and existing clients as we believe there exists great potential to expand these relationships. Offsetting these increases was a decrease in salaries and related costs of approximately $21,600.

General and Administrative. General and administrative costs decreased 0.5% to $1,234,179 for the six months ended December 31, 2003 from $1,239,805 for the six months ended December 31, 2002. Most of the decrease (approximately $59,000) relates to lower costs for printing, depreciation, dues, postage, costs associated with being a NASDAQ listed company and rental expenses. Offsetting the above decreases was an increase in employee costs and related items (including benefits, payroll taxes, outside services and auto expense), contributions and taxes, totaling approximately $52,800. General and administrative costs as a percentage of revenues increased to 64.5% for the six months ended December 31, 2003 from 63.4% for the six months ended December 31, 2002.

Other Income. Other income increased from $6,962 for the six months ended December 31, 2002 to $61,915 for the six months ended December 31, 2003. Other income is composed primarily of investment income and realized gains (losses) generated from investments. Realized losses (which includes write-downs for other than temporary declines in the value of marketable securities) was ($10,634) in the first six months of fiscal year 2003 versus realized gains of $54,683 in the first six months of fiscal year 2004, resulting in an improvement of $65,317. As an offset, net interest income generated primarily from investments in money market funds declined by $8,317 from $14,114 in the prior year period due to lower invested balances and interest rates as compared to the prior period.

Income Taxes. Tax benefits resulting from net losses incurred for the six month periods ended December 31, 2003 and 2002 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods.

Net Loss. For the six months ended December 31, 2003, we had a net loss of $350,356 as compared to a net loss of $323,704 for the six months ended December 31, 2002. The loss increased principally due to higher advertising expenses, offset by improved investment results.

Liquidity and Capital Resources

At December 31, 2003, the Company had a working capital surplus of $1,177,506 compared to $1,492,023 at June 30, 2003. The decrease in working capital occurred primarily as a result of the loss from operations.

Net cash used in operating activities was $447,104 for the six months ended December 31, 2003 versus $251,660 in the prior comparable period. Cash used in operating

activities principally increased due to a slightly higher net loss as well as changes in operating liabilities.

Net cash used in investing activities was $130,791 for the six months ended December 31, 2003 versus net cash provided by investing activities of $13,716 in the comparable prior period. The change in cash from investing activities was primarily due to a higher level of net purchases of marketable securities in the current period.

There were no financing activities during the six months ended December 31, 2003 and 2002.

In accordance with the terms of our August 2000 advertising agreement, as amended, with American Lawyer Media, Inc., we agreed to purchase an additional $250,000 worth of advertising. Such advertising is to be expended from May 2003 through September 2004. During the six months ended December 31, 2003, we incurred $92,280 of advertising expenses related to this commitment. The remaining commitment outstanding as of December 31, 2003 is $134,885.

We have incurred net losses and had negative cash flow from operations during the last seven years and through December 31, 2003. Cash and cash equivalents arising principally from equity transactions have provided sufficient working capital to fund losses incurred and capital expenditures, as well as to provide cash to redeem preferred stock outstanding and to purchase treasury stock. As of December 31, 2003, we had $1,568,703 in aggregate cash, cash equivalents and marketable securities. We believe that, through the proper use of these existing funds, from revenue generated from existing and new web-based services and from further efficiencies achieved by utilizing an enhanced processing system, we will have sufficient cash to meet our needs over the next twelve months.

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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are a party to legal matters arising in the general conduct of business. The ultimate outcome of such matters is not expected to have a material adverse effect on the results of operations or financial position.

Item 2. Changes in Securities and Use of Proceeds.

On December 22, 2003, the Company effectuated a 6-for-1 forward stock split. All references to number of shares and per share data in the consolidated financial statements and accompanying notes have been restated. The par value of the common stock remained unchanged at $.001 per share.

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

On December 12, 2003, 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	990,104 votes for; 0 votes against; 156,281 votes withheld.

Anthony J. Mercorella	990,070 votes for; 0 votes against; 156,315 votes withheld.
Kenneth G. Geraghty	990,104 votes for; 0 votes against; 156,281 votes withheld.
Robert M. Silverson, Jr.	990,070 votes for; 0 votes against; 156,315 votes withheld.
Willem F. Specht	990,070 votes for; 0 votes against; 156,315 votes withheld.
Corey J. Gottlieb	990,070 votes for; 0 votes against; 156,315 votes withheld.
Randy Gerstenblatt	990,070 votes for; 0 votes against; 156,315 votes withheld.

2. For ratification of appointment of Grant Thornton LLP as our independent accountants for fiscal year 2004:

1,084,518 votes for;
61,867 votes against; 0 abstentions

3. For approval of the amendment to the Company's Certificate of Incorporation authorizing the Board of Directors to increase the authorized common stock, par value $.001 per share, of the Company from 15,000,000 shares to 25,000,000

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shares and to effect a 6-for-1 forward stock split of the outstanding shares of the Company's common stock:

984,104 votes for;
162,281 votes against; 0 abstentions

4. For approval of the amendment to the Amended and Restated 1996 Incentive and Nonqualified Stock Option Plan to increase the number of shares of common stock available for grant:

582,957 votes for;
170,133 votes against;
3,666 abstentions; 389,629 not voted

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

(a) Exhibits.

Exhibit Number	Description of Document
3.1	Certificate of Incorporation, as amended (1)
3.1 (b)	Certificate of Designation of Series A Exchangeable Preferred Stock (5)
3.1 (c)	Certificate of Correction of Certificate of Designation of Series A Exchangeable Preferred Stock (6)

3.1 (d)	Certificate of Amendment of Certificate of Incorporation (8)
3.1 (e)	Certificate of Amendment of Certificate of Incorporation, as amended (11)
3.1 (f)	Certificate of Amendment of Certificate of Incorporation, second amendment**
3.2	By-Laws of the Company, as amended (3)
4.1	Stock Purchase Agreement dated May 10, 2000 (7)
4.2	Stock Purchase Warrant dated May 10, 2000 (7)
4.3	Exchangeable Preferred Stock and Warrants Purchase Agreement (5)
10.1	1996 Stock Option Plan, amended and restated (3)
10.2	Employment Agreement between Company and Roy Israel effective July 1, 2002 (12)
10.5	Employment Agreement between Company and Patricia Giuliani-Rheaume (2)
10.7	Lease Agreement for Great Neck, New York facility (1)
10.7.1	Amendment to Lease Agreement for Great Neck, New York facility (4)
10.7.2	Third Amendment to Lease Agreement for Great Neck, New York facility (10)
10.14	Advertising Agreement dated August 11, 2000 (9)
10.14.1	Amendment to Advertising Agreement dated August 11, 2000 (13)
10.14.2	Second amendment to Advertising Agreement dated August 11, 2000**
10.15	Employment Agreement between Company and Alan Littman (13)
31.1	Rule 13a-14(a)/15d-14(a) Certification (CEO)**
31.2	Rule 13a-14(a)/15d-14(a) Certification (CFO)**
32.1	Section 1350 Certification (CEO)**
32.2	Section 1350 Certification (CFO)**

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

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

(3) Incorporated herein in its entirety by reference to the Company's

1998 Annual Report on Form 10-KSB.

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

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

(6) Incorporated herein in its entirety by reference to the Company's SB-2A filed on April 21, 2000.

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

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

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

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

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

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

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

** Filed herewith.

(b) Reports on Form 8-K.

Form 8-K was filed on November 14, 2003 by the Company to announce its revenues and results for the first fiscal quarter ended September 30, 2003

SIGNATURES

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

CLICKNSETTLE.COM, INC.

Date: February 10, 2004 By: /s/ Roy Israel

Roy Israel, President and CEO

Date: February 10, 2004 By: /s/ Patricia A. Giuliani-Rheaume

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