FORM 10QSB/A

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d) [amend]

Filing Date: **2001-02-02** | Period of Report: **2000-09-30**
SEC Accession No. 0000950116-01-000147

FILER

CLEARLOGIC INC

CIK:**925664**| IRS No.: **330612125** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10QSB/A** | Act: **34** | File No.: **000-24376** | Film No.: **1523733**
SIC: **7372** Prepackaged software

Mailing Address
41 SOUTH HADDON AVENUE
HADDONFIELD NJ 08033

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1500 QUAIL ST
STE 550
NEWPORT BEACH CA 92660
8565477844

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB
AMENDMENT NUMBER 1

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2000

OR

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

For the transition period from _____ to _____

Commission file number: 0-24376

ClearLogic, Inc.

(Name of small business issuer in its charter)

Delaware	33-0612125
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

41 South Haddon Avenue, Haddonfield, New Jersey	08033
(Address of principal executive offices)	(Zip code)

Issuer's telephone number, including area code: (856) 547-7844

N/A

(Former name, former address and former fiscal year, if changed since last report

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X . No   .

State the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: 14,827,226 shares of Common Stock outstanding on August 14, 2000.

Transitional Small Business Disclosure: Yes   . No   X .

ClearLogic, Inc.

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<TABLE>
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ClearLogic, Inc. and Subsidiary
Consolidated Balance Sheet
(unaudited)

<TABLE>
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	September 30, 2000
<S>	<C>
Assets	
Current assets	
Cash and cash equivalents	$ 15,715
Accounts receivable, net of allowance for doubtful accounts of $16,953	91,001
Prepaid expenses	4,999
Other current assets	14,640
Total current assets	126,355
Property, equipment and software, net of accumulated depreciation and amortization of $182,450	184,601
Other assets	
Due from officer	8,570
Investment, at cost	433,600
Unamortized software costs, net of accumulated amortization of $72,000	25,000
Deferred financing costs, net of accumulated amortization of $6,946	18,054
Other	1,875
Total other assets	487,099
Total assets	$ 798,055

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ClearLogic, Inc. and Subsidiary
Consolidated Balance Sheet
(unaudited)

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September 30, 2000

Liabilities and Stockholders' (Deficiency)	
Current liabilities	
Accounts payable	$ 266,450
Accrued expenses	134,347
Notes payable, net of discount	554,864
Capital lease obligations	8,603
Deferred Revenue	433,708
Total current liabilities	1,397,972
Notes payable, net of current maturities and discount	914,818
Total liabilities	2,312,790
Commitments and contingencies	
Stockholders' (deficiency)	
Preferred stock, no par value	
Authorized 5,000,000 shares	
Issued and outstanding - none	--
Common stock, $.001 par value	
Authorized 20,000,000 shares	
Issued and outstanding 14,827,226 shares	14,827
Additional paid-in capital	583,465
Accumulated (deficit)	(2,113,027)
Total stockholders' (deficiency)	(1,514,735)
Total liabilities and stockholders' (deficiency)	$ 798,055

See accompanying notes to consolidated financial statements.

</TABLE>

ClearLogic, Inc. and Subsidiary
Consolidated Statements of Operations
(unaudited)

	Three Months Ended September 30, 2000	Three Months Ended September 30, 1999
Net revenues	$ 182,093	$ 131,632
Cost of revenues	113,923	49,590
Gross profit	68,170	82,042
Operating expenses		
General and administrative	460,864	151,403
Product development	109,502	66,733
Depreciation and amortization	24,859	13,093
Total operating expenses	595,225	231,229
Operating income (loss)	(527,055)	(149,187))
Interest expense	(32,465))	(18,505))
Other income, net	184	1,500
Net income (loss)	$ (559,336)	$ (166,192))

Income (loss) per share of common stock (basic and diluted)	$ (.04)	$ (.01)
Weighted average common shares outstanding used in computing income (loss) per share (basic and diluted)	14,827,226	13,355,371

See accompanying notes to consolidated financial statements.

</TABLE>

ClearLogic, Inc. and Subsidiary
Consolidated Statements of Operations
(unaudited)

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	Nine Months Ended September 30, 2000	1999
<S>	<C>	<C>
Net revenues	$ 1,205,184	$ 331,106
Cost of revenues	365,489	82,394
Gross profit	839,695	248,712
Operating expenses		
General and administrative	1,084,447	344,620
Product development	292,170	153,675
Depreciation and amortization	63,127	35,045
Total operating expenses	1,439,744	533,340
Operating (loss)	(600,049)	(284,628))
Interest expense	(107,988))	(37,322))
Other income, net	2,345	7,266
Net (loss)	$ (705,692)	$ (314,684))
Loss per share of common stock (basic and diluted)	$ (.05)	$ (.02)
Weighted average common shares outstanding used in computing loss per share (basic and diluted)	14,827,226	13,355,371

See accompanying notes to consolidated financial statements.

</TABLE>

ClearLogic, Inc. and Subsidiary
Consolidated Statement of Changes in Stockholders' (Deficiency)
(unaudited)

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	Preferred Stock		Common Stock				
	Number of Shares	Amount	Number of Shares	Amount	Additional Paid-In Capital	Accumulated (Deficit)	Stockholders' (Deficiency)
<S>	<C>	<C>	<C>	<C>	<C>		<C>

Balance, June 30, 2000	$ --	14,827,226	$ 14,827	$ 333,465	$ 1,553,691)	$ (1,205,399))
Convertible Debenture				250,000		250,000
Net (loss)					(559,336)	(559,336))
Balance, September 30, 2000	$ --	14,827,226	$ 14,827	$ 583,465	$ (1,689,427)	$ (1,514,735)

See accompanying notes to consolidated financial statements.

</TABLE>

ClearLogic, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

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	Nine Months Ended September 30, 2000	1999
<S>	<C>	<C>
Cash flows from operating activities		
Net (loss)	(705,692)	$ (314,684)
Adjustments to reconcile net (loss) to net cash (used in) operating activities		
Depreciation and amortization	87,564	43,046
Allowance for doubtful accounts	9,690	4,500
Compensation related to issuance of options and warrants	1,035	
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(84,728)	(62,727)
Prepaid expenses	13,668	(418)
Other current assets	(5,713)	(12,250)
Increase (decrease) in liabilities		
Accounts payable	215,997	2,563
Accrued expenses	90,205	86,596
Other current liabilities	73,766	(205)
Net cash (used in) operating activities	(304,208)	(253,579)
Cash flows from investing activities		
Purchases of property, equipment and software	(82,112)	(76,075)
Net cash (used in) investing activities	(82,112)	(76,075)

</TABLE>

ClearLogic, Inc. and Subsidiary
Consolidated Statements of Cash Flows
(unaudited)

<TABLE>
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	Nine Months Ended September 30, 2000	1999
<S>	<C>	<C>
Cash flows from financing activities		
Proceeds from borrowings, net	$ 38,000	$ (30,000)
Exercise of stock options	3,250	500
Net proceeds from sales of convertible notes		418,000
Principal payments on capital leases	(43,592)	(11,447)
Net cash (used in) provided by financing activities	(2,342)	377,053

Net (decrease) increase in cash and cash equivalents	(388,662)	47,399
Cash and cash equivalents at beginning of year	404,377	2,353
Cash and cash equivalents at end of period	$ 15,715	$ 49,752
Supplemental schedule of noncash investing and financing activities		
Equipment purchased under capital leases	$	$ 79,829

See accompanying notes to consolidated financial statements.

</TABLE>

ClearLogic, Inc. and Subsidiary
Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by ClearLogic, Inc. and subsidiary (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for the fair presentation of results for the interim periods presented. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with Generally Accepted Accounting Principles have been condensed or omitted pursuant to such rules and regulations, although the company believes that the accompanying disclosures are adequate to make the information presented not misleading. These financial statements and notes included herein should be read in conjunction with the Company's audited financial statements and notes for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The results of operations for the three-month period ended September 30, 2000 are not necessarily indicative of the results to be expected for the year ending December 31, 2000.

Note 2. Website Development Contracts

During 2000, the Company entered into two contracts to develop websites for customers. Under the terms of the contracts, the Company will receive cash and an equity interest in their customers. The total value of the contracts which amounted to $1,364,200 consists of the fair value of the common stock received of $587,100 and $777,100 in cash. The Company has accounted for the contracts in accordance with AICPA Statement of Position ("SOP") No. 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts". As a result, approximately $150,00 has been recognized as revenue for the nine months ended September 30, 2000. At September 30, 2000, the Company's carrying value of its investment amounted to $423,600. At September 30, 2000, the Company had completed work on one contract, and on October 2, 2000, the Company was discharged from work on the other contract.

MatureLogic, Inc. is not currently generating a positive net income or cash flows. There is one common shareholder between the two corporations who does not maintain control of either corporation.

The September 30, 2000 10QSB has been amended to add that the revenue on the investment carried at $423,600 has been deferred until such time that the stock is marketable. The name of the investee is Mature Logic, Inc. and the company holds 6% equity interest. There is one common shareholder between the two corporations.

Note 3. Losses and Uncertainties

The Company has incurred costs to develop and enhance its technology and to create and introduce its products and services. As a result, the Company has incurred significant losses and expects to continue to incur losses on a quarterly and annual basis.

Item 2. Management's Discussion and Analysis or Plan of Operation.

The following Management's Discussion and Analysis of Results of Operations and Financial Condition should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 1999 included in our Annual Report on Form 10-KSB filed with the Securities and Exchange Commission (the "1999 Form 10-KSB").

The information in this discussion contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance, or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Such factors include those described in "Risk Factors" in the 1999 10-KSB. The forward-looking statements included in this report may prove to be inaccurate. In light of the significant uncertainties inherent in these forward-looking statements, you should not consider this information to be a guarantee by us or any other person that our objectives and plans will be achieved.

Overview

We founded ClearLogic, the e-media solutions company (TM), in 1997 to develop custom and off-the-shelf software and provide creative multimedia services to address certain niches within the Internet business-to-business environment. During the past three years, we have built a solid customer base with our services and custom software, and are poised to take the next step toward delivering not only customized products, but also off-the-shelf repeatable solutions for electronic media-related uses, via shrink-wrap, online delivery and Application Service Provider, or ASP, channels. We presently offer e-business solutions in two general product or service categories:

- Software, both custom services and packaged. ClearLogic offers NetProof(R), a platform-independent interactive digital image and document proofing solution designed for businesses that can use the Internet to enable them to proof, markup, approve and manage pictures, graphics and text.

- NewMedia services and solutions. ClearLogic also offers various NewMedia professional services, which include electronic commerce web sites, database-to-web programming, web site design, web site hosting, multimedia production, digital video production, three dimensional modeling and animation, and custom software development. The Company also intends to use its NewMedia expertise to develop special content Internet sites built and managed by ClearLogic that will generate incremental revenue for the Company. The Company also intends to package some of the software created for these sites and remarket the components. ClearLogic also provides Network security services and solutions.

In November 1999, ClearLogic merged with St. James Group, Inc. pursuant to an Agreement and Plan of Reorganization dated November 13, 1999. Under the agreement, ClearLogic Acquisition Corporation, a wholly owned subsidiary of St. James, merged into ClearLogic, Inc., the New Jersey corporation. In consideration of the merger, 11,096,385 shares of common stock of St. James were issued to the shareholders of ClearLogic, Inc. ClearLogic, Inc. employee stock

options to purchase 905,000 shares were converted in the merger to options to purchase 1,635,542 shares of St. James at a price of $.027666 per share. Upon consummation of the merger, St. James changed its name to ClearLogic, Inc., and the operating company became our wholly owned subsidiary. Officers and directors of ClearLogic, Inc., the New Jersey corporation, were elected as the new directors and officers. Prior to the closing, St. James had no affiliation with ClearLogic. Immediately prior to the closing of the merger, we issued 137,900 shares on conversion of a promissory note and effected a four-for-one stock split.

Results of Operations

Three Months Ended September 30, 2000 Compared to Three Months Ended September 30, 1999

Net income applicable to common stock for the three months ended September 30, 2000 was ($559,336) or ($.04) per basic and diluted share as compared to the net loss for the three months September 30, 1999 of ($166,192) or ($.01) per basic and diluted share. The increase in loss is the result of a significant increase in expenses operating as compared to the revenues recognized for the same period.

Revenues of $182,093 in 2000 increased from $131,632 in 1999 primarily due to an increase in operations during the first three quarters of 2000.

General and administrative expenses were $460,864 and $151,403 for the three months ended September 30, 2000 and 1999, respectively. This increase was primarily due to payroll and related costs resulting from the addition of personnel to support the growth of our business as well as increased expenses for recruiting, travel, professional fees and insurance. General and administrative expenses as a percentage of revenue were 253% and 115% for the three months ended September 30, 2000 and 1999, respectively.

Product development expenses of $109,502 in 2000 increased from $66,733 in 1999 primarily due to the development and enhancement of our NetProof product and also due to an increase in payroll and related costs. We believe that our product development investment is essential in order to maintain our market and technological competitiveness. These costs as a percentage of revenue were 61% and 51% for the three months ended September 30, 2000 and 1999, respectively.

Depreciation and amortization of $24,859 in 2000 increased from $13,093 in 1999 due to additional equipment purchases and software capitalization.

Net interest expense of $32,465 in 2000 increased from $18,505 in 1999 primarily due the accrued interest on the outstanding debt at September 30, 2000.

Nine Months Ended September 30, 2000 Compared to Nine Months Ended September 30, 1999

Net loss applicable to common stock for the nine months ended September 30, 2000 was ($705,692) or ($.05) per basic and diluted share as compared to the net loss for the nine months September 30, 1999 of ($314,684) or ($.02) per basic and diluted share. The increase in loss is the result of a significant increase in operating expenses as compared to the revenues recognized for the same period.

Revenues of $1,205,184 in 2000 increased from $331,106 in 1999 primarily due to an increase in operations during the second and third quarter of 2000. Revenues from certain website development contracts amounted to $150,000. Approximately $423,600 has been deferred. This represents revenue to be recognized in connection with the receipt of an equity interest in its customers.

General and administrative expenses were $1,084,447 and $344,620 for the nine months ended September 30, 2000 and 1999, respectively. This increase was primarily due to payroll and related costs resulting from the addition of personnel to support the growth of our business as well as increased expenses for recruiting, travel, professional fees and insurance. General and administrative expenses as a percentage of revenue were 90% and 104% for the nine months ended September 30, 2000 and 1999, respectively.

Product development expenses of $292,170 in 2000 increased from $153,675 in 1999 primarily due to the development and enhancement of our NetProof product and also due to an increase in payroll and related costs. We believe that our product development investment is essential in order to maintain our market and technological competitiveness. These costs as a percentage of revenue were 27% and 46% for the nine months ended September 30, 2000 and 1999, respectively.

Depreciation and amortization of $63,127 in 2000 increased from $35,045 in 1999 due to additional equipment purchases and software capitalization.

Net interest expense of $107,988 in 2000 increased from $37,322 in 1999 primarily due the accrued interest on the outstanding debt at September 30, 2000.

Plan of Operation, Liquidity and Capital Resources

A major objective of the Company is to maintain sufficient liquidity to fund growth and meet all cash requirements with cash and short-term equivalents plus funds generated from operating cash flows.

During 1998 and 1999, we relied on borrowings under private placements from accredited investors, for which the Company issued $608,200 of 8% convertible notes with warrants to fund operations. In addition, in September 1998, ClearLogic entered into a line of credit for up to $30,000 with a bank for working capital purposes. That line of credit was repaid and canceled in December 1999. During 1999, ClearLogic issued $1.0 million of 8% convertible debentures, the net proceeds of which were used for working capital and other general purposes. The notes, debentures and accrued interest bear interest at 8% per annum, which is due at maturity that ranges from 18 to 37 months from the date of issuance. With the exception of the debentures, the notes and any accrued interest are convertible at the holder's option, in their entirety, into common stock at a conversion price determined at the time the Company sells such stock in an equity offering of at least $500,000. The debentures are convertible at a conversion price equal to the lower of the market price on the first day of trading or 75% of the market price averaged over the five trading days prior to the date of the conversion. The amended September 30, 2000 10QSB discounts this $1.0 million of convertible debentures by 25%. This discount is shown as a reclass of $250,000 to APIC. The discount will be expensed in the quarter that the shares start trading.

Cash and cash equivalents as of September 30, 2000 amounted to $15,715. The Company anticipates the need to obtain additional financing from outside sources to fund its operations and general corporate expenditures.

Net cash used in operating activities of $304,208 in 2000 was the result of operating losses. ClearLogic does not anticipate that future cash used by or provided from operations will include amounts related to the ClearLogic merger, which became effective November 1999.

ClearLogic has no future material commitments for capital expenditures at September 30, 2000. Through September 30, 2000, ClearLogic's capital expenditures totaled approximately $82,112. Capital expenditures were primarily for equipment, software and building improvements.

If we are able to obtain sufficient capital to pursue our strategic goals, we intend to transition our NetProof software to a customized Application Service Provider-model. However, in the absence of capital, ClearLogic is maintaining its operations through a balanced offering of custom software, commodity mid-to-high-end e-commerce web development and multimedia services.

We derive substantially all of our revenues from fees for services generated on a project-by-project basis. ClearLogic's services are provided on both a fixed-time, fixed-price basis and on a time and materials basis. Historically, ClearLogic has not operated on a retainer basis; however, in the future, ClearLogic may utilize such arrangements.

We anticipate that we will continue to expand our sales operations throughout the U.S. within the next twelve months and, therefore, we expect to incur increases in our sales and marketing expenditures. We also expect to incur increases in our product development expenditures as we continue to enhance our products.

We believe that our existing capital resources are not sufficient to meet our capital requirements for the next twelve months. We intend to seek financing from outside sources (including but not limited to our current investment bankers and strategic partners) to meet our capital requirements for at least the next twelve months.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Not applicable

Item 2. Change in securities.

Not applicable

Item 3. Defaults Upon Senior Securities.

Not applicable

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

Not applicable

Item 5. Other Information.

Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:
(27) Financial Data Schedule (in electronic format only).

(b) Reports on Form 8-K:
None

SIGNATURE

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

CLEARLOGIC, INC.

Dated: November 20, 2000

By:/S/Philip S. Burnham, II

Philip S. Burnham, II
Chief Executive Officer, General Counsel and Acting Chief Financial Officer

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