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CLICKNSETTLE COM INC
Form 10KSB
September 27, 2001

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

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2001

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

Commission File Number: 0-21419

clickNsettle.com, Inc.

(Name of small business issuer as specified in its charter)

Delaware ----- (State or Other Jurisdiction of Incorporation or Organization)	23-2753988 ----- (IRS Employer Identification No.)
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1010 NORTHERN BOULEVARD, SUITE 336
GREAT NECK, NEW YORK 10021
(Address of Principal Executive Offices)

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

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock \$.001 Par Value Warrants	NASDAQ Small Cap Market NASD Over-the-Counter Bulletin Board

Title of each class -----	Name of each exchange on which registered -----
Common Stock \$.001 Par Value Warrants	Boston Stock Exchange Boston Stock Exchange

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 X No_____

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web-enabled dispute resolution tools which are designed to attract a larger customer base on a global scale with lower incremental costs; (2) positioning our ADR services and Internet platform as a necessary component of e-commerce transactions and international disputes so as to provide a mechanism for the resolution of any potential dispute, should one occur, among parties who may be located in geographically diverse areas; (3) focusing our advertising campaign towards building brand recognition; (4) accelerating efforts to secure exclusive relationships with corporations and law firms in order to obtain contracts on an international basis by capitalizing on our market position; (5) continuing to explore strategic alliances with business entities that have the ability to promote clickNsettle.com; and (6) becoming a primary provider of commercial, international, insurance and intellectual property dispute resolution.

clickNsettle.com, with patent pending on its unique fully-interactive, web-enabled dispute resolution services, can be accessed 24 hours a day, 7 days a week and is being targeted to the multi-billion dollar litigation market. We believe that our web-enabled dispute resolution platform provides us with the following capabilities: (1) ability to process a large volume of cases electronically with a lower cost per case; (2) easy accessibility by potential users via the Internet; (3) ability to reach potential users on a global basis; (4) lead generator for our in-person arbitration and mediation services which offer a roster of 1,300 arbitrators and mediators worldwide; (5) ability to benchmark data on settlements by injury and venue; and (6) electronic case management capabilities to summarize and provide analysis of a client's entire ADR program including in-person arbitration and mediation conferences and electronic settlements over the Internet.

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We believe that the ADR business is a growing industry based upon (a) the continuing inability of the public court system to effectively manage its docket of civil cases and (b) the increase of global commerce transactions and the subsequent need for dispute resolution mechanisms to address multi-country litigation. An ADR proceeding streamlines the traditional cumbersome public litigation process. As compared to the public court system, an ADR proceeding generally offers litigants a faster resolution, confidentiality, reduced expenses, flexibility in procedures and solutions, and control over the process. With respect to business-to-business disputes, ADR proceedings can also preserve business relations among the parties because its nature is less adversarial and disputes may be resolved promptly.

The Company was formed on January 12, 1994 under the laws of the State of Delaware. On October 31, 1994, we acquired all of the outstanding common stock of National Arbitration & Mediation, Inc. ("NA&M"), a New York corporation, formed on February 6, 1992, which was owned by our Chief Executive Officer and President, and our former Executive Vice President. NA&M began operations in March 1992 as a provider of ADR services. NA&M was merged into the Company as of the end of June 1999. In June 2000, shareholder approval was obtained to change the name of the Company from NAM Corporation to clickNsettle.com, Inc. to more appropriately reflect the present and future scope of our business and prospects.

Services Offered

Arbitration: Our arbitration procedure follows a format essentially similar to a non-jury trial in the public court system. Parties are given a forum in which to present their cases. Litigants utilize this process to save a significant amount in fees relative to traditional court costs and are spared the time delays and some of the cumbersome procedures commonly associated with public court trials. Our hearings are generally governed by our rules of

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procedure. The parties, however, may depart from these rules and proceed in the fashion they deem desirable for the resolution of the case. The parties select a panel member from our list of 1,300 worldwide hearing officers.

The hearings are private, thereby providing a level of confidentiality not readily available in the public court system. Subject to the parties' agreement, the proceedings may include discovery, examination of non-party witnesses, the filing of post-hearing briefs and other matters that may arise in the conduct of non-jury trials.

The arbitrations are usually one of the following: (i) a regular arbitration, in which the hearing officer has authority to issue a ruling and/or award a remedy without limitations; (ii) a "high/low" arbitration, where the parties may choose to set the parameters of the award by pre-selecting the high and low dollar limits that can be awarded by the hearing officer; and (iii) the so-called "baseball" arbitration, which typically involves the submission by each party of their last best figure and the reason why it should be accepted with the hearing officer's binding recommendation being restricted to either one figure or the other. These types of arbitration are not exclusive, and the hearing officers may fashion remedies in accordance with whatever parameters are agreed to by the parties.

Generally, arbitration decisions are binding in nature and, unless otherwise stipulated by the parties, are appealable in only limited circumstances in the public court system. We do not currently offer any type of appeal procedure. Our arbitration decisions are generally enforceable in the public court system by following prescribed filing procedures in the applicable local jurisdiction.

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Mediation (Settlement Conferencing): The mediation method used by us is settlement conferencing, a non-binding process. Settlement conferencing provides an opportunity for parties to reach an early, amicable resolution without undue expense and time-consuming litigation. The voluntary process of settlement conference mediation can be an effective tool for a wide variety of disputes, including tort claims and commercial conflicts.

The parties and a hearing officer attend the settlement conference. Each party may choose to submit a settlement conference memorandum setting forth a brief summary of facts, indicating, for example, why each party has or does not have liability and, if applicable, a statement of the party's damages. At the settlement conference, each party is given an opportunity to describe the facts of the case and explain its position. Thereafter, the hearing officer meets privately with each side on an alternating basis to evaluate their respective cases, and receives proposed concessions that each party might make, and potential settlement figures that each party may offer, with a view toward guiding the parties to the settlement of their dispute. Settlement figures and possible concessions are typically not discussed between a party and the hearing officer without the other party's express consent to disclosing its position. In the majority of instances, the settlement conference procedure results in the resolution of all issues.

Online, blind bid negotiation process: Our online, blind bid negotiation process is an Internet-based, interactive virtual service that offers an alternative to traditional litigation. The program utilizes a direct settlement format that allows disputing parties to enter an unlimited number of "blind" and confidential offers and demands, via the Internet, to settle cases. Through this service, we provide disputants with the ability to negotiate a case with their adversary without actually "tipping their hand" about what amount

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they would accept for settlement. The demands and offers are secure. Only the final settlement figures are ever revealed. This ensures that neither party loses any bargaining power if a settlement is not reached. In the event of non-settlement, the parties may automatically submit the case for in-person arbitration and mediation with us. The service, with patent pending, can be accessed 24 hours a day, 7 days a week and also provides case management tools, electronic access to submit cases for in-person mediation or arbitration and detailed reporting of both in-person arbitration and mediation results and electronic settlement statistics.

Other ADR Services: In addition to in-person mediations and arbitrations and online, blind bid negotiations, we offer, among other services, advisory opinions, mock jury trials and other specialized dispute resolution programs depending on the parties' particular needs. We also offer Case Resolution Days. Case Resolution Days are events usually scheduled at an insurance company client's office in which we arrange for parties to hold high volume direct settlement meetings without the participation of a hearing officer. If the individual meetings do not resolve the dispute, we provide a hearing officer to mediate the dispute if the parties wish to pursue settlement.

Video Conferencing: We have the ability to offer video conferencing capabilities that allows us to provide services to a wider range of clients on a geographical basis. By using this service, clients can participate in and observe hearings without leaving their offices. This results in the reduction of certain costs to the client associated with the ADR process. In addition, the video conferencing equipment, which can be purchased or leased, has applications beyond the ADR area for clients.

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Marketing and Sales

During the second half of fiscal year 2000, we completed the major portion of our development phase with respect to our web-enabled suite of dispute resolution tools and shifted our focus towards exploiting the assets we had developed. Much of our marketing effort has been concentrated on approaching existing clientele to offer them a more diverse menu of dispute resolution tools. By doing so, we believe we will be able to broaden the areas of litigation that can be streamlined with our services, thereby increasing the total number of cases submitted to us. Further, we have re-aligned our personnel to address additional fertile areas of litigation that are well suited to benefit from our services. For instance, a new Vice President of Business Development has been charged with expanding our commercial book of business and with marketing the availability and depth of knowledge and expertise of our exceptionally talented hearing officers. Additionally, our Account Executives currently market our unique "total ADR solution," encompassing in-person and online ADR services as well as a broad array of electronic case management tools available on our site, in order to promote all aspects of our services. They are charged with the goal of pursuing new business as well as increasing the volume of business with existing clients through in-person meetings, presentations and educational seminars relating to ADR services. Each is equipped with various tools and metrics enabling them to gauge client activity and their own individual sales effectiveness. As of September 10, 2001, we employed 11 Account Executives to market our services. Account Executives are salaried employees and are eligible for additional commissions/incentives based on revenue generated.

Our President and Vice President of Operations are active in working with our Account Executives. Account Executives in our regional office first report to a Regional Manager who then reports to the Vice President of Operations. The employment agreement of the Regional Manager of our

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Massachusetts office provides for additional compensation based on the profits of his operation.

Account Executives are trained over approximately a two-week period. This training period may vary depending on the overall abilities of each candidate, the level of prior experience and their aptitude to assimilate the required marketing skills. The training includes the development of sales/service techniques and an introduction to existing clientele. After this initial period, the new Account Executive's performance is closely monitored. In addition, staff meetings are generally held weekly to review progress against goals and to enhance marketing skills.

The majority of our clients are insurance carriers and law firms. In fiscal years 2001 and 2000, no customer exceeded 10% of net revenues. We have a diversified customer base with our revenue distributed among more than 1,900 clients in both fiscal years 2001 and 2000.

When appropriate, we seek contracts with our clients. Further, we continue to enhance our efforts to obtain volume commitments from existing and new clients.

Competition

The ADR business is highly competitive on an international, national and regional level. We believe that barriers to entry in the private ADR business are relatively low, and new competitors can begin doing business relatively quickly. We believe this because the provision of ADR services only requires the consent of all parties to submit their dispute for resolution through a proposed ADR provider. There are two types of competitors: not-for-profit and for-profit entities. We believe the largest not-for-profit

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competitor is the American Arbitration Association and that it has a significant market share in complex commercial cases. The insurance industry has also continued its support for Arbitration Forums, a not-for-profit organization created to service primarily the insurance subrogation market.

We believe that the domestic private ADR industry is, other than a few national entities, generally fragmented into small ADR service providers. The Company believes that Judicial Arbitration Mediation Services, Inc. ("JAMS") is the largest for-profit ADR provider in the country. The Company's competitors include, among others, JAMS, Cybersettle, National Arbitration Forums and Island Arbitration and Mediation. In addition, several public court systems, including the federal and certain state courts in New York, our major market, have instituted court-coordinated programs. To the extent that the public courts reduce case backlogs and provide effective dispute resolution mechanisms, our business opportunities in such markets may be reduced.

Increased competition could decrease the fees charged for our services, and limit our ability to obtain experienced hearing officers. This could have a materially adverse effect on our ability to be profitable in the future. In addition, we compete with other ADR providers to retain the services of qualified hearing officers.

As compared to the majority of our competitors, we believe that our total solution, comprised of in-person global arbitration and mediation services, an online, blind bid program and extensive case management tools, is unique. We believe we have certain advantages that enable us to better serve our clients. These advantages include: (1) a fully interactive case resolution web

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site which enables parties to resolve disputes by accessing an array of different web-enabled services including the option to make an unlimited number of blind and confidential settlement offers and demands via the Internet from anywhere in the world, 24 hours a day, 7 days a week; (2) exclusive agreements with many of our most sought after hearing officers, who are generally former judges and respected attorneys and (3) electronic case management capabilities to summarize and provide analysis of a client's entire ADR program on a regional, national or global basis. We cannot assure you, however, that these perceived advantages will enable us to compete successfully in the future.

Government Regulation

ADR services that are offered by private companies, like us, are not presently subject to any form of local, state or federal regulation. ADR services that are offered by the public courts are subject to the rules set forth by each jurisdiction and the dictates of the individual judge assigned to preside over the dispute.

Employees

As of September 10, 2001, we employed 33 persons, including two part-time employees; of these, three were in executive positions, 13 were Sales Managers and Account Executives and the remaining 17 employees support our operations with respect to information technology, accounting, scheduling, confirming, billing and other administrative duties. The Company also currently utilizes the services of a temporary employee who is eligible for long-term employment.

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Hearing Officers

As of September 10, 2001, we maintained relationships with over 1,300 hearing officers. We have exclusive agreements with respect to ADR proceedings with a number of these hearing officers. Such hearing officers accounted for approximately 60% of the number of in-person cases handled by us for the year ended June 30, 2001. The balance of non-exclusive hearing officers makes their services available to us on a case-by-case basis. With the exception of the exclusive hearing officers, the remainder of our roster of hearing officers can provide their services to competing ADR providers. Compensation to the hearing officers is based on the number of proceedings conducted and the length of time of such proceedings.

ITEM 2. DESCRIPTION OF PROPERTIES

We maintain 2 leased facilities, which are located in office buildings. Currently, we lease 9,080 square feet of space at 1010 Northern Boulevard, Great Neck, New York for our corporate headquarters and for providing hearing/conference facilities in the New York area. The lease expires June 2005. We also lease 1,320 square feet of space, which lease expires November 2002, for our North Easton, Massachusetts office. We believe this space is adequate for our reasonably anticipated future needs.

The aggregate rental expense for all of our offices was \$253,062 during the year ended June 30, 2001.

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ITEM 3. LEGAL PROCEEDINGS

There is no litigation currently pending against the Company.

ITEM 4. SUBMISSION OF MATERIALS TO A VOTE OF SECURITY HOLDERS

On July 5, 2001, we held a special meeting of shareholders. The following represents the results of the voting, both in person and by proxy:

For ratification of an amendment of the Certificate of Incorporation authorizing the Company's board of directors to effect either a 1-for-3 or a 1-for-4 reverse split of outstanding shares of the Company's common stock:

4,216,463 votes for;
31,362 votes against;
1,190 abstentions.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. Our Common Stock is quoted on the NASDAQ Small Cap Market under the trading symbol "CLIK" and has been quoted since we commenced public trading on November 18, 1996. Our Warrants, under the trading symbol "CLIKW," have been quoted on the NASD's Over-the-Counter Bulletin Board since February 28, 2001; prior thereto, they were quoted on the NASDAQ Small Cap Market. Before November 18, 1996, there was no public market for our securities. The following table sets forth the range of high and low closing sales prices (based on transaction data as reported by the NASDAQ Small Cap Market and the NASD's Over-the-Counter Bulletin Board) for each fiscal quarter during the periods indicated.

	Common Stock		Warrants	
	High	Low	High	Low
Fiscal Year 2001:				
First quarter (07/1/00-9/30/00)	\$15.38	\$8.25	\$1.19	\$0.41
Second quarter (10/01/00-12/31/00)	8.44	1.88	0.63	0.03
Third quarter (01/01/01-03/31/01)	3.38	1.78	0.05	0.02
Fourth quarter (04/01/01-06/30/01)	2.63	0.90	0.02	0.01
Fiscal Year 2000:				
First quarter (07/1/99-9/30/99)	\$27.00	\$ 6.00	\$3.22	\$0.53
Second quarter (10/01/99-12/31/99)	24.27	14.07	2.69	1.06
Third quarter (01/01/00-03/31/00)	24.18	14.64	3.00	1.06
Fourth quarter (04/01/00-06/30/00)	20.64	10.50	2.25	0.97

On August 20, 2001, the Company effectuated a 1-for-3 reverse stock split of its common stock. All common stock prices above have been restated to reflect the reverse stock split. The above redeemable warrants have not been restated as the terms of exercise were instead adjusted. On August 28, 2001 the closing bid price for the Common Stock and Warrants, as reported by the NASDAQ Small Cap Market and the NASD's Over-the-Counter Bulletin Board, respectively, were \$1.35 and \$0.00, respectively.

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As of May 21, 2001 (the latest date for which we are able to obtain reliable data), there were in excess of 500 holders of our securities.

On March 6, 2001, we received a letter from The Nasdaq Stock Market that our common stock had failed to maintain a minimum bid price of \$1.00 over the previous 30 consecutive trading days. As a result, we were provided 90 calendar days, or until June 4, 2001, to regain compliance. As we were unable to demonstrate compliance with this rule on or before June 4, 2001, we requested and were granted a meeting on July 19, 2001 to seek continued listing on the Nasdaq Small Cap Market. On August 17, 2001, we received a determination from the Nasdaq Listing Qualification Panel whereby our common stock would continue to be listed pursuant to the following exception. On or before August 28, 2001, the closing bid price of our common stock must be at least \$1.00 per share and, immediately thereafter, a closing bid price of at least \$1.00 per share for a minimum of 10 consecutive trading days. In order to fully comply with this term of exception, we must be able to demonstrate compliance with requirements for continued listing on The Nasdaq Small Cap Market. Nasdaq is presently making a determination as to whether our common stock has the ability to sustain the

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required minimum bid price. Our common stock currently remains listed on The Nasdaq Small Cap Market. However, there can be no assurance that our common stock will not be delisted in the near future.

We have not nor do we contemplate or anticipate paying any dividends upon our common stock in the foreseeable future. The payment of common stock dividends, if any, in the future rests within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements and financial condition, as well as other relevant factors.

The Series A Exchangeable Preferred Stock accrued dividends at a rate of 4% annually. However, on April 5, 2001, we redeemed all of the outstanding preferred stock at par value. The 4% accrued dividend, aggregating \$82,517, was eliminated retroactively, resulting in no payment of dividends from the date of issuance of the preferred shares.

B. In November 1996, we raised additional capital through an initial public offering of our securities. Net proceeds after offering expenses approximated \$4,700,000 of which \$3,862,000 had been utilized through June 30, 2000. During the year ended June 30, 2001, we additionally expended the remaining balance of approximately \$838,000 for working capital and general corporate purposes.

The preceding information updates Form SR filed by the Company in February 1997 pursuant to former Rule 463.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

We provide ADR services to insurance companies, law firms, corporations and municipalities, on an in-person basis, via video conferencing and on the Internet through our clickNsettle.com web site. We focus the majority of our marketing efforts on developing and expanding relationships with insurance companies, law firms, corporations and municipalities, which we believe are some of the largest consumers of ADR services. We believe that with our global roster

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of qualified hearing officers, video conferencing capabilities, knowledge of dispute resolution, reputation within the corporate and legal communities and Internet-based dispute resolution services, we are uniquely positioned to provide a comprehensive web-enabled total solution to disputing parties worldwide.

We opened for business in March 1992 in New York and currently operate from locations in New York and Massachusetts.

Our objective is to become the leading global provider of dispute resolution services by providing a "total solution" for our clients; by offering one-stop shopping for anyone involved in any type of dispute, anywhere in the world; and by providing this service quicker, more economically and more efficiently than previously possible. We intend to achieve this goal by employing the following strategies: (1) marketing our comprehensive suite of web-enabled dispute resolution tools which are designed to attract a larger customer base on a global scale with lower incremental costs; (2) positioning clickNsettle.com as a necessary component of e-commerce and international

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transactions so as to provide a mechanism for the resolution of any potential dispute, should one occur, among parties who may be located in geographically diverse areas; (3) focusing our advertising campaign towards building brand recognition; (4) accelerating efforts to secure exclusive relationships with corporations and law firms in order to obtain contracts on an international basis by capitalizing on our market position; (5) continuing to explore strategic alliances with business entities that have the ability to promote clickNsettle.com; and (6) becoming a primary provider of commercial, international, insurance and intellectual property dispute resolution.

Future Trends

We believe that ADR is becoming a more commonly utilized option for the resolution of various dispute types including insurance, contract, commercial, matrimonial, mass-tort and e-commerce. In addition, the ADR industry is, and will continue to be, undergoing a consolidation as clients seek providers who can offer technologically sophisticated oversight of their international, national and regional multi-state ADR programs. We believe our web-based "total solution," with more efficient primary customer service and a single global platform, will exploit this trend.

We believe that the current economic slowdown is an environment which should encourage the use of our services as more business entities are focusing on cost saving measures given the tremendous expense related to traditional litigation versus our quicker, more efficient dispute resolution process.

We have and may continue to incur net losses in the future as a result of (a) continuing development and other costs associated with our web-based software initiatives and (b) our advertising campaign. Although we are actively promoting our services, there can be no assurance that the revenues to be realized therefrom will exceed the expenses to be incurred. Additionally, our advertising campaign will continue through fiscal year 2003. In August 2000, 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 61,474 shares of our common stock (as adjusted for the 1-for-3 reverse stock split effectuated on August 20, 2001). We believe that targeting our advertising to the legal community will continue to increase

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awareness of our comprehensive suite of dispute resolution services. However, there can be no assurance that this effort will result in increased revenues.

Year Ended June 30, 2001 Compared to Year Ended June 30, 2000

Results of Operations

Revenues. Revenues decreased 3.1% to \$3,866,058 for the year ended June 30, 2001 from \$3,987,928 for the year ended June 30, 2000. The decrease in revenue is attributable to a decline in the number of in-person hearings conducted at our satellite offices. As part of our migration towards centralizing our operations through the utilization of our web platform, we elected to close these offices as the expense of running additional non-hub locations adversely affected earnings, and forecasts indicated that they would have continued to do so. Utilizing the www.clickNsettle.com web site as a centralized dispute resolution location, we began migrating our marketing efforts toward fewer but more efficient primary customer service centers and national account arrangements, as opposed to the continuation of running smaller and less efficient regional locations. The results of such a strategic plan have been beneficial to date as quarterly sequential performance already reflects the

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benefits of such efficiencies. We believe that building on the present platform is the appropriate strategy to enhance operating results. Offsetting this decline was a 10% price increase in our administrative fees effective for cases commencing in the fourth quarter of fiscal 2001 or thereafter; a rise in the average dollars earned per in-person hearing; fees earned from international/commercial cases and revenues from a video-conferencing dispute resolution contract.

Cost of Services. Cost of services decreased 6.1% to \$952,263 for the year ended June 30, 2001 from \$1,013,611 for the year ended June 30, 2000. Additionally, the cost of services as a percentage of revenues remained the same at approximately 25% for both fiscal years 2001 and 2000. Subsequent to our price increase, our cost of sales as a percentage of revenues declined by 1 point to 24% in the fourth quarter of fiscal year 2001. The ratio of cost of services to revenues will fluctuate based on the amount of electronic revenue (which does not require the services of an in-person hearing officer), the number of hours per case and our ability (or inability) to take advantage of volume arrangements with hearing officers which usually lower the cost per case.

Sales and Marketing. Sales and marketing costs decreased 1.8% to \$2,232,678 for the year ended June 30, 2001 from \$2,274,318 for the year ended June 30, 2000. Sales and marketing costs as a percentage of revenues increased slightly to 58% for fiscal year 2001 from 57% for fiscal year 2000. Most of the decrease (approximately \$312,000) relates to employee costs and related items (including benefits and payroll taxes) and travel and entertainment expenses. The consolidation of our offerings into a one-stop, comprehensive suite of web-enabled dispute resolution tools enabled us to streamline sales personnel and related costs including travel and entertainment expenses. Offsetting these declines were increases in advertising, promotions and trade shows. Advertising and external public relations costs increased by approximately \$185,000 from fiscal year 2000 to fiscal year 2001. Most of this increase relates to our 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 commencing August 2000 in exchange for our common stock. The

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related non-cash amount expensed through June 30, 2001 approximated \$290,000. Additional non-cash charges for print advertising relating to this agreement will be incurred during fiscal years 2002 and 2003 and, in total, will approximate \$480,000. Potentially, we may be obligated to purchase \$250,000 of additional print advertising in connection with this agreement during fiscal years 2003 and 2004 if certain agreed-upon criteria are not achieved on February 11, 2002. Due to the economic slowdown, many businesses are decreasing the level of advertising and therefore, as commercial clutter lessens, we believe our targeted campaign should be more prominent and receive more attention. Furthermore, trade show and promotions expense increased by about \$86,000 as we participated in several large legal and insurance related exhibitions primarily early in fiscal year 2001 to promote the "total solution."

General and Administrative. General and administrative costs increased 2.8% to \$2,699,081 for the year ended June 30, 2001 from \$2,625,513 for the year ended June 30, 2000. Furthermore, general and administrative costs as a percentage of revenues increased to 70% for fiscal year 2001 from 66% for fiscal year 2000. A portion of the increase (approximately \$81,000) relates to professional fees for various consulting services, a majority of which related to market research, systems evaluations and investor-relations projects which were completed by the end of the second quarter of fiscal year 2001. These initiatives were undertaken in order to position us for future growth and to enhance operating efficiencies. Secondly, we incurred approximately \$38,000 in one-time costs to promote our company to investors overseas. The remaining increase was largely related to higher rent and utilities in the amount of \$69,000 due to the leasing of additional space at our headquarters in Great Neck, New York as of July 1, 2000. As part of an effort to reduce overhead, we

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reduced expenditures for legal fees, seminars, auto expenses, telephone and miscellaneous expenses that approximated \$80,000.

Other Income. Other income declined from \$381,415 for the year ended June 30, 2000 to \$56,839 for the year ended June 30, 2001. Other income is composed primarily of investment income and realized gains (losses) generated from investments. During fiscal year 2001, we evaluated the carrying value of our investments in marketable equity securities and recorded a write-down for other than temporary declines in the value of such securities of approximately \$146,000. Such realized loss is included in investment income on the accompanying statement of operations for the year ended June 30, 2001. Additionally, we recorded approximately \$77,000 in realized losses from sales of securities in fiscal year 2001. Total net realized losses therefore approximated \$223,000 for fiscal year 2001 as compared to net realized gains of \$259,000 in the prior fiscal year. Offsetting this decline was an increase in investment income of approximately \$141,000 that rose due to higher invested balances in money market funds. At June 30, 2001, approximately 86% of cash equivalents and marketable securities were invested in money market funds whose rate of return will fluctuate based on prevailing interest rates.

Income Taxes. Tax benefits resulting from net losses incurred for the years ended June 30, 2001 and 2000 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods. As of June 30, 2001, we had net operating loss carryforwards for Federal tax purposes of approximately \$5,594,000 and net capital loss carryforwards for Federal tax purposes of approximately \$88,000.

Net Loss. For the year ended June 30, 2001, we had a net loss of (\$1,961,125) as compared to a net loss of (\$1,544,099) for the year ended June 30, 2000. The loss increased primarily due to non-cash investments in

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advertising and realized losses on the sale and write down of marketable securities as compared to realized gains on marketable securities in the prior fiscal year.

Year Ended June 30, 2000 Compared to Year Ended June 30, 1999

Results of Operations

Revenues. Revenues decreased 4% to \$3,987,928 for the year ended June 30, 2000 from \$4,158,506 for the year ended June 30, 1999. The decrease in revenue is attributable to an overall decline in the number of hearings conducted during the year. We believe this is primarily the result of many of our resources being devoted to the development, introduction and promotion of our web-enabled suite of dispute resolution tools. It is our belief that in addition to providing a global marketing platform, our Internet-based business will provide more efficient primary customer service and national account arrangements rather than require numerous "brick and mortar" regional locations. During the second quarter of fiscal year 2000, we introduced an enhanced version of our online, blind bid program that featured a unique, unlimited bid, real-time negotiating format. We believe that continuous improvement of the Internet negotiating model is critical to our success and we will continue to invest resources in this area.

Cost of Services. Cost of services decreased 6% to \$1,013,611 for the year ended June 30, 2000 from \$1,081,309 for the year ended June 30, 1999. The decrease relates primarily to the decline in sales and to a compensation charge in fiscal year 1999 for the granting and vesting of stock options with respect to a hearing officer as well as payments to hearing officers in connection with the commencement of exclusive arrangements with us. As a result, the cost of services as a percentage of revenues decreased to 25.4% for fiscal year 2000 from 26.0% for fiscal year 1999. The ratio of cost of services to revenues will

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fluctuate based on the number of hours per case, as well as 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 11% to \$2,274,318 for the year ended June 30, 2000 from \$2,048,058 for the year ended June 30, 1999. Sales and marketing costs as a percentage of revenues increased to 57% for fiscal year 2000 from 49% for fiscal year 1999. Most of the increase (approximately \$275,000) relates to higher employee costs and related items and travel costs to promote our web-enabled dispute resolution services. This increase was partially offset by a decline in advertising and external public relations costs of approximately \$67,000 from the prior year.

General and Administrative. General and administrative costs increased 16% to \$2,625,513 for the year ended June 30, 2000 from \$2,256,309 for the year ended June 30, 1999. Furthermore, general and administrative costs as a percentage of revenues increased to 66% for fiscal year 2000 from 54% for fiscal year 1999. Most of the increase (approximately \$221,000) relates to salary and related items (including payroll taxes, benefits, employee recruitment fees and outside services) due to increases in staff for data processing and other administrative functions, including temporary help, to support and develop our online, blind bid negotiation process and our in-person arbitration and mediation services. Furthermore, corporate legal fees increased by \$110,000 which is primarily attributable to patent and trademark filings related to our

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electronic settlement program. Finally, other professional fees increased by approximately \$40,000 as additional fees were principally incurred for a market research study aimed at identifying new business opportunities with respect to our comprehensive suite of dispute resolution services.

Other Income (Expenses). Other income (expenses) changed from an expense of (\$67,595) for the year ended June 30, 1999 to income of \$381,415 for the year ended June 30, 2000. Other income (expenses) is composed primarily of investment income and realized gains (losses) generated from investments. The change between the years relates primarily to an increase in realized gains from sales of marketable securities from a net loss of approximately (\$166,000) for fiscal year 1999 to a net gain of approximately \$259,000 for fiscal year 2000. Additionally, investment income increased by approximately \$34,000 due to higher invested balances as a result of additional financing received in the second half of fiscal year 2000.

Income Taxes. Tax benefits resulting from net losses incurred for the years ended June 30, 2000 and 1999 were not recognized as we recorded a full valuation allowance against the net operating loss carryforwards during the periods. As of June 30, 2000, we had net operating loss carryforwards for Federal tax purposes of approximately \$3,797,000.

Net Loss. For the year ended June 30, 2000, we had a net loss of (\$1,544,099) as compared to a net loss of (\$1,294,765) for the year ended June 30, 1999. The loss increased as additional expenditures were made for salaries, marketing, legal and professional fees in order to enhance and promote our comprehensive suite of web-enabled dispute resolution services, offset by realized gains from marketable securities.

Liquidity and Capital Resources

At June 30, 2001, the Company had a working capital surplus of \$3,003,997 as compared to \$5,944,827 at June 30, 2000. The decrease in working capital was attributed to the payment of \$1,800,000 to voluntarily redeem the outstanding shares of Series A Exchangeable Preferred Stock in April 2001, as

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well as cash used in operating activities to fund the net loss for the year ended June 30, 2001.

Net cash used in investing activities was \$172,207 for the year ended June 30, 2001 versus \$64,478 for the year ended June 30, 2000. The decrease in cash from investing activities was principally due to the fact that purchases of investments and furniture and equipment exceeded sales of investments in the current fiscal year while there was a higher proportion of maturities and sales of securities in the investment portfolio in the prior fiscal year.

Net cash used in financing activities was \$1,714,761 for the year ended June 30, 2001 versus \$5,649,230 of cash provided for the year ended June 30, 2000. In the prior year, we issued Series A Exchangeable Preferred Stock for proceeds of \$1,850,000 less issuance costs and issued shares of common stock to a single investor for proceeds of \$4,000,000 in May 2000. In the current year, we redeemed all outstanding shares of the Series A Exchangeable Preferred stock at its par value of \$1,800,000. The 4% accrued dividend on the preferred shares, aggregating \$82,517, was eliminated retroactively, resulting in no payment of dividends from the date of issuance of the preferred shares.

We anticipate that cash flows, together with funds received in

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connection with the issuance of common stock in the prior fiscal year, will be sufficient to fund our operations for the next year. Additionally, under an Equity Line of Credit Agreement, we have the right, until February 15, 2003, to require that the investor purchase between \$500,000 and \$7,000,000 of our common stock. The availability to use this line is limited based on the closing bid price of our common stock and the average trading volume of such stock in a thirty-day period. If the closing bid price and average trading volume are below a defined minimum, the maximum amount available at that point in time will be \$250,000. There is also a minimum of 15 days between each request for investment.

Effect of Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations," and Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Intangible Assets." The new standards require that all business combinations initiated after June 30, 2001 must be accounted for under the purchase method. In addition, all intangible assets acquired that are obtained through contractual or legal right, or are capable of being separately sold, transferred, licensed, rented or exchanged shall be recognized as an asset apart from goodwill. Goodwill and intangibles with indefinite lives will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment by applying a fair value-based test. SFAS 141 is effective for all business combinations completed after June 30, 2001. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this Statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. The consummation of any future business combinations, including the business combination disclosed below under "Subsequent Event," will be impacted by the adoption of the aforementioned pronouncements.

Subsequent Event

On July 9, 2001, we signed a letter of intent to acquire E-Vue, Inc., a development stage company engaged in developing next-generation end-to-end solutions for multimedia delivery over broadband and/or wireless networks based on the MPEG-4 standard and associated compliant technologies. The proposed purchase price under the letter of intent consists of a combination of common

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stock and convertible preferred stock to be issued by us depending on certain financing conditions on the part of E-Vue, Inc. The letter of intent provides for an exclusivity period for both parties until October 7, 2001. In the event either party breaches the agreement, the non-breaching party is to be reimbursed for actual costs incurred up to a maximum of \$100,000 and is entitled to a \$100,000 break up fee. The acquisition, which will require shareholder approval, was initially expected to close in October 2001; however, due to the upheaval in the financial markets in response to recent events, the expected closing date of the acquisition has been delayed. There can be no assurance that this transaction will close.

ITEM 7. FINANCIAL STATEMENTS

Information in response to this item is set forth in the Financial Statements, beginning on Page F-1 of this filing. On August 20, 2001, a 1-for-3 reverse stock split of our outstanding common stock was effectuated. Our

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shareholders previously approved this action in a meeting held on July 5, 2001. Also, in accordance with our redeemable warrant agreement, the terms of the outstanding redeemable warrants were adjusted. Originally, each redeemable warrant entitled the holder to purchase one share of common stock at a price of \$6 per share at any time from issuance until November 13, 2001. After the reverse stock split, in order to obtain one share of common stock, the redeemable warrant holder must exercise 3 warrants and pay an aggregate of \$18 in cash until November 13, 2001.

All references to number of shares and per share data in the financial statements and accompanying notes for all periods presented have been restated to reflect the reverse stock split.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
clickNsettle.com, Inc.

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We have audited the accompanying consolidated balance sheets of clickNsettle.com, Inc. and Subsidiaries (formerly known as NAM Corporation) (the "Company") as of June 30, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of clickNsettle.com, Inc. and Subsidiaries as of June 30, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Melville, New York
August 23, 2001

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

CONSOLIDATED BALANCE SHEETS

June 30,

ASSETS	2001 -----
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,558,372
Marketable securities	402,807
Accounts receivable (net of allowance for doubtful accounts of \$140,000 in 2001 and 2000)	355,674
Prepaid expenses and other current assets	469,885

Total current assets	3,786,738

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FURNITURE AND EQUIPMENT - AT COST, less accumulated depreciation	309,242
OTHER ASSETS	91,452

	\$ 4,187,432
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	\$ 179,196
Accrued liabilities and dividends payable	284,412
Accrued payroll and employee benefits	35,020
Deferred revenues	284,113

Total current liabilities	782,741
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' EQUITY	
Series A Exchangeable Preferred Stock - \$.001 par value; 2,100 shares authorized; 0 and 1,850 shares issued and outstanding in 2001 and 2000, respectively; liquidation preference of \$1,000 per share	--
Common stock - \$.001 par value; 15,000,000 shares authorized; 1,450,259 and 1,364,426 shares issued in 2001 and 2000, respectively; 1,444,676 and 1,364,426 shares outstanding in 2001 and 2000, respectively	1,450
Additional paid-in capital	10,109,385
Accumulated deficit	(6,687,254)
Accumulated other comprehensive (loss) income	(6,135)
Less common stock in treasury at cost, 5,583 and 0 shares in 2001 and 2000, respectively	(12,755)

Total stockholders' equity	3,404,691

	\$ 4,187,432
	=====

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS

Year ended June 30,

2001

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Net revenues	\$ 3,866,058

Operating costs and expenses	
Cost of services	952,263
Sales and marketing expenses	2,232,678
General and administrative expenses	2,699,081

	5,884,022

Loss from operations	(2,017,964)
Other income	
Investment income	31,768
Other income	25,071

	56,839

Loss before income taxes	(1,961,125)
Income taxes	--

NET LOSS	(1,961,125)
Preferred stock dividend, deemed dividend on preferred stock for beneficial conversion and excess of consideration paid on redemption of preferred stock	(181,918)

Loss before cumulative effect of change in accounting principle for deemed dividend on preferred stock for beneficial conversion	(2,143,043)
Cumulative effect of change in accounting principle for deemed dividend on preferred stock for beneficial conversion	(217,583)

Net loss attributable to common stockholders	\$ (2,360,626)
	=====
Loss per common share - basic and diluted	
Loss before cumulative effect of change in accounting principle	\$ (1.50)
Cumulative effect of change in accounting principle	(.15)

Net loss per common share	\$ (1.65)
	=====
Weighted-average shares outstanding - basic and diluted	1,432,674
	=====

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE LOSS

Years ended June 30, 2001 and 2000

	Preferred stock		Common stock		Additional paid-in capital
	Shares	Amount	Shares	Amount	
Balances at June 30, 1999			3,370,739	\$ 3,371	\$4,797,637
Compensation related to stock options and warrants					36,988
Common shares issued pursuant to restricted stock awards			36,744	37	(37)
Common shares issued upon exercise of stock options and warrants			33,226	33	53,312
Gain on common shareholder's stock					1,720
Common shares and warrants issued pursuant to preferred stock and equity line of credit offerings, net of issuance costs of \$221,282	1,850	\$ 1,543,456	10,000	10	85,252
Preferred stock dividend and deemed dividend on preferred stock for beneficial conversion		91,333			
Common shares issued pursuant to private placement, net of issuance costs of \$34,553			642,570	642	3,964,805
Net loss					
Change in unrealized gain (loss) on marketable securities					
Comprehensive loss					
Balances at June 30, 2000 (carried forward)	1,850	1,634,789	4,093,279	4,093	8,939,677
		Accumu- lated other compre-	Total		

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	Comprehensive income (loss) -----	Common stock in treasury -----	stock- holders' equity -----	Compre- hensive loss -----
Balances at June 30, 1999	\$ 95,256		\$2,232,818	
Compensation related to stock options and warrants			36,988	
Common shares issued pursuant to restricted stock awards				
Common shares issued upon exercise of stock options and warrants			53,345	
Gain on common shareholder's stock			1,720	
Common shares and warrants issued pursuant to preferred stock and equity line of credit offerings, net of issuance costs of \$221,282			1,628,718	
Preferred stock dividend and deemed dividend on preferred stock for beneficial conversion			(27,750)	
Common shares issued pursuant to private placement, net of issuance costs of \$34,553			3,965,447	
Net loss			(1,544,099)	\$(1,544,099)
Change in unrealized gain (loss) on marketable securities	(80,813)	-----	(80,813)	(80,813)
Comprehensive loss				\$ (1,624,912) =====
Balances at June 30, 2000 (carried forward)	14,443		6,266,374	

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE LOSS (continued)

Years ended June 30, 2001 and 2000

Preferred stock		Common stock		Addition paid-in capital
Shares	Amount	Shares	Amount	
-----	-----	-----	-----	-----

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Balances at June 30, 2000 (brought forward)	1,850	\$1,634,789	4,093,279	\$4,093	\$8,939,677
Compensation related to stock options and warrants					37,031
Common shares issued upon exercise of stock options			11,250	11	21,084
Common shares issued in exchange for future advertising services, net of issuance costs of \$1,015			184,422	184	768,801
Common shares issued			18,662	19	77,895
Preferred stock dividend and deemed dividend on preferred stock for beneficial conversion		10,149			
Common shares issued pursuant to conversion of preferred stock	(50)	(44,457)	43,163	44	44,413
Purchase of common shares for treasury					
Cumulative effect of change in accounting principle for deemed dividend on preferred stock for beneficial conversion					217,580
Redemption of preferred stock	(1,800)	(1,600,481)			
Net loss					
Change in unrealized gain (loss) on marketable securities					
One-for-three reverse stock split effectuated August 20, 2001			(2,900,517)	(2,901)	2,900
	-----	-----	-----	-----	-----
Comprehensive loss					
Balances at June 30, 2001	=====	\$ =====	1,450,259	\$ 1,450	\$10,109,380

	Accumulated other comprehensive income (loss)	Common stock in treasury	Total stock- holders' equity	Compre- hensive loss
	-----	-----	-----	-----
Balances at June 30, 2000 (brought forward)	\$ 14,443		\$ 6,266,374	
Compensation related to stock options and warrants			37,031	
Common shares issued upon exercise of stock options			21,095	
Common shares issued in				

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exchange for future advertising services, net of issuance costs of \$1,015			768,985	
Common shares issued			77,914	
Preferred stock dividend and deemed dividend on preferred stock for beneficial conversion			(54,766)	
Common shares issued pursuant to conversion of preferred stock				
Purchase of common shares for treasury		\$ (12,755)	(12,755)	
Cumulative effect of change in accounting principle for deemed dividend on preferred stock for beneficial conversion				
Redemption of preferred stock			(1,717,484)	
Net loss			(1,961,125)	\$ (1,961,125)
Change in unrealized gain (loss) on marketable securities	(20,578)		(20,578)	(20,578)
One-for-three reverse stock split effectuated August 20, 2001	-----	-----	-----	-----
Comprehensive loss				\$ (1,981,703) =====
Balances at June 30, 2001	\$ (6,135) =====	\$ (12,755) =====	\$ 3,404,691 =====	

The accompanying notes are an integral part of this statement.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended June 30,

	2001 -----	-----
Cash flows from operating activities		
Net loss	\$ (1,961,125)	\$ (1,961,125)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	107,912	

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Provision for bad debts		
Losses (gains) on sales of marketable securities	77,248	
Write-down of marketable securities	145,849	
Losses on disposals of furniture and equipment	595	
Advertising in exchange for common stock	290,397	
Compensation related to stock options and warrants	37,031	
Changes in operating assets and liabilities		
Decrease in accounts receivable	87,795	
Decrease in prepaid expenses and other current assets	47,487	
(Increase) decrease in other assets	(12,264)	
(Decrease) increase in accounts payable and accrued liabilities	(271,331)	
(Decrease) in accrued payroll and employee benefits	(58,802)	
(Decrease) increase in deferred revenues	(21,891)	
	-----	-----
Net cash used in operating activities	(1,531,099)	(1)
	-----	-----
Cash flows from investing activities		
Purchases of marketable securities	(361,140)	(1)
Proceeds from sales of marketable securities	315,846	
Proceeds from maturities of marketable securities		
Decrease in receivable for securities sold		
Purchases of furniture and equipment	(126,913)	
	-----	-----
Net cash used in investing activities	(172,207)	
	-----	-----
Cash flows from financing activities		
Redemption of preferred stock	(1,800,000)	
Issuance of common stock, net of issuance costs and proceeds from exercise of stock options	97,994	4
Purchase of treasury stock at cost	(12,755)	
Issuance of preferred stock and warrants, net of issuance costs		1
Gain on shareholder's stock		
	-----	-----
Net cash (used in) provided by financing activities	(1,714,761)	5
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,418,067)	4
Cash and cash equivalents at beginning of year	5,976,439	1
	-----	-----
Cash and cash equivalents at end of year	\$ 2,558,372	\$ 5
	=====	=====
Supplemental disclosure of cash flow information:		
Noncash financing activities		
Preferred stock dividend and deemed dividend on preferred stock for beneficial conversion	\$ 64,915	\$
Issuance of common stock in exchange for prepaid advertising	770,000	
Conversion of preferred stock to common stock	44,457	

The accompanying notes are an integral part of these statements.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2001 and 2000

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

clickNsettle.com, Inc. ("CLIK") (formerly known as NAM Corporation) provides a broad range of Alternative Dispute Resolution ("ADR") services, including in-person arbitrations and mediations and an online, blind bid negotiation program, principally in the United States. CLIK incorporated on January 12, 1994 and began operations on February 15, 1994. On October 31, 1994, National Arbitration & Mediation, Inc. ("NA&M"), which was owned by CLIK's Chief Executive Officer and former Executive Vice President, was acquired by and became a wholly-owned subsidiary of CLIK. The transaction was accounted for as a transfer of assets between companies under common control, with the assets and liabilities of NA&M combined with those of CLIK at their historical carrying values. NA&M also provided a broad range of ADR services, including arbitrations and mediations. NA&M began operations in March 1992.

In June 1999, NA&M was merged into CLIK, along with several other wholly-owned subsidiaries, National Video Conferencing Inc. and NAMSYS Corporation. Additionally, Michael Marketing LLC and clickNsettle.com LLC, wholly-owned limited liability companies, were formed in June 1999 in Delaware. Michael Marketing, Inc., a Delaware corporation formed in November 1991, formerly a wholly-owned subsidiary, was merged into Michael Marketing LLC in June 1999.

In June 2000, shareholder approval was obtained to change the name of the Company from NAM Corporation to clickNsettle.com, Inc. to more appropriately reflect the present and future scope of the Company's business and prospects.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting and reporting policies applied on a consistent basis which conform with accounting principles generally accepted in the United States of America follows:

a. Basis of Presentation

The accompanying consolidated financial statements of clickNsettle.com, Inc. and Subsidiaries include the accounts of its wholly-owned subsidiaries, Michael Marketing LLC and clickNsettle.com LLC (collectively referred to herein as the "Company"). The Company operates in one business segment, ADR. All significant intercompany transactions and balances were eliminated in consolidation.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 2 (continued)

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are used when accounting for the allowance for uncollectible accounts receivable, depreciation, taxes and contingencies, among others.

c. Revenue Recognition

The Company principally derives its revenues from fees charged for in-person arbitrations and mediations and from online negotiation services. Each party to an in-person proceeding is charged an administrative fee, a portion of which is nonrefundable when each party agrees to utilize the Company's services. The Company recognizes revenue when the in-person arbitration or mediation occurs. Fees received prior to such arbitration or mediation are reflected as deferred revenue.

The Company recognizes revenue from online negotiation services when an offer or demand is entered and if and when the legal dispute is settled.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and money market funds.

e. Marketable Securities

Investments classified as marketable securities include equity securities which are reported at their fair values. Unrealized gains or losses on these securities are reported as a separate component of accumulated other comprehensive (loss) income, net of related tax effects, within stockholders' equity. The Company categorizes all equity securities as available-for-sale in order to provide the Company flexibility to respond to various factors, including changes in market conditions and tax planning considerations.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 2 (continued)

Investment income, consisting of interest and dividends, is recognized when earned. Realized gains and losses on sales, maturities or liquidation of investments are determined on a specific identification basis. Fair values of investments are based on quoted market prices.

f. Furniture and Equipment

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method to allocate the cost of those assets over their expected useful lives which range from two to ten years. Leasehold improvements are amortized over the life of the remaining lease.

g. Product Development Costs

Product development costs include expenses incurred by the Company to develop, enhance, manage and operate the Company's website and its online negotiation service. Costs incurred for internal use software in the preliminary project stage and for application maintenance, upgrades and enhancements are expensed. Costs incurred for application development are capitalized. No development costs have been capitalized during the fiscal years ended June 30, 2001 and 2000.

h. Income Taxes

The Company follows the asset and liability method of accounting for income taxes by applying statutory tax rates in effect at the balance sheet date to differences among the book and tax bases of assets and liabilities. The resulting deferred tax liabilities or assets are adjusted to reflect changes in tax laws or rates by means of charges or credits to income tax expense. A valuation allowance is recognized to the extent a portion or all of a deferred tax asset may not be realizable.

i. Advertising Costs

The cost of advertising is expensed when the advertising takes place. The Company incurred \$507,252 and \$322,566 for advertising and external public relations costs in fiscal 2001 and 2000, respectively. The fiscal 2001 amount includes \$290,397 relating to noncash advertising charges (see Note 7(e)).

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ClickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 2 (continued)

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j. Earnings (Loss) Per Common Share

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 and conversion of preferred stock, reduced by the shares that may be repurchased with the funds received from the exercise and conversion, 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 1,110,531 and 1,215,936 at June 30, 2001 and 2000, respectively, would be antidilutive as the Company incurred net losses for the years ended June 30, 2001 and 2000.

k. Effect of Recently Issued Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), "Business Combinations," and Statement of Financial Accounting Standards No. 142 ("SFAS 142"), "Goodwill and Intangible Assets." The new standards require that all business combinations initiated after June 30, 2001 must be accounted for under the purchase method. In addition, all intangible assets acquired that are obtained through contractual or legal right, or are capable of being separately sold, transferred, licensed, rented or exchanged shall be recognized as an asset apart from goodwill. Goodwill and intangibles with indefinite lives will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment by applying a fair value-based test. SFAS No. 141 is effective for all business combinations completed after June 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. The consummation of any future business combinations, including the business combination disclosed in Note 13, will be impacted by the adoption of the aforementioned pronouncements.

l. Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

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clickNsettle.com, Inc. and Subsidiaries
(formerly known as NAM Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 3 - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive loss, net of tax effects, are as follows:

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	2001 -----
Net loss	\$ (1,961,125) -----
Unrealized gain (loss) on marketable securities, net of tax effects of \$0 in 2001 and 2000, respectively	
Unrealized (losses) gains arising in period	(5,372)
Reclassification adjustment - loss included in net loss	(15,206) -----
Net unrealized loss	(20,578) -----
Comprehensive loss	\$ (1,981,703) =====

Accumulated other comprehensive loss represents the unrealized gain (loss) on marketable equity securities, net of tax effects of \$0 in fiscal 2001 and 2000, respectively.

NOTE 4 - MARKETABLE SECURITIES

Marketable securities are carried at fair value. A summary of investments in marketable securities and a reconciliation of amortized cost to the fair value follow:

	Amortized cost -----	Gross unrealized gains -----	G unre l -----
June 30, 2001			
Equity securities	\$408,942 -----	\$ 42,786 -----	\$ (4 -----
Total marketable securities	\$408,942 =====	\$ 42,786 =====	\$ (4 =====
June 30, 2000			
Equity securities	\$586,745 -----	\$113,612 -----	\$ (9 -----
Total marketable securities	\$586,745 =====	\$113,612 =====	\$ (9 =====

Proceeds on sales of securities were \$315,846 and \$932,150 for the years ended June 30, 2001 and 2000, respectively. During fiscal 2001 and 2000, gross gains of \$44,404 and \$275,644, respectively, and gross

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 4 (continued)

losses of \$121,652 and \$16,450, respectively, were realized on these sales. During 2001, the Company evaluated the carrying value of its investments in marketable equity securities and recorded a write-down for other than temporary declines in the value of such securities in the amount of \$145,849. Such write-down is included in investment income on the accompanying statement of operations for the year ended June 30, 2001. Net unrealized (losses) gains on marketable securities were \$(6,135) and \$14,443 at June 30, 2001 and 2000, respectively. During fiscal 2001 and 2000, no income taxes (benefits) were provided on the unrealized gains (losses) due to the Company's net operating loss.

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	June 30,	
	2001	2000
	-----	-----
Furniture	\$ 233,656	\$ 192,440
Equipment	540,824	508,340
Leasehold improvements	21,993	21,993
	-----	-----
	796,473	722,773
Less accumulated depreciation	(487,231)	(431,937)
	-----	-----
	\$ 309,242	\$ 290,836
	=====	=====

Depreciation expense for the years ended June 30, 2001 and 2000 was \$107,912 and \$111,552, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 6 - INCOME TAXES

Temporary differences which give rise to deferred taxes are summarized as follows:

	2001	2000
	-----	-----
Deferred tax assets		
Net operating loss and other carryforwards	\$ 2,190,000	\$ 1,378,000
Provision for bad debts	56,000	56,000
Deferred compensation	4,000	52,000
Deferred rent and other	52,000	49,000
Depreciation	18,000	19,000
	-----	-----
Net deferred tax asset before valuation allowance	2,320,000	1,554,000
Valuation allowance	(2,320,000)	(1,554,000)
	-----	-----
Net deferred tax asset	\$ --	\$ --
	=====	=====

The Company has recorded a full valuation allowance to reflect the estimated amount of deferred tax assets which may not be realized.

The Company's effective income tax rate differs from the statutory Federal income tax rate as a result of the following:

	2001	2000
	-----	-----
Benefit at statutory rate	\$ (666,783)	\$ (524,994)
State and local benefit, net of Federal tax	(114,821)	(88,469)
Nondeductible expenses - net	16,053	24,454
Increase in the valuation allowance	765,551	589,009
	-----	-----
	\$ --	\$ --
	=====	=====

At June 30, 2001, the Company had a net operating loss carryforward for Federal income tax reporting purposes amounting to approximately \$5,594,000, expiring from 2012 through 2021. Additionally, the Company has

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a net capital loss carryforward for Federal income tax reporting purposes at June 30, 2001 of approximately \$88,000 which expires in 2006. No income taxes were paid in the years ended June 30, 2001 and 2000.

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clickNsettle.com, Inc. and Subsidiaries
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 6 (continued)

Under current tax law, the utilization of net operating losses will be restricted if an ownership change were to occur. In addition, their use is limited to future earnings of the Company.

NOTE 7 - STOCKHOLDERS' EQUITY

a. Capitalization

On August 20, 2001, the Company effected a 1-for-3 reverse stock split. All references to number of shares and per share data in the consolidated financial statements and accompanying notes have been restated, except with respect to certain redeemable warrants which were adjusted (see Note 7 (f)), to reflect the reverse stock split. The par value of the common stock remained unchanged at \$.001 per share.

b. Preferred Stock

The Company's board of directors has authorized 5,000,000 shares of \$.001 par value preferred stock, of which 2,100 shares are designated as Series A Exchangeable Preferred Stock. The Series A Exchangeable Preferred Stock has (a) no voting rights, except that holders of 75% of the Series A preferred stock must approve changes to the Certificate of Designation and issuance of securities with rights senior to the Series A preferred stock and (b) an annual dividend rate of 4%.

c. Series A Exchangeable Preferred Stock

On February 15, 2000, the Company issued 1,850 shares of its Series A Exchangeable Preferred Stock for an aggregate purchase price of \$1,850,000. Holders of the Series A Exchangeable Preferred Stock could have exchanged such shares into shares of the Company's common stock at any time and must exchange such shares at the Company's request, which cannot be made until the earlier of February 14, 2002 or the date upon which the average closing bid price of the Company's common stock for five consecutive trading days was at least \$10 and the average daily trading volume for the thirty consecutive trading days ending on the fifth day was at least 40,000 shares and the common stock underlying the outstanding Series A Exchangeable Preferred Stock is registered pursuant to a then-effective registration statement.

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clickNsettle.com, Inc. and Subsidiaries
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

Through July 15, 2000, the exchange rate for each share of the Series A Exchangeable Preferred Stock was equal to \$1,000 divided by \$10.45. On July 15, 2000 and thereafter, the exchange rate for each share of Series A Exchangeable Preferred Stock was equal to \$1,000 divided by the lesser of (i) \$10.45 or (ii) the market price, which was the average of any three consecutive closing bid prices of the Company's common stock selected by the holders during the thirty trading day period ending on the day immediately prior to the exchange. Until February 14, 2001, the exchange rate could never be greater than \$10.45 or less than \$2.375. These adjustments to the market price could potentially result in a conversion price below the then trading market price of the stock on the date of the exchange. In recognition of this beneficial conversion feature, the Company initially allocated \$101,482 of the proceeds from the offering to additional paid-in capital. The beneficial conversion feature was accounted for as a deemed dividend and was accreted to preferred stock over the five-month period from February 15, 2000 through July 15, 2000. The amount accreted for the years ended June 30, 2001 and 2000, was \$10,149 and \$91,333, respectively, which increased the net loss attributable to common stockholders.

During the second quarter of fiscal 2001, the Company adopted certain provisions of Emerging Issues Task Force ("EITF") 00-27, "Application of EITF Issue No. 98-5, 'Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios to Certain Convertible Instruments'." EITF 00-27 changed the approach of calculating the conversion price used in determining the value of the beneficial conversion feature from using the conversion price stated in the preferred stock certificate to using the effective conversion price. The adoption of EITF 00-27 increased the original value of the beneficial conversion feature to \$319,065 from the \$101,482 that was recorded in connection with the preferred stock issuance in February 2000. In accordance with EITF 00-27, the adoption was treated as a cumulative effect of an accounting change which resulted in a cumulative adjustment to dividends of \$217,583 as of the beginning of the second quarter of fiscal 2001.

In the event of a liquidation of the Company, the holders of the Series A Exchangeable Preferred Stock would receive, before any payments to common stockholders, \$1,000 per share plus any accrued but unpaid dividends. The Series A Exchangeable Preferred Stock accrued dividends at a rate of 4% annually, unless the thirty-day average trading price of the Company's common stock was equal to or greater than \$9 at any time after July 15, 2000, in which case dividends would cease to accrue and accrued but unpaid dividends would be cancelled. Dividends were payable at the Company's option, in cash or in registered common stock. Accrued dividends at June 30, 2000 aggregated \$27,750.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

On April 5, 2001, pursuant to approval by the board of directors, the Company redeemed all of its Series A Exchangeable Preferred Stock at par value. There were 1,800 shares outstanding before the redemption and the Company paid \$1,800,000 to redeem these shares. The 4% accrued dividend on the preferred shares, aggregating \$82,517, was eliminated retroactively resulting in no payment of dividends from the date of issuance of the preferred shares. The excess of the fair value of the consideration paid to redeem the preferred stock over the carrying amount of the stock, net of the eliminated accrued dividends, approximated \$117,003.

In connection with the sale of the Series A Exchangeable Preferred Stock, the Company issued warrants to the preferred holders to purchase an aggregate of 18,750 shares of common stock at a price per share of \$31.56. The warrants expire on August 15, 2005. The fair value of the warrants approximated \$205,000. Such amount reduced the stated value of the preferred stock and increased additional paid-in capital, resulting in no net change to stockholders' equity.

The Company issued 1,667 shares of its common stock and paid a fee of \$92,500 to the placement agent, Triton West Group, Inc., for the offering.

d. Equity Line of Credit

On February 16, 2000, the Company entered into an Equity Line of Credit Agreement with Moldbury Holdings Limited. Under this agreement, the Company has the right, until February 15, 2003, to require that Moldbury Holdings Limited purchase between \$500,000 and \$7,000,000 of the Company's common stock. The maximum and minimum amounts that Moldbury Holdings Limited would be required to purchase at any given time are subject to a floating number based on the closing bid price of the Company's common stock and the average trading volume of such stock in a thirty-day period. The price per share in each such purchase shall be the greater of (i) 89% of the average closing bid price for the day of the Company's notice to Moldbury Holdings Limited requesting its purchase and the two days preceding the notice and the two days following the notice and (ii) the minimum price set by the Company for such purchase. Moldbury Holdings Limited is not required to make any purchase if the shares being purchased are not registered pursuant to a then-effective registration statement. The agreement limits the Company's ability to enter into a similar agreement at prices below the then current bid price without prior consent of Moldbury Holdings Limited.

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clickNsettle.com, Inc. and Subsidiaries
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

In connection with the Equity Line of Credit Agreement, the Company issued a warrant to Moldbury Holdings Limited to purchase 20,000 shares of common stock at a price per share of \$28.02, of which 15,000 warrants were issued on February 16, 2000 and the remaining 5,000 warrants are to be issued immediately after Moldbury Holdings Limited has invested \$3,500,000 to purchase shares of common stock under the terms and conditions of the Equity Line of Credit Agreement. The warrants expire on August 16, 2003. The Company issued 1,667 shares of its common stock to the placement agent for the offering, Triton West Group, Inc. A fee of 5% of the gross proceeds will be paid when Moldbury Holdings Limited purchases the Company's common stock, at the Company's request, pursuant to the Equity Line of Credit Agreement.

e. Private Placements

On May 10, 2000, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with ISO Investment Holdings, Inc. ("ISO"), whereby the Company issued 214,190 common shares, par value \$.001 per share, to ISO at a price of \$18.675 per share or \$4,000,000. In connection therewith, the Company issued a warrant to ISO to purchase 60,000 common shares at an exercise price of \$24.27 per share, exercisable on or after May 10, 2000 and expiring on August 15, 2005. The exercise price and number of warrant shares are subject to adjustment in certain circumstances (stock split, dilutive issuances at less than market price, etc.).

Pursuant to the Stock Purchase Agreement, ISO has the right to designate one individual to be nominated as a member of the Company's board of directors. Additionally, under certain circumstances, ISO is entitled to purchase, upon the same terms, such number of securities to enable it to retain its fully diluted ownership position in the Company that it held immediately prior to a proposed issuance, sale or exchange of the Company's equity securities.

Pursuant to the Stock Purchase Agreement, ISO has one demand registration right commencing May 10, 2001 and unlimited incidental registration rights commencing immediately. In the case of a demand for registration by ISO, the Company shall not be required to file any such registration statement unless the anticipated aggregate gross offering price is at least \$2,000,000. The registration rights granted under the Stock Purchase Agreement terminate upon the earlier of (i) May 10, 2004 and (ii) such time as ISO shall be permitted to sell all of its purchased securities in any three-month period under Rule 144 promulgated under the Securities Act.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

On August 11, 2000, the Company entered into an advertising agreement with American Lawyer Media, Inc. ("ALM"), whereby the Company issued 61,474 fully vested, nonforfeitable common shares with a market value of \$770,000 to ALM in exchange for \$1 million of advertising and promotional opportunities over a two-year term (see Note 9 (c)). The number of shares issued by the Company was calculated based on the average per share closing price of the common stock for the five trading days prior to August 11, 2000. The Company initially recorded \$770,000 as prepaid advertising. Such amount is being expensed as the advertising takes place. During the year ended June 30, 2001, the Company expensed \$290,397 of advertising costs related to this transaction. As of June 30, 2001, \$431,126 was classified as short-term and included in prepaid expenses and other current assets and \$48,477 was classified as long-term and included in other assets in the accompanying balance sheet based on the expected utilization.

Pursuant to the Stock Purchase Agreement between the Company and ISO, ISO is entitled to purchase, upon the same terms, such number of securities to enable it to retain its fully diluted ownership position in the Company after the issuance of shares to ALM. ISO exercised this preemptive right on August 21, 2000, whereby the Company issued 6,221 shares of common stock to ISO. The total offering price was \$77,914.

f. Redeemable Warrants

In November 1996, the Company completed an initial public offering ("IPO") which consisted of 1,400,000 units, each unit consisting of one share of common stock and one redeemable warrant, not effected for the reverse split (see Note 7 (a)). After the reverse stock split, in order to obtain one share of common stock, the warrant holder must exercise three warrants and pay an aggregate of \$18 in cash, subject to adjustment, at any time from issuance until November 13, 2001. Such warrants are redeemable by the Company, with the prior written consent of the underwriter, at a redemption price of \$.05 commencing November 13, 1997 provided that the average closing bid price of the common stock equals or exceeds \$27.00, subject to adjustment, for a specified period of time. In addition, there was an over allotment option for 210,000 units which was exercised by the underwriter. As of June 30, 2001, 100 warrants have been redeemed to date and 1,609,900 redeemable warrants are outstanding.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

g. Underwriter's Warrants

In connection with the IPO, the Company sold to the underwriter, for nominal consideration, warrants to purchase from the Company 46,666 units (the "underwriter's warrants"). The underwriter's warrants are exercisable at \$17.40. The shares of common stock and redeemable warrants issuable upon exercise of the underwriter's warrants are identical to those offered to the public. The underwriter's warrants contain provisions providing for adjustment of the number of warrants and exercise price under certain circumstances. The underwriter's warrants grant to the holders thereof certain rights of registration of the securities issuable upon exercise of the underwriter's warrants. During fiscal 2000, 5,833 of these warrants were exercised on a cashless basis pursuant to which 2,792 units were issued. As of June 30, 2001, 40,833 underwriter's warrants are outstanding.

h. Treasury Stock

On March 23, 2001, the Company extended its March 1998 purchase plan (the "Purchase Plan"), pursuant to which the number of shares of common stock of the Company eligible for purchase under the Purchase Plan was increased from 200,000 shares to an aggregate of 266,667 shares. The Purchase Plan shall expire on the earlier of all of the shares being purchased or March 23, 2002, provided, however, that the Purchase Plan may be discontinued at any time by the Company. As of June 30, 2001, the Company has purchased 5,583 shares under the Purchase Plan for an aggregate cost of \$12,755.

i. Stock Option Plan

The Company has an Incentive and Nonqualified Stock Option Plan (the "Plan") for employees, officers, directors, consultants and advisors of the Company, pursuant to which the Company may grant options to purchase up to 1,000,000 shares, inclusive of the December 2000 amendment increasing the Plan by 333,000 shares, of the Company's common stock. The Plan is administered by the board of directors, which has the authority to designate the number of shares to be covered by each award and the vesting schedule of such award, among other terms. The option period during which an option may be exercised shall not exceed ten years from the date of grant and will be subject to such other terms and conditions of the Plan. Unless the board of directors provides otherwise, option awards terminate when a participant's employment or services end, except that a participant may exercise an option to the extent that it was exercisable on the date of termination for a period of time thereafter. The Plan will terminate automatically on April 1, 2006.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

Directors who are not officers of the Company receive annually, on the last trading day of June, stock options for 833 shares at an exercise price equal to the fair market value of the stock on the date of grant.

The Company's stock option awards granted to employees, directors and consultants as of and for the years ended June 30, 2001 and 2000 are summarized as follows:

	2001		
	Shares	Weighted- average exercise price	Sh
	-----	-----	---
Outstanding at beginning of year	438,750	\$ 9.81	303,
Awards granted	65,889	\$ 4.15	162,
Awards exercised	(3,750)	\$ 5.63	(8,
Awards canceled/forfeited	(108,533)	\$ 11.23	(18,
	-----		-----
Outstanding at end of year	392,356	\$ 8.50	438,
	=====		=====
Options exercisable at year-end	234,440	\$ 7.48	168,
	=====		=====
Weighted-average fair value of options granted during the year		\$ 2.96	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

The following information applies to options outstanding and exercisable at June 30, 2001:

Range of exercise prices	Outstanding			Num exerc
	Number outstanding	Weighted- average remaining life in years	Weighted- average exercise price	
\$0.93 - \$4.13	105,156	6.66	\$ 3.74	77
\$4.31 - \$5.82	134,371	5.00	\$ 4.76	84
\$6.27 - \$9.40	27,829	3.23	\$ 7.16	27
\$12.00 - \$15.75	103,433	7.36	\$ 15.37	33
\$16.91 - \$30.00	21,567	5.39	\$ 23.80	10
	392,356			234
	=====			====

Stock option awards are granted at prices equal to or above the closing bid price on the date of grant. For the year ended June 30, 2001, 14,167 options were granted above the closing bid price on the date of grant. As of June 30, 2001, 595,644 shares were available for granting of options under the Plan.

The Company accounts for stock-based compensation under the guidelines of APB Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," as allowed by SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation expense was recognized concerning options granted to employees and to members of the board of directors, as such options were granted to board members in their capacity as directors.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

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NOTE 7 (continued)

If the Company had elected to recognize compensation expense based upon the fair value at the grant date for options granted to employees and to members of the board of directors consistent with the "fair value" methodology prescribed by SFAS No. 123, the Company's net loss attributable to common stockholders and net loss per share for the years ended June 30, 2001 and 2000 would be increased to the pro forma amounts indicated below:

	2001 -----
Net loss attributable to common stockholders	
As reported	\$ (2,360,626)
Pro forma	(3,193,857)
Net loss per common share, includes cumulative effect of change in accounting principle of \$(.15) per share in 2001 - basic and diluted	
As reported	\$ (1.65)
Pro forma	(2.23)

These pro forma amounts may not be representative of future disclosures because they do not take into effect pro forma compensation expense related to awards made before 1996. 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 2001 and 2000, respectively: a dividend yield of zero for both years; a risk-free interest rate ranging from 4.38% to 5.99% in 2001 and 5.82% to 6.73% in 2000; an expected term of one and one-half to four years in 2001 and two and one-half to four years in 2000; an expected stock price volatility of 118.91% in 2001 and 109.37% in 2000; and a forfeiture rate of 25% in 2001 and 10% in 2000.

During the fiscal years 2001 and 2000, the Company granted 8,389 and 0 options, respectively, to consultants. Compensation expense of \$20,931 and \$20,888 was recognized in fiscal 2001 and 2000, respectively, for options granted to consultants.

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clickNsettle.com, Inc. and Subsidiaries
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 7 (continued)

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j. Stock Warrants

In April 2000, the Company entered into an agreement with a financial public relations firm whereby the Company agreed to grant warrants to purchase 13,333 shares of the Company's common stock, of which 3,333 warrants were granted upon execution of the agreement. The remaining 10,000 warrants were to be granted in intervals of 3,333 every six months for a period of 18 months. All warrants vested the earlier of six months from date of grant or upon termination of the agreement and were to be issued at a 25% premium to the market price of the common stock as of the date of each grant. Once vested, the warrants were immediately exercisable. The warrants expire April 11, 2005. In the event that the financial public relations services were terminated, no further warrants were to be issued other than that portion already granted. Compensation expense of \$16,100 and \$16,100, relating to the fair value of the warrants, was recorded in fiscal 2001 and 2000, respectively. In August 2000, the Company terminated the agreement and no additional warrants in excess of the 3,333 warrants were granted.

k. Common Stock Reserved

At June 30, 2001, the Company has reserved for issuance 1,706,175 shares of its common stock issuable pursuant to: the Company's stock option plan, the exercise of redeemable and underwriter's warrants and the exercise of warrants issued to consultants and investors.

NOTE 8 - TRANSACTIONS WITH RELATED PARTIES

A member of the board of directors performs services for the benefit of the Company. The related expenditures for these services for the years ended June 30, 2001 and 2000 were \$29,763 and \$34,725, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 9 - COMMITMENTS AND CONTINGENCIES

a. Leases

As of June 30, 2001, the Company has lease agreements for equipment and office space. Rent expense amounted to \$278,863 and \$212,342 for the years ended June 30, 2001 and 2000, respectively. The minimum lease payments under noncancelable leases as of June 30, 2001 are as follows:

2002	\$ 279,200
2003	275,900
2004	265,300

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2005	263,000

	\$1,083,400
	=====

b. Employment/Consulting Agreements

The Company's employment agreement with its Chief Executive Officer expires June 30, 2002 and provides for an annual base salary of \$225,000 as of July 1, 1997, an annual cost of living increase of the greater of 6% per annum or the increase in the Urban Consumer Price Index and an annual bonus at the discretion of the Company's board of directors. If this agreement is terminated as a result of a change in duties of the executive or due to a change in control, the officer will be entitled to a lump-sum severance payment equal to three times his then current base salary.

The Company has also entered into employment agreements with certain of its regional office managers. Certain of these agreements provide for additional compensation based on the profits of the manager's operation.

In July 1996, the Company entered into a financial public relations consulting agreement with two individuals who are founders of the Company and former directors. The four-year agreement provided for annual payments of \$48,000 payable in equal monthly payments of \$4,000 through November 2000. In November 1998, the agreement was amended to reduce the fee as of October 1998 to \$2,000 per month. In February 2001, the agreement was further amended and terminated with a final payment of \$35,000. The related expense for the years ended June 30, 2001 and 2000 was \$45,000 and \$24,000, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 9 (continued)

c. Advertising

In connection with an advertising agreement with ALM (see Note 7(e)), the Company has agreed to purchase \$250,000 in additional advertising in the year subsequent to the initial two-year term if certain agreed-upon criteria are not achieved on February 11, 2002.

NOTE 10 - EMPLOYEE RETIREMENT PLAN

Effective January 1, 1999, the Company implemented a noncontributory 401(k) savings and retirement plan, whereby eligible employees may contribute 15%

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of their salaries up to the maximum allowed under the Internal Revenue Code. Although the Company may make discretionary contributions, none were made in fiscal years 2001 and 2000.

NOTE 11 - ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

At June 30, 2001 and 2000, the Company's financial instruments included cash and cash equivalents, marketable securities, receivables and accounts payable. The fair values of cash and cash equivalents, receivables and accounts payable approximated carrying values because of the short-term nature of these instruments. The estimated fair values of marketable securities are determined based on quoted market prices.

NOTE 12 - CREDIT CONCENTRATIONS

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and accounts receivable.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

June 30, 2001 and 2000

NOTE 12 (continued)

The Company's cash consists primarily of demand deposits and an insured money market fund. Such balances generally do not exceed the Federally insured limits. Additionally, the Company maintains its cash equivalents and all other investments with another financial institution.

The Company sells its services principally to insurance companies and law firms. In fiscal years 2001 and 2000, no customer exceeded 10% of net revenues. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances.

NOTE 13 - SUBSEQUENT EVENT

In July 2001, the Company signed a letter of intent to acquire E-Vue, Inc., a development stage company engaged in developing next-generation end-to-end solutions for multimedia delivery over broadband and/or wireless networks based on the MPEG-4 standard and associated compliant technologies. The proposed purchase price under the letter of intent consists of a combination of common stock and convertible preferred stock to be issued by the Company depending on certain financing conditions on the part of E-Vue, Inc. The letter of intent provides for an exclusivity period for both parties until October 7, 2001. In the event either party breaches the agreement, the non-breaching party is to be reimbursed for

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actual costs incurred up to a maximum of \$100,000 and is entitled to a \$100,000 breakup fee. The acquisition, which will require shareholder approval, is expected to close in the second quarter of fiscal 2002, although there can be no assurance that this transaction will occur.

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PART III

ITEM 9. (Directors, Executive Officers, Promoters and Control Persons, Compliance with Section 16(a) of the Exchange Act); ITEM 10. (Executive Compensation); ITEM 11 (Security Ownership of Certain Beneficial Owners and Management); and ITEM 12 (Certain Relationships and Related Transactions) will be incorporated in the Company's Proxy Statement to be filed within 120 days of June 30, 2001, and are incorporated herein by reference.

ITEM 13. 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 (6)
3.1(c)	Certificate of Correction of Certificate of Designation of Series A Exchangeable P
3.1(d)	Certificate of Amendment of Certificate of Incorporation (9)
3.1(e)	Certificate of Amendment of Certificate of Incorporation, as amended **
3.2	By-Laws of the Company, as amended (4)
4.1	Stock Purchase Agreement dated May 10, 2001 (8)
4.2	Stock Purchase Warrant dated May 10, 2001 (8)
10.1	1996 Stock Option Plan, amended and restated (4)
10.2	Employment Agreement between Company and Roy Israel (3)
10.2.1	Amendment to Employment Agreement between Company and Roy Israel (4)
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 (5)
10.7.2	Second Amendment to Lease Agreement for Great Neck, New York facility (11)
10.8	Exchangeable Preferred Stock and Warrants Purchase Agreement (6)
10.9	Preferred Stock Registration Rights Agreement (6)
10.11	Private Equity Line of Credit Agreement between Moldbury Holdings and Company (6)
10.12	Private Equity Line of Credit Registration Rights Agreement (6)
10.13	Stock Purchase Warrant for Moldbury Holdings Limited (6)
10.14	Advertising Agreement dated August 11, 2001 (10)
11	Consent of Independent Certified Public Accountants**

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(1) Incorporated herein in its entirety by reference to the

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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 Quarterly Report on Form 10-QSB for the quarter ended September 30, 1997.
 - (4) Incorporated herein in its entirety by reference to the Company's 1998 Annual Report on Form 10-KSB.
 - (5) Incorporated herein in its entirety by reference to the Company's 1999 Annual Report on Form 10-KSB.
 - (6) Incorporated herein in its entirety by reference to the Company's SB-2 filed on March 28, 2000.
 - (7) Incorporated herein in its entirety by reference to the Company's SB-2A filed on April 21, 2000.
 - (8) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on May 17, 2000.
 - (9) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on June 21, 2000.
 - (10) Incorporated herein in its entirety by reference to the Company's Form 8-K filed on August 24, 2000.
 - (11) Incorporated herein in its entirety by reference to the Company's 2000 Annual Report on Form 10-KSB.
- ** Filed herewith.

B. Reports on Form 8-K:

Form 8-K was filed on July 16, 2001 to announce that the Company entered into a Letter of Intent to acquire E-Vue, Inc.

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SIGNATURES

In accordance with Section 13 or 15(d) 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: September 21, 2001

By: /s/ Roy Israel

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Roy Israel, Chairman of the
Board, CEO and President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: September 21, 2001

By: /s/ Roy Israel

Roy Israel, Chairman of the
Board, CEO and President

Date: September 21, 2001

By: /s/ Patricia Giuliani-Rheaume

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

Date: September 21, 2001

By: /s/ Anthony J. Mercorella

Anthony J. Mercorella, Director

Date: September 21, 2001

By: /s/ Ronald Katz

Ronald Katz, Director

Date: September 21, 2001

By: /s/ Frank J. Coyne

Frank J. Coyne, Director