

CREDITRISKMONITOR COM INC  
Form 10-K  
March 25, 2013

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 2012

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 1-8601

CREDITRISKMONITOR.COM, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or other jurisdiction of incorporation or organization)

36-2972588  
(I.R.S. Employer Identification No.)

704 Executive Boulevard, Suite A  
Valley Cottage, New York  
(Address of principal executive offices)

10989  
(Zip Code)

Registrant's telephone number, including area code: (845) 230-3000

Securities registered under Section 12(b) of the Act:

Title of each class  
None

Name of each exchange on which registered

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

Common Stock \$.01 Par Value  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12-b-2 of the Exchange Act. (Check one):

|  |   |
|--|---|
| <input type="checkbox"/> Large accelerated filer | <input type="checkbox"/> Accelerated filer                    |
| <input type="checkbox"/> Non-accelerated filer   | <input checked="" type="checkbox"/> Smaller reporting company |

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2012 was \$8,717,279. The Company's common stock is traded on the OTC Markets. There were 7,946,462 shares of common stock \$.01 par value outstanding as of March 15, 2013.

Documents incorporated by reference: None

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PART I

ITEM 1. BUSINESS

In addition to historical information, the following discussion of the Company's business contains forward-looking statements. These forward-looking statements involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those discussed in the sections in this Annual Report on Form 10-K entitled "The CreditRiskMonitor Business", "The Company's Goals", "Marketing and Sales", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Risks and Other Considerations". Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's opinions only as of the date hereof. CreditRiskMonitor.com, Inc. (the "Company" or "CRMZ") undertakes no obligation to revise or publicly release the results of any revision to these forward-looking statements. Readers should carefully review the risk factors described in this document as well as in other documents the Company files from time to time with the Securities and Exchange Commission, including the Quarterly Reports on Form 10-Q to be filed by the Company in fiscal year 2013.

Overview

CRMZ was organized in Nevada in February 1977 and was engaged in the development and sale of nutritional food products from 1982 until October 22, 1993, when it sold substantially all of its assets (the "Asset Sale"), as previously reported. Effective January 19, 1999, the Company acquired the assets of the CreditRisk Monitor credit information service ("CM Service") from Market Guide Inc. Following the closing of the CM Service purchase, the Company commenced doing business under the name "CreditRiskMonitor.com".

The CreditRiskMonitor Business

The overall focus of the Company's services is on facilitating the analysis of corporate financial risk, in the context of (a) the extension of trade credit from one business to another, (b) the management by businesses of important relationships with suppliers, and/or (c) the management by businesses of significant "counter-party" (i.e., buying and selling) relationships.

CRMZ (see our website at [www.crmz.com](http://www.crmz.com)) is an Internet-based publisher of financial information, designed to save time for busy professionals, which competes with Dun & Bradstreet, Inc. ("D&Btm") and other firms. The Company publishes comprehensive commercial credit reports covering public companies worldwide. The reports feature detailed analysis of financial statements, including ratio analysis and trend reports, and peer analyses. To save subscribers time, the reports offer the Company's proprietary FRISK® scores (a measure of financial distress tied to the probability of bankruptcy), as well as the well-known Altman Z" default scores, Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch") issuer ratings. Covering U.S. banks, reports include Institutional Risk Analytics ("IRA") Counterparty Quality scores and financial data from the Federal Financial Institutions Examination Council ("FFIEC") Call Reports. Additionally, the reports include company background information, trade payment reports, as well as public filings (i.e., suits, liens, judgments and bankruptcy information) on millions of U.S. companies. For additional time-savings, the Company's service uses email to "push" selected information to subscribers. These emails include continuously filtered news monitoring that keeps subscribers up to date on events affecting the creditworthiness of companies selected by the subscribers. Subscribers also receive alerts covering such topics as FRISK® score reports, credit limit alerts, financial statement updates, SEC filings and ratings changes. All news items are filtered to assure the stories have financial relevance.



CRMZ's service is most often purchased to review the risks of extending trade credit by a company to its corporate customers. Within a mid-sized or large corporation, there is often a professional whose responsibility is managing this credit (often together with managing collections of the company's accounts receivable). CRMZ believes that, with the long-term downsizing of corporations and the related reductions in credit departmental budgets and personnel, corporate credit professionals have to do more with less. It is also notable that trade credit decisions are often made under intense time pressure. Simultaneously, the Company believes, there has been an explosive growth in the volume of data about large businesses. Credit professionals are often faced with an overwhelming amount of available data concerning their most important customers, while the time for research and analysis is severely limited.

In a business-to-business transaction, for example the purchase and sale of \$20,000 of merchandise, the seller usually will ship before the buyer pays – this is an extension of trade credit by the seller. The seller takes a financial risk extending this credit, referred to as “trade credit risk”. The buyer may pay late, causing the seller to incur increased borrowing costs; the seller may incur extra costs in attempting to collect the \$20,000; or the buyer may never pay the full \$20,000. Amounts unlikely to be repaid are called “bad debt”. If buyers fail to pay, the seller can suffer substantial losses (e.g., assuming the seller averages a 10% pre-tax margin it will take about \$10 of sales to offset each \$1 of bad debt).

There is little hard data on the size of CRMZ's credit-risk market. The U.S. National Association of Credit Management has about 16,000 members, but some industry observers believe the number of U.S. credit managers and other personnel performing this function is substantially greater. In addition, there are numerous U.S. based companies that do not have a full-time credit function but still require credit information. Furthermore, a market exists outside of the U.S. for information on U.S. and foreign companies.

Some of the Company's subscribers use the service for managing the financial risk of relationships with suppliers and/or “counter-parties” with whom they both buy and sell. Strategic planning is another use of the Company's service. In the recent recession, risks to the “supply chain” became prominent and a renewed focus of management concern. Companies were reminded that while the financial distress of a single important customer might jeopardize a large receivable associated with that account, the financial distress of a single important supplier can shut down an entire factory and jeopardize a company's entire revenue stream. The Company's revenue from subscribers who have added the procurement function to their list of users, and new subscribers whose use is entirely about “supply chain”, is a small but growing percentage of total revenue.

D&Btm, our major competitor, has disclosed that it generated approximately \$700.6 million from its Risk Management Solutions business (i.e., credit information services revenue) in North America for 2012, which we believe serves a similar mix of business functions. The remaining market is extremely fragmented with numerous other vendors, notably including Experian and Equifax. On that basis, we estimate that our revenue represents a little more than 1% of the U.S. market.

CRMZ's annual fixed-price subscription service represented over 98% of its fiscal 2012 operating revenues. This annual service is sold to a diverse customer base with no single customer representing more than 2% of 2012 operating revenues. Accordingly, the Company is not dependent on a single customer nor is the Company dependent on a few large customers, such that a loss of any one customer would have a material adverse effect on its financial condition or results of operations.

The Company has contractual agreements with its data suppliers, including IRA, Moody's, S&P and Fitch to redistribute their information as part of our service. We also obtain financial statement and other data from Thomson Reuters (Markets) LLC. Although we report some of this "raw" data directly on our website, the critical elements of our service – the FRISK® score, the ratio analysis and trend reports, the peer analyses, the Altman Z" default scores and emails which "push" information to our subscribers – are computed by the Company using its own algorithms and weighting techniques, and are delivered in formats carefully designed for the way our subscribers prefer to use this information. Further, hundreds of subscribers and non-subscribers provide us with data from their accounts receivable systems that we aggregate and report, so subscribers can see how these firms are paying the invoices of other firms, without disclosing the specific contributors of this information.

CRMZ's service is the result of management's experience in the commercial credit industry and on-going research with respect to the information needs of corporate credit and purchasing/procurement departments. This has enabled CRMZ to satisfy their need for a timely, efficient, low cost credit information service. CRMZ publishes and sells the following commercial financial analysis services:

- (1) An annual fixed-price service (the "Fundamental Service") with unlimited usage and coverage of public companies, featuring multi-period spreads of financial reports and ratio analysis, as well as up-to-date financial news screened specifically for usefulness in credit evaluation. Another feature of the service is notification and delivery of this news via email, concerning only companies of interest to the subscriber. This service is supplemented with trade receivable data contributed mainly by CRMZ's subscribers, as well as U.S. public-record filing information (i.e., suits, liens, judgments and bankruptcy information) covering millions of public and private U.S. companies. Made available in 2011 as a part of the Fundamental Service, the IRA Counterparty Quality ("CQ") score is a predictor of bank failure for U.S. banks. In addition to Moody's and S&P issuer ratings, the Company added Fitch ratings and news to the service in February 2012.

The Fundamental Service features the Company's proprietary credit score, the "FRISK®" score. This proprietary score indicates financial distress, by predicting the probability of bankruptcy within the next 12 months. It provides clients with a fast, consistent method for identifying those companies at greatest risk. The FRISK® score is updated daily, based on the latest information available to the Company, and is derived from a statistical model back-tested on 7,000 companies over a multi-year period and continually monitored by the Company. Calculation of the FRISK® score involves preparation of data from multiple sources, the use of executable software created expressly by and owned by the Company as well as sophisticated algorithms and weighting techniques which are proprietary Company trade secrets. At the end of 2012, the Fundamental Service covered over 57,000 public companies worldwide, totaling approximately \$60 trillion in corporate revenue compared to world Gross Domestic Product ("GDP") of \$79 trillion. Subscribers may opt, at lower prices, for limited regional coverage, i.e., "North American Service" for coverage of just U.S., Canadian, Mexican and Caribbean companies.

In addition, the Company sells its Credit Limit Service on an annual subscription basis. Available since 2007, this interactive service helps credit managers to manage credit line limits for their customers, in light of changes in the companies' financial strength. This service monitors daily changes in a customized recommended credit limit for each customer and generates alert messages to subscribers as requested, so they can take immediate action when a customer's circumstances change. This Credit Limit Service is fully integrated with the Fundamental Service, which provides analytical depth to subscribers when questions arise or more analysis is needed. It is only sold in conjunction with the Fundamental Service, for an additional fee. The fee is based, in part, on the number of companies evaluated during the annual subscription period, and includes email monitoring alerts.

(2) Single credit reports on any of the over 57,000 companies covered in item (1) above. These reports are sold mainly via credit card and obtained via the Internet. Email alerts are not available with this single-report service.

(3) Individual credit reports on approximately 20 million foreign public and private companies. These reports are purchased by CRMZ through affiliations with third-party suppliers and sold to CRMZ subscribers.

The viability and potential of CRMZ's business is made possible by the following characteristics:

- Low price. The prices of CRMZ's services are low compared to a subscriber's possible losses from not getting paid, and are low compared to the cost of most competitive credit report products.
- Non-cyclical. As economic growth slows, general corporate credit risk usually increases and the credit manager's function rises in importance and complexity. Additionally, products that allow credit managers to perform their jobs more efficiently and cost effectively, compared to competitive services, should gain market share in most business environments and especially during a downturn. In a contracting business environment, many companies face increasing price competition which should accelerate their shift to lower cost technologies and providers, such as CRMZ. CRMZ's business and revenues have continued to grow as world economic growth slowed or declined. Over the last ten years the issuance of corporate "junk bonds" and other debt by public companies and public debt by private companies (LBO's, etc.), and the development of credit instruments to hedge default and interest rate risk (i.e., credit derivatives) has increased dramatically. It is difficult to get a complete or totally accurate number of the totals, but according to the Bank for International Settlements, as of June 2012 the total "notional" value of Over the Counter Credit Default Swap Derivatives was \$26.9 trillion. This was down from the peak value of \$58.2 trillion at the end of 2007 and from \$28.6 trillion at the end of 2011. To put this in perspective, in 2011 the world GDP was \$79 trillion, and the market value of all worldwide domestic equity at December 31, 2012 was approximately \$54.6 trillion. Thus, publicly listed companies and private companies with public debt have a vulnerability to business cycle contraction and the attendant market risks for interest rates and stock markets. Volatility in most markets has remained high, despite signs of modest growth in some major countries. Large over-the-counter debt and generally high market uncertainty indicate continued high risk and complexity extending commercial trade credit to many companies, and puts a premium on the speed and analytic strength of CRMZ's service.

- Recurring revenue stream. The recurring annual revenue stream of its subscription fee model gives the Company stability not found in a one-time sale product-based company.
- Profit multiplier. Some of the Company's basic costs are being reduced. On a broad generic basis, the prices of computer hardware, software and telecommunications have been coming down for all buyers, including CRMZ. In addition, CRMZ has automated a significant amount of the processes used to create and deliver its service; therefore, its production costs, apart from the development cost of enhancing and upgrading the Company's website, are relatively stable over a wide range of increasing revenue. Offsetting these cost reductions is the cost of increasing the data content of CRMZ's services if the Company chooses to increase content and not raise its prices to cover these additional costs.
- Self financing. CRMZ's business has no inventory, manufacturing or warehouse facilities, and payment for the subscription service is made early in the subscription cycle. Thus, the Company's business is characterized by low capital-intensity, and yet it is a business capable of generating high margins and sufficient positive cash flow to grow the business organically with little need for external capital.
- Management. CRMZ has in-place an experienced management team with proven talent in business credit evaluation systems and Internet development.

#### The Company's Goals

- Growth in U.S. market share. Faced with a dominant U.S. competitor, D&Btm, as well as several other larger competitors, the Company's primary goal is to gain market share. The Company believes that many potential customers are unaware of its service, while many others who are aware of CRMZ have not evaluated its service.
- International penetration. Foreign companies doing business within the U.S. or other foreign countries may have the same need as domestic companies for CRMZ's credit analysis of U.S. and foreign companies. Internationally, the Internet provides a mechanism for rapid and inexpensive marketing and distribution of CRMZ's service.
- Broaden the services supplied. Revenue per subscriber may increase over time as the Company adds functionality and content. Also, revenue per client should increase over time as the Company sells additional passwords to existing clients.
- Lowest cost provider. CRMZ's sourcing, analysis and preparation of data into a usable form is highly automated. CRMZ delivers all of its information to customers via the Internet and there is automation between the sourcing of data and delivery of a company credit report to a subscriber. Because of this automation, CRMZ's production costs are relatively stable over a wide range of increasing revenue. Management believes CRMZ's cost structure is one of the lowest in its industry.



- High margins and return on investment. The Company foresees declining unit costs in some important expense areas, such as computer and communication costs, which should increase net profits from its subscription income stream. The Company has lower sales expenses for customer renewals than for new sales, and the Company expects that its renewal revenue will continue to grow to be a larger share of total revenue each year. All these naturally occurring unit cost reductions will be in addition to the cost reductions achieved through servicing more accounts over the Company's in-place fixed costs.

#### Marketing and Sales

To gain market share for the Company's service, it will continue to use the Internet (at our website [www.crmz.com](http://www.crmz.com)) as the primary mechanism for demonstrating and distributing its service. To inform potential subscribers about its service, CRMZ uses a combination of telephone sales, Internet demonstration, direct mail, trade show representation and speaking engagements before credit groups and associations.

#### Value Proposition

The Company's fundamental value proposition is that it creates and sells high quality commercial credit reports that save busy professionals time, at a cost significantly below that of reports from the leading provider (price comparison as of January 24, 2013). Because D&Btm has the largest share of the commercial credit market, their flagship product, the Business Information Report ("BIR"), is the standard by which that market measures both quality and price. The Company's research shows that its customers overwhelmingly agree that CreditRiskMonitor saves them time, helps them to make better credit decisions, and represents a significant value for the price paid compared to competitive services.

The operational strategy CRMZ follows to deliver on its value proposition is straightforward. CRMZ became (and remains) one of the industry's lowest cost producers of high quality commercial credit information by continuously collecting data from a wide variety of sources and employing sophisticated proprietary computer algorithms to process that data into an extensive database of valuable reports on companies. Highly automated operations add to reliability and consistency, while limiting costs. The Company employs a small number of analysts who selectively review data at critical points in its process to further enhance the quality of its products and their relevance to credit professionals.

CRMZ employs several different selling strategies to deliver this value to different customer segments:

- Credit professionals need to save time, when analyzing their most important customers and suppliers, and the CRMZ service provides this critical benefit. CRMZ believes that its reports and monitoring of public companies, having aggregate revenues of approximately \$60 trillion, are superior in this way to competitive products or services in that the CRMZ service provides financial information in greater depth and better analytical efficiency. It also includes timely email alerts enabling credit professionals to easily stay on top of financial developments at their customers, without the clutter of non-financial news prevalent at other news services. Finally, the proprietary FRISK® scores, ratings from Moody's, S&P and Fitch, CQ scores from IRA, the Altman Z" scores and the trade payment reports delivered by the Company's service enable further efficiency by focusing each subscriber's attention on only those companies showing financial weakness.

- The Company's customers typically have contracts with D&Btm. Traditionally, D&Btm sold their customers prepaid units and/or reports ("units") on an annual basis, which they could then use to buy D&Btm products throughout the year. In 2005, the Company became aware that D&Btm had also begun selling some part of its service on a "fixed-price" basis for "virtually unlimited usage", and in 2006, D&Btm expanded this practice under the trade name "DNBi". It appears that these contracts offer a fixed price for usage of D&Btm information within a wide range of amounts, the upper end of which is a multiple of the customer's current usage. D&Btm attempts to maintain or increase its total annual charges to each DNBi customer, and these charges are generally many times more than comparable CRMZ fees. At the same time, D&Btm attempts to bind its customers to multi-year agreements, so as to blunt the customer's ability to reduce its D&Btm costs over several years. Since its introduction through the end of 2009, the DNBi strategy seems to have been both useful for D&B™ and without obvious negative impact on the Company, suggesting an expansionary effect on the U.S. market for credit risk information. The Company cannot predict the future effectiveness of D&Btm's strategy much less whether D&Btm will find this DNBi pricing can lead to sustainable revenue increases over multiple years. To date, the tactic has not significantly diminished the Company's ability to win new customers. The best practice that CRMZ recommends to its subscription customers is to always search CRMZ's database first (which does not incur any incremental expense to them) and, if they have purchased a traditional D&B™ unit-based plan, to save their expensive D&Btm units for decisions concerning those privately-held businesses where CRMZ may have little or no information. Likewise, users of the "DNBi" service have reported to CRMZ that it is wise to conserve unit usage even with a "DNBi" contract, because high usage levels seem to become a pretext for D&B™ to seek large price increases in future years. According to the Company's research, the great majority of CreditRiskMonitor customers continue to report saving money as a result of using the CRMZ service.
- For low-volume customers, CRMZ sells single commercial credit reports for a flat price of \$49.95 per report, using credit card transactions via the Internet. Although D&Btm also sells single reports on the Internet, they impose a complicated pricing schedule, in which the price of a specific company report depends on both the customer's home country and the home country of the company about which they are inquiring. This pricing schedule includes more than 80 different price points for essentially the same D&Btm Business Information Report alone, ranging from \$82 to \$615 for this flagship report. This competitor's approach is apparently designed to protect its legacy revenue streams from the pre-Internet era, when charging large cross-border premiums could be justified to some extent by the increased production costs of producing and delivering reports across boundaries. In contrast, CRMZ was designed from the ground up to be a worldwide provider of commercial credit reports over the Internet, and is not similarly constrained by legacy systems. Consequently, CRMZ's value advantage is even more apparent when customers compare the costs of cross-border report purchases.

#### Net Operating Loss Carryforwards

Section 382 of the Code provides limits on the amount of a company's NOL carryforwards which can be applied against its earnings after an "ownership change" occurs. The Company is not aware of any transaction, pending or contemplated, that could constitute an ownership change.

## Employees

As of March 15, 2013, the Company had 79 full-time and 2 part-time employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes its relations with its employees to be satisfactory and has suffered no interruption in operations.

The Company established a 401(k) Plan covering all employees effective January 1, 2000 that provides for discretionary Company contributions. The Company has no other retirement, pension, profit sharing or similar program in effect for its employees. The Company has adopted stock option plans in 1998 and 2009 that cover its employees.

## ITEM 2. PROPERTIES.

The Company does not own any real property. The Company's principal office is located in approximately 10,000 square feet of leased space in an industrial warehouse complex located in Valley Cottage, New York. The lease expires on July 31, 2015 and provides for an aggregate total monthly cost of \$11,120, plus an allocated portion of real estate taxes, insurance and common area maintenance.

## ITEM 3. LEGAL PROCEEDINGS.

Neither the Company nor its property is a party to or the subject of a pending legal proceeding.

## ITEM 4. RESERVED.

## PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND  
5. ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's Common Stock was traded on the OTC Bulletin Board Service until February 23, 2011 at which time it was listed on the OTC Markets OTCQB. Effective July 9, 2012, the Company upgraded its listing on the OTC Markets from OTCQB to the OTCQX U.S. Premier, which is the highest tier of the OTC market, reserved exclusively for companies meeting the highest financial standards and that have undergone a thorough qualitative review. The following table sets forth the high and low closing bid quotations reported on the OTCQB for each calendar quarter of 2011 and the first 2 calendar quarters of 2012, and on the OTCQX U.S. Premier for the last 2 calendar quarters of 2012. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

|                | High Bid | Low Bid |
|----------------|----------|---------|
| 2011           |          |         |
| First Quarter  | \$ 7.25  | \$ 5.00 |
| Second Quarter | \$ 7.00  | \$ 4.05 |
| Third Quarter  | \$ 5.25  | \$ 4.00 |
| Fourth Quarter | \$ 4.80  | \$ 2.00 |
| 2012           |          |         |
| First Quarter  | \$ 3.00  | \$ 2.30 |
| Second Quarter | \$ 4.00  | \$ 2.30 |
| Third Quarter  | \$ 3.40  | \$ 2.75 |
| Fourth Quarter | \$ 3.75  | \$ 2.55 |

On March 15, 2013, there were approximately 276 registered holders of the Company's Common Stock. This number does not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms, and others.

In fiscal 2012, the Company paid a cash dividend of \$0.20 per share on its Common Stock on December 5, 2012; in fiscal 2011, the Company paid a cash dividend of \$0.05 per share on its Common Stock on August 31, 2011.

The Company did not repurchase any of its common stock during the fourth quarter of 2012.

## ITEM SELECTED FINANCIAL DATA

6.

Not applicable.

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

### Business Environment

The continuing uncertainty in the worldwide financial system has negatively impacted general business conditions. It is possible that a weakened economy could adversely affect our clients' need for credit information, or even their solvency, but we cannot predict whether or to what extent this will occur.

Our strategic priorities and plans for 2013 are to continue to build on the improvement initiatives underway to achieve sustainable, profitable growth. Global market conditions, however, may affect the level and timing of resources deployed in pursuit of these initiatives in 2013.

### Financial Condition, Liquidity and Capital Resources

The following table presents selected financial information and statistics as of December 31, 2012 and 2011 (dollars in thousands):

|  | 2012     | 2011     |
|--|----------|----------|
| Cash, cash equivalents and marketable securities | \$ 8,148 | \$ 8,284 |
| Accounts receivable, net                         | \$ 1,776 | \$ 1,551 |
| Working capital                                  | \$ 2,289 | \$ 2,667 |
| Cash ratio                                       | 1.00     | 1.09     |
| Quick ratio                                      | 1.21     | 1.29     |
| Current ratio                                    | 1.28     | 1.35     |

The Company has invested some of its excess cash in debt instruments of the United States Government. All highly liquid investments with an original maturity of three months or less when purchased are considered cash equivalents, while those with maturities in excess of three months when purchased are reflected as marketable securities.

As of December 31, 2012, the Company had \$8.15 million in cash, cash equivalents and marketable securities, a decrease of approximately \$136,000 from December 31, 2011. The reason for this decrease was that cash was used for the purchase of fixed assets (\$104,000) and the payment of the dividend to shareholders in December 2012 (\$1.59 million) exceeded the cash generated by operating activities for the last 12 months (\$1.55 million).

The Company's cash generated by operating activities significantly exceeded its net income due primarily to the increase in deferred revenue. Additionally, the main component of current liabilities at December 31, 2012 is deferred revenue of \$6.98 million, which should not require significant future cash outlay other than the cost of preparation and delivery of the applicable commercial credit reports which cost much less than the deferred revenue shown. The deferred revenue is recognized as income over the subscription term, which approximates twelve months. The Company has no bank lines of credit or other currently available credit sources.

The Company believes that its existing balances of cash, cash equivalents and cash generated from operations will be sufficient to satisfy its currently anticipated cash requirements through at least the next 12 months and the foreseeable future. Moreover, the Company has been cash flow positive for the 7 of the last 8 fiscal years and has no long-term debt. However, the Company's liquidity could be negatively affected if it were to make an acquisition or if it were to license products or technologies, which may necessitate the need to raise additional capital through future debt or equity financing. Additional financing may not be available at all or on terms favorable to the Company.



As described more fully in Note 8 of the Notes to Financial Statements, at December 31, 2012 the Company had certain cash obligations, which are due as follows:

|                  | Total      | Less than<br>1 Year | 1-3 Years  | 4-5 Years | More than<br>5 Years |
|------------------|------------|---------------------|------------|-----------|----------------------|
| Operating leases | \$ 349,926 | \$ 133,949          | \$ 215,977 | -         | -                    |
| Total            | \$ 349,926 | \$ 133,949          | \$ 215,977 | -         | -                    |

#### Off-Balance Sheet Arrangements

The Company is not a party to any other off-balance sheet arrangements.

#### Results of Operations

2012 vs. 2011

|   | 2012          |                       | Year Ended December 31, |                       | 2011   |                       |
|---|---------------|-----------------------|-------------------------|-----------------------|--------|-----------------------|
|   | Amount        | % of Total<br>Revenue | Amount                  | % of Total<br>Revenue | Amount | % of Total<br>Revenue |
| Operating revenues                              | \$ 11,062,619 | 100.00 %              | \$ 10,154,200           | 100.00 %              |        |                       |
| Operating expenses:                             |               |                       |                         |                       |        |                       |
| Data and product costs                          | 3,731,218     | 33.73 %               | 3,310,779               | 32.60 %               |        |                       |
| Selling, general and<br>administrative expenses | 6,206,917     | 56.11 %               | 5,468,802               | 53.86 %               |        |                       |
| Depreciation and amortization                   | 150,069       | 1.35 %                | 162,482                 | 1.60 %                |        |                       |
| Total operating expenses                        | 10,088,204    | 91.19 %               | 8,942,063               | 88.06 %               |        |                       |
| Income from operations                          | 974,415       | 8.81 %                | 1,212,137               | 11.94 %               |        |                       |
| Other income, net                               | 21,945        | 0.20 %                | 98,592                  | 0.97 %                |        |                       |
| Income before income taxes                      | 996,360       | 9.01 %                | 1,310,729               | 12.91 %               |        |                       |
| Provision for income taxes                      | (466,543 )    | (4.22 %)              | (402,140 )              | (3.96 %)              |        |                       |
| Net income                                      | \$ 529,817    | 4.79 %                | \$ 908,589              | 8.95 %                |        |                       |

Operating revenues increased approximately \$908,419, or 9%, for fiscal 2012 over the prior year. This overall revenue growth resulted from a \$927,127, or 9%, increase in Internet subscription service revenue, attributable to increased sales to new and existing subscribers, partially offset by a \$18,708, or 8%, decrease in the Company's third-party international credit report subscription service, attributable mainly to decreased usage as the result of a decrease in the number of subscribers to that service.

Data and product costs increased \$420,439, or 13%, for fiscal 2012. This increase was primarily due to higher salary and related employee benefits, including additional quality control personnel, the higher cost associated with the outsourcing of certain data entry tasks, as more tasks have been outsourced, as well as the higher cost of third-party

content due to the purchase of additional data elements.

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Selling, general and administrative expenses increased \$738,115, or 13%, for fiscal 2012. This increase was primarily due to higher salary and related employee benefits.

Depreciation and amortization decreased \$12,413, or 8%, for fiscal 2012, due to a lower depreciable asset base reflecting the continued use of certain items that have been fully depreciated.

Other income, net decreased \$76,647, or 78%, for fiscal 2012, due to the Company recording a negative mark-to-market adjustment in 2012 versus a positive mark-to-market adjustment recorded last year.

Provision for income taxes increased \$64,403 as the result of higher payments made this year in connection with the filing of the Company's 2011 tax returns versus payments last year in connection with the filing of the Company's 2010 tax returns, partially offset by the lower pre-tax income because of the reasons enumerated above.

#### 2011 vs. 2010

|  | Year Ended December 31, |                    |              |                    |
|--|-------------------------|--------------------|--------------|--------------------|
|  | 2011                    |                    | 2010         |                    |
|  | Amount                  | % of Total Revenue | Amount       | % of Total Revenue |
| Operating revenues                           | \$ 10,154,200           | 100.00 %           | \$ 9,343,011 | 100.00 %           |
| Operating expenses:                          |                         |                    |              |                    |
| Data and product costs                       | 3,310,779               | 32.60 %            | 2,429,745    | 26.00 %            |
| Selling, general and administrative expenses | 5,468,802               | 53.86 %            | 5,102,805    | 54.62 %            |
| Depreciation and amortization                | 162,482                 | 1.60 %             | 133,564      | 1.43 %             |
| Total operating expenses                     | 8,942,063               | 88.06 %            | 7,666,114    | 82.05 %            |
| Income from operations                       | 1,212,137               | 11.94 %            | 1,676,897    | 17.95 %            |
| Other income, net                            | 98,592                  | 0.97 %             | 23,443       | 0.25 %             |
| Income before income taxes                   | 1,310,729               | 12.91 %            | 1,700,340    | 18.20 %            |
| Provision for income taxes                   | (402,140 )              | (3.96 %)           | (687,030 )   | (7.35 %)           |
| Net income                                   | \$ 908,589              | 8.95 %             | \$ 1,013,310 | 10.85 %            |

Operating revenues increased approximately \$811,189, or 9%, for fiscal 2011 over the prior year. This overall revenue growth resulted from a \$851,865, or 9%, increase in Internet subscription service revenue, attributable to increased sales to new and existing subscribers, partially offset by a \$40,676, or 15%, decrease in the Company's third-party international credit report subscription service, attributable mainly to decreased usage as the result of a decrease in the number of subscribers to that service.

Data and product costs increased \$881,034, or 36%, for fiscal 2011. This increase was primarily due to higher salary and related employee benefits, including additional quality control and programming personnel, the higher cost of third-party content due mainly to the addition of new sources, as well as to the outsourcing of certain data entry tasks, partially offset by lower consulting fees.



Selling, general and administrative expenses increased \$365,997, or 7%, for fiscal 2011. This increase was primarily due to higher salary and related employee benefits.

Depreciation and amortization increased \$28,918, or 22%, for fiscal 2011, due to a higher depreciable asset base reflecting the acquisition of new computer equipment and furniture related to the rental of additional office space as well as the replacement of computer equipment that had been in operation past its depreciable life.

Other income, net increased \$75,149, or 321%, for fiscal 2011, primarily due to a greater mark-to-market adjustment recorded in 2011 versus last year as well as higher interest income.

Provision for income taxes decreased \$284,890 due to the Company having lower pre-tax income because of the reasons enumerated above as well as the recording of additional deferred tax benefits upon the filing of its 2010 tax return.

### Future Operations

The Company over time intends to expand its operations by expanding the breadth and depth of its product and service offerings and introducing new and complementary products. Gross margins attributable to new business areas may be lower than those associated with the Company's existing business activities.

As a result of the evolving nature of the markets in which it competes, the Company's ability to accurately forecast its revenues, gross profits and operating expenses as a percentage of net sales is limited. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues. To a large extent these costs do not vary with revenue. Sales and operating results generally depend on the Company's ability to attract and retain customers and the volume of and timing of customer subscriptions for the Company's services, which are difficult to forecast. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the Company's planned expenditures would have an immediate adverse effect on the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service, marketing or acquisition decisions that could have a material adverse effect on its business, prospects, financial condition and results of operations.

Achieving greater profitability depends on the Company's ability to generate and sustain increased revenue levels. The Company believes that its success will depend in large part on its ability to (i) increase its brand awareness, (ii) provide its customers with outstanding value, thus encouraging customer renewals, and (iii) achieve sufficient sales volume to realize economies of scale. Accordingly, the Company intends to continue to increase the size of its sales force and service staff, and to invest in product development, operating infrastructure, marketing and promotion. The Company believes that these expenditures will help it to sustain the revenue growth it has experienced over the last several years. We anticipate that sales and marketing expenses will continue to increase in dollar amount and as a percentage of revenues during 2013 and future periods as the Company continues to expand its business on a worldwide basis. Further, the Company expects that product development expenses will also continue to increase in dollar amount and may increase as a percentage of revenues in 2013 and future periods because it expects to employ more development personnel on average compared to prior periods and build the infrastructure required to support the development of new and improved products and services. However, as these expenditures are discretionary in nature, the Company expects that the actual amounts incurred will be in line with its projections of future cash flows in order not to negatively impact its future liquidity and capital needs. There can be no assurance that the Company will be able to achieve these objectives within a meaningful time frame.



### Critical Accounting Policies, Estimates and Judgments

The Company's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments 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 reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management continually evaluates its estimates and judgments, the most critical of which are those related to:

Revenue recognition -- CRMZ's North American and worldwide service is sold on a subscription basis pursuant to customer contracts that span varying periods of time, but are generally for a period of one year. The Company initially records amounts billed as accounts receivable and defers the related revenue until persuasive evidence of an arrangement exists, fees are fixed and determinable, and collection is reasonably assured. Revenues are recognized ratably over the related subscription period. Revenue from the Company's third-party international credit report service is recognized as information is delivered and products and services are used by customers.

Valuation of goodwill -- Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances warrant. If the carrying value of this asset exceeds its estimated fair value, the Company will record an impairment loss to write the asset down to its estimated fair value.

Income taxes -- The Company provides for deferred income taxes resulting from temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

### Federal Tax Considerations

Provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"), may impose substantial limitations upon the Company's ability to utilize its NOLs. For example, the Company may be subject to the "alternative minimum tax" which does not always permit full utilization of NOLs otherwise available.

Limitations imposed by Section 382 of the Code upon the availability of NOLs would apply if certain changes were to occur in ownership of the Company. Thus, the Company's utilization of its carryforwards in the future may be deferred and/or reduced if the Company undertakes further equity financings or if certain other changes occur in the ownership of the Common Stock. See "Business - Net Operating Loss Carryforwards".

#### Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC") have issued accounting pronouncements as of December 31, 2012 that will become effective in subsequent periods; however, management does not believe that any of those pronouncements would have significantly affected our financial accounting measurements or disclosures had they been in effect during the annual period for which financial statements are included in this annual report, nor does management believe those pronouncements would have a significant effect on our future financial position or results of operations.

#### Risks and Other Considerations

The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial also may impair its business operations. If any of the risks described below actually occur, the Company's business could be impaired.

From time to time, information provided by the Company or statements made by its employees, or information provided in its filings with the SEC may contain forward-looking information. Any statements contained herein or otherwise made that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "expects", "anticipates", "plans" and similar expressions are intended to identify forward-looking statements. The Company's actual future operating results or short-term or long-term liquidity may differ materially from those projections or statements made in such forward-looking information as a result of various risks and uncertainties, including but not limited to the following in addition to those set forth elsewhere herein or in other filings made by the Company with the Commission.

**Slowing Rates of Growth and Margins.** In order to continue to grow its business and maintain or increase its profit margins, the Company among other things, must maintain and increase its customer base, implement and successfully execute its business and marketing strategy and its expansion into new product markets, effectively integrate acquisitions and other business combinations, continue to develop and upgrade its technology and transaction-processing systems, improve its Website, provide superior customer service, respond to competitive developments and attract, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in addressing such risks, and the failure to do so could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Unpredictability of Future Revenues and Profits; Potential Fluctuations in Operating Results.** The Company's ability to accurately forecast its revenues, gross profits and operating expenses as a percentage of net sales is limited. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues and to a large extent are fixed. Sales and operating results generally depend on the Company's ability to attract and retain customers and the volume of and timing of their subscriptions for the Company's services, which are difficult to forecast. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the Company's planned expenditures would have an immediate adverse effect on the Company's business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, the Company may from time to time make certain pricing, service, marketing or acquisition decisions that could have a material adverse effect on its business, prospects, financial condition and results of operations.



Maintaining and improving profitability depends on the Company's ability to generate and sustain substantially increased revenue levels. The Company believes that its success will depend in large part on its ability to (i) extend its brand position, (ii) provide its customers with outstanding value, and (iii) achieve sufficient sales volume to realize economies of scale. Accordingly, the Company intends to continue to invest in marketing and promotion, product development and technology and operating infrastructure development. There can be no assurance that the Company will be able to achieve these objectives within a meaningful time frame.

The Company expects to experience significant fluctuations in its future quarterly operating results due to a variety of factors, some of which are outside the Company's control. Factors that may adversely affect the Company's quarterly operating results include, among others, (i) the Company's ability to retain existing customers, attract new customers at a steady rate and maintain customer satisfaction, (ii) the Company's ability to maintain gross margins in its existing business and in future product lines and markets, (iii) the development of new services and products by the Company and its competitors, (iv) price competition, (v) the level of use of the Internet and online services and increasing acceptance of the Internet and other online services for the purchase of products such as those offered by the Company, (vi) the Company's ability to upgrade and develop its systems and infrastructure, (vii) the Company's ability to attract new personnel in a timely and effective manner, (viii) the level of traffic on the Company's website, (ix) the Company's ability to manage effectively its development of new business segments and markets, (x) the Company's ability to successfully manage the integration of operations and technology of acquisitions or other business combinations, (xi) technical difficulties, system downtime or Internet brownouts, (xii) the amount and timing of operating costs and capital expenditures relating to expansion of the Company's business, operations and infrastructure, (xiii) governmental regulation and taxation policies, (xiv) disruptions in service by common carriers due to strikes or otherwise, (xv) risks of fire or other casualty, (xvi) litigation costs or other unanticipated expenses, (xvii) interest rate risks and inflationary pressures, and (xviii) general economic conditions and economic conditions specific to the Internet and online commerce.

Due to the foregoing factors and the Company's limited forecasting abilities, the Company believes that period-to-period comparisons of its revenues and operating results are not necessarily meaningful and should not be relied on as an indication of future performance.

**Competition.** The online commerce market, particularly over the Web, is new, rapidly evolving and intensely competitive. The Company's current or potential competitors include (i) companies now selling or who will be selling credit analysis data, such as D&BTM which currently has the dominant position in the industry and the financial resources to invest much more than the Company can while withstanding substantial price competition, and (ii) a number of indirect competitors that specialize in online commerce or information or who derive a substantial portion of the revenues from online commerce, advertising or information, and who may offer competing products, and many of which possess significant brand awareness, sales volume and customer bases. The Company believes that the principal competitive factors in its market are brand recognition, selection, personalized services, convenience, price, accessibility, customer service, quality of search tools, breadth of coverage, quality of editorial and other site content and reliability and speed of delivery. Many of the Company's competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than the Company. Certain of the Company's competitors may be able to secure data from vendors on more favorable terms, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing and devote substantially more resources to Web site and systems development than the Company. Increased competition may result in reduced operating margins, loss of market share and a diminished brand franchise. There can be no assurance that the Company will be able to compete successfully against current and future competitors.



The Company expects that the competition in the Internet and online commerce markets will intensify in the future. For example, as various Internet market segments obtain large, loyal customer bases, participants in those segments may seek to leverage their market power to the detriment of participants in other market segments. In addition, new technologies and the expansion of existing technologies may increase the competitive pressures on the Company. Competitive pressures created by any one of the Company's competitors, or by the Company's competitors collectively, could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Need for Additional Financing; Risks of Default.** The Company's future liquidity and capital funding requirements will depend on numerous factors, including whether or when the Company will increase its customer base and revenues, and the costs and timing of expansion of sales, control of information costs and other expenses and competition. There can be no assurance that additional capital, if needed, will be available on terms acceptable to the Company, or at all. Furthermore, debt financing, if available, will likely include restrictive covenants, including financial maintenance covenants restricting the Company's ability to incur additional indebtedness and to pay dividends. The failure of the Company to raise capital on acceptable terms when needed could have a material adverse effect on the Company.

**System Development and Operation Risks.** Any system interruptions that result in the unavailability of the Company's Web site would reduce the attractiveness of the Company's service offerings. The Company has experienced periodic system interruptions, which it believes will continue to occur from time to time. The Company will be required to add additional software and hardware and further develop and upgrade its existing technology and network infrastructure to accommodate increased traffic on its Web site resulting from increased sales volume. Any inability to do so may cause unanticipated system disruptions, slower response times, degradation in levels of customer service, impaired quality, or delays in reporting accurate financial information. There can be no assurance that the Company will be able to accurately project the rate or timing of increases, if any, in the use of its Web site or in a timely manner to effectively upgrade and expand its systems or to integrate smoothly any newly developed or purchased modules with its existing systems. Any inability to do so could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company's web servers are located at a secure offsite location. Its back office computer and communications hardware is located at a single leased facility in Valley Cottage, New York. The Company's systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, break-ins, earthquake and similar events. The Company does not currently have redundant systems or a formal disaster recovery plan and does not have sufficient business interruption insurance to compensate it for losses that may occur. Despite the implementation of network security measures by the Company, its servers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays, loss of critical data or the inability to accept and fulfill customer orders. The occurrence of any of the foregoing events could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Management of Potential Growth.** To continue to manage the expected growth of its operations and personnel, the Company will be required to improve existing and implement new operational and financial systems, procedures and controls, as well as to expand, train and manage its growing employee base. There can be no assurance that the Company's current and planned personnel, systems, procedures and controls will be adequate to support the Company's future operations, that management will be able to hire, train, retain, motivate and manage required personnel or that Company management will be able to successfully identify, manage and exploit existing and potential market opportunities. If the Company is unable to manage growth effectively, such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Limited Personnel.** The Company currently has limited personnel and other resources to undertake the extensive marketing activities necessary to maintain and grow its revenues. The Company's ability to continue to generate revenue will be dependent upon, among other things, its ability to manage an effective sales organization. The Company will need to continue to develop and expand a sales force and a marketing group with technical expertise to coordinate marketing efforts. In addition, there can be no assurance that the Company will be able to market its products effectively through an in-house sales force, independent sales representatives, through arrangements with an outside sales force, or through strategic partners.

**Risks of New Business Areas.** The Company intends to expand its operations by continuing to promote new and complementary products and by expanding the breadth and depth of its product or service offerings. Expansion of the Company's operations in this manner will require significant additional expense and development, operations and editorial resources and could strain the Company's management, financial and operational resources. There can be no assurance that the Company will be able to expand its operations in a cost-effective or timely manner. Furthermore, any new business launched by the Company that is not favorably received by customers could damage the Company's reputation or the CRMZ brand. The lack of market acceptance of such efforts or the Company's inability to generate satisfactory revenues from such expanded services or products to offset their cost could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. Gross margins attributable to new business areas may be lower than those associated with the Company's existing business activities.

**Risks of Business Combinations and Strategic Alliances.** The Company may choose to expand its operations or market presence by entering into business combinations, investments, joint venture or other strategic alliances with third parties. Any such transaction will be accompanied by risks commonly encountered in such transactions, which include, among others, the difficulty of assimilating the operations, technology and personnel of the combined companies, the potential disruption of the Company's ongoing business, the possible inability to retain key technical and managerial personnel, the potential inability of management to maximize the financial and strategic position of the Company through the successful integration of acquired businesses, additional expenses associated with amortization of purchased intangible assets, additional operating losses and expenses associated with the activities and expansion of acquired businesses, the maintenance of uniform standards, controls and policies and the possible impairment of relationships with existing employees and customers. There can be no assurance that the Company will be successful in overcoming these risks or any other problems encountered in connection with such business combinations, investments, joint ventures or other strategic alliances, or that such transactions will not have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Rapid Technological Change.** To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality and features of its services. The Internet and the online commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new products and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Company's existing website and proprietary technology and systems obsolete. The Company's success will depend, in part, on its ability to license leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The continuing development of a website and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Company will successfully implement new technologies or adapt its website, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Company is unable, for technical, legal, financial or other reasons, to adapt in a timely manner in response to changing market conditions or customer requirements, such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Dependence on Key Personnel.** The Company's performance is substantially dependent on the continued services and on the performance of its senior management and other key personnel. The Company does not have long-term employment agreements with any of its key personnel and maintains no "key person" life insurance policies. The loss of the services of its executive officers or other key employees could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Reliance on Certain Suppliers.** The Company purchases its data and/or credit reports from a limited number of vendors under agreements having terms of 24 months or less. The Company has no longer-term contracts or arrangements with any vendor of data that guarantee the availability of data, the continuation of particular payment terms or the extension of credit. Nevertheless, the Company believes that it would be able to obtain the necessary data from other sources, at competitive prices, should it become necessary or advisable to do so. There can be no assurance, however, that the Company's vendors will continue to supply data to the Company on current terms or that the Company will be able to establish new or extend current vendor relationships to ensure acquisition of information in a timely and efficient manner and on acceptable commercial terms. If the Company were unable to maintain or develop relationships with vendors that would allow it to obtain sufficient quantities of reliable information on acceptable commercial terms, such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.



**Risk of Expansion and Implementation of Growth Strategy.** The Company's growth and expansion have placed, and may continue to place, a strain on the Company's management, administrative, operational, financial and technical resources and increased demands on its systems and controls. Demands on the Company's network resources and technical staff and resources have grown rapidly with the Company's expanding customer bases. A failure to effectively provide customer and technical support services will adversely affect the Company's ability to attract and maintain its customer base. The Company expects to experience continued strain on its operational systems as it develops, operates and maintains its network. Expected increases in the Company's Internet client base will produce increased demands on sales, marketing and administrative resources, its engineering and technical resources, and its customer and technical support resources. The Company believes that it will need, both in the short-term and the long-term, to hire additional sales and marketing and technical personnel as well as qualified administrative and management personnel in the accounting and finance areas to manage its financial control systems. In addition, the Company will need to hire or to train managerial and support personnel. Although the Company has hired additional personnel and upgraded certain of its systems, there can be no assurance that the Company's administrative, operating and financial control systems, infrastructure, personnel and facilities will be adequate to support the Company's future operations or maintain and effectively adapt to future growth.

There can be no assurance that the Company will be able to build its infrastructure, add services, expand its customer bases or implement the other features of its business strategy at the rate or to the extent presently planned, or that its business strategy will be successful. The Company's ability to continue to grow may be affected by various factors, many of which are not within the Company's control, including U.S. and foreign regulation of the Internet industry, competition and technological developments. The inability to continue to upgrade the networking systems or the operating and financial control systems, the inability to recruit and hire necessary personnel or the emergence of unexpected expansion difficulties could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Risks of Network Failure.** The success of the Company is largely dependent on its ability to deliver high quality, uninterrupted access to its product over the Internet. Any system or network failure that causes interruptions in the Company's Internet operations could have a material adverse effect on the business, financial condition or results of operations of the Company. The Company's operations are dependent on its ability to successfully expand its network and integrate new and emerging technologies and equipment into its network, which are likely to increase the risk of system failure and cause unforeseen strain upon the network. The Company's operations also are dependent on the Company's protection of its hardware and other equipment from damage from natural disasters such as fires, floods, hurricanes, and earthquakes, or other sources of power loss, telecommunications failures or similar occurrences.

Significant or prolonged system failures could damage the reputation of the Company and result in the loss of customers. Such damage or losses could have a material adverse effect on the Company's ability to obtain new subscribers and customers, and on the Company's business, prospects, financial condition and results of operations.

**Security Risks.** Despite the implementation of network security measures by the Company, such as limiting physical and network access to its routers, its Internet access systems and information services are vulnerable to computer viruses, break-ins and similar disruptive problems caused by its customers or other Internet users. Such problems caused by third parties could lead to interruption, delays or cessation in service to the Company's Internet customers. Furthermore, such inappropriate use of the Internet by third parties could also potentially jeopardize the security of confidential information stored in the computer systems of the Company's customers and other parties connected to the Internet, which may deter potential subscribers. Persistent security problems continue to plague public and private data networks. Recent break-ins, "worms" and "viruses" reported in the press and otherwise have reached computers connected to the Internet at major corporations and Internet access providers and have involved the theft of information, including incidents in which hackers bypassed firewalls by posing as trusted computers. Alleviating problems caused by computer viruses, worms, break-ins or other problems caused by third parties may require significant expenditures of capital and resources by the Company, which could have a material adverse effect on the Company. Until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential customers may inhibit the growth of the Internet service industry in general and the Company's customer base and revenues in particular. Moreover, if the Company experiences a breach of network security or privacy, there can be no assurance that the Company's customers will not assert or threaten claims against the Company based on or arising out of such breach, or that any such claims will not be upheld, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Risks Associated with Domain Names.** The Company currently utilizes its domain names "CreditRiskMonitor.com" and "crmz.com" in its business. The acquisition and maintenance of domain names generally is regulated by governmental agencies and their designees. For example, in the United States, the National Science Foundation has appointed Network Solutions, Inc. as the exclusive registrar for the ".com", ".net" and ".org" generic top-level domains. The regulation of domain names in the United States and in foreign countries is subject to change. Governing bodies may establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, there can be no assurance that the Company will be able to acquire or maintain relevant domain names in the United States and all other countries in which it may conduct business. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. The Company, therefore, may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of its trademarks and other proprietary rights. Any such inability could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

**Governmental Regulation and Legal Uncertainties.** The Company is not currently subject to direct regulation by any domestic or foreign governmental agency, other than regulations applicable to businesses generally and laws or regulations directly applicable to access to online commerce. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution and characteristics and quality of products and services. Furthermore, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The adoption of any additional laws or regulations may decrease the growth of the Internet or other online services, which could, in turn, decrease the demand for the Company's products and services and increase the Company's cost of doing business, or otherwise have a material adverse effect on the Company's business, prospects, financial condition and results of operations. Moreover, the applicability to the Internet and other online services of existing laws in various jurisdictions governing issues such as property ownership, sales and other taxes, libel and personal privacy is uncertain and may take years to resolve. Any such new legislation or regulation, the application of laws and regulations from jurisdictions whose laws do not currently apply to the Company's business, or the application of existing laws and regulations to the Internet and other online services could have a material adverse effect on the Company's business, prospects, financial condition and results of

operations.

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Proprietary Rights. The Company relies and expects to continue to rely on a combination of copyright, trademark and trade secret laws and contractual restrictions to establish and protect its technology. The Company does not currently have any issued patents or registered copyrights or trademarks.

The Company has a policy to require employees and consultants to execute confidentiality and technology ownership agreements upon the commencement of their relationships with the Company. There can be no assurance that the steps taken by the Company will be adequate to prevent misappropriation of its technology or other proprietary rights, or that the Company's competitors will not independently develop technologies that are substantially equivalent or superior to the Company's technology. There can be no assurance that the Company's trademark applications will result in any trademark registrations, or that, if registered, any registered trademark will be held valid and enforceable if challenged.

In addition, to the extent the Company becomes involved in litigation to enforce or defend its intellectual property rights; such litigation can be a lengthy and costly process causing diversion of effort and resources by the Company and its management with no guarantee of success.



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and  
Stockholders of CreditRiskMonitor.com, Inc.:

We have audited the accompanying balance sheets of CreditRiskMonitor.com, Inc. as of December 31, 2012 and 2011, and the related statements of income, stockholders' equity and cash flows for the years then ended. CreditRiskMonitor.com, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of CreditRiskMonitor.com, Inc. as of December 31, 2012 and 2011, and its results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ CohnReznick LLP

Jericho, New York  
March 25, 2013

CREDITRISKMONITOR.COM, INC.  
BALANCE SHEETS  
December 31, 2012 and 2011

|  | 2012                | 2011                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents  | \$6,422,458         | \$6,531,204         |
| Marketable securities  | 1,725,633           | 1,753,072           |
| Accounts receivable, net of allowance of \$30,000  | 1,776,151           | 1,551,213           |
| Other current assets   | 548,838             | 451,143             |
| <b>Total current assets</b>  | <b>10,473,080</b>   | <b>10,286,632</b>   |
| Property and equipment, net  | 260,438             | 306,810             |
| Goodwill   | 1,954,460           | 1,954,460           |
| Other assets   | 21,970              | 23,232              |
| <b>Total assets</b>  | <b>\$12,709,948</b> | <b>\$12,571,134</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Deferred revenue   | \$6,978,797         | \$6,471,494         |
| Accounts payable   | 44,097              | 60,941              |
| Accrued expenses   | 1,161,498           | 1,087,163           |
| <b>Total current liabilities</b>   | <b>8,184,392</b>    | <b>7,619,598</b>    |
| Deferred taxes on income   | 591,355             | 157,385             |
| Other liabilities  | 5,190               | 3,714               |
| <b>Total liabilities</b>   | <b>8,780,937</b>    | <b>7,780,697</b>    |
| Commitments and contingencies  |                     |                     |
| Stockholders' equity:  |                     |                     |
| Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued   | -                   | -                   |
| Common stock, \$.01 par value; authorized 25,000,000 shares; issued and outstanding 7,946,462 and 7,920,462 shares, respectively | 79,464              | 79,204              |
| Additional paid-in capital   | 28,795,496          | 28,597,679          |
| Accumulated deficit  | (24,945,949)        | (23,886,446)        |
| <b>Total stockholders' equity</b>  | <b>3,929,011</b>    | <b>4,790,437</b>    |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$12,709,948</b> | <b>\$12,571,134</b> |

The accompanying notes are an integral part of these financial statements.



CREDITRISKMONITOR.COM, INC.  
 STATEMENTS OF INCOME  
 Years Ended December 31, 2012 and 2011

|  | 2012         | 2011         |
|--|--------------|--------------|
| Operating revenues                           | \$11,062,619 | \$10,154,200 |
| Operating expenses:                          |              |              |
| Data and product costs                       | 3,731,218    | 3,310,779    |
| Selling, general and administrative expenses | 6,206,917    | 5,468,802    |
| Depreciation and amortization                | 150,069      | 162,482      |
| Total operating expenses                     | 10,088,204   | 8,942,063    |
| Income from operations                       | 974,415      | 1,212,137    |
| Other income, net                            | 21,945       | 98,592       |
| Income before income taxes                   | 996,360      | 1,310,729    |
| Provision for income taxes                   | (466,543 )   | (402,140 )   |
| Net income                                   | \$529,817    | \$908,589    |
| Net income per share:                        |              |              |
| Basic  | \$0.07       | \$0.11       |
| Diluted                                      | \$0.06       | \$0.11       |

The accompanying notes are an integral part of these financial statements.

CREDITRISKMONITOR.COM, INC.  
 STATEMENTS OF STOCKHOLDERS' EQUITY  
 Years Ended December 31, 2012 and 2011

|                                     | Common Stock<br>Shares | Common Stock<br>Amount | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity |
|-------------------------------------|------------------------|------------------------|----------------------------------|------------------------|----------------------------------|
| Balance January 1, 2011             | 7,899,462              | \$78,994               | \$28,440,586                     | \$(24,399,304)         | \$ 4,120,276                     |
| Net income                          | -                      | -                      | -                                | 908,589                | 908,589                          |
| Cash dividend paid                  | -                      | -                      | -                                | (395,731 )             | (395,731 )                       |
| Exercise of stock options           | 21,000                 | 210                    | 20,790                           | -                      | 21,000                           |
| Stock-based compensation            | -                      | -                      | 136,303                          | -                      | 136,303                          |
| Balance December 31, 2011           | 7,920,462              | 79,204                 | 28,597,679                       | (23,886,446)           | 4,790,437                        |
| Net income                          | -                      | -                      | -                                | 529,817                | 529,817                          |
| Cash dividend paid                  | -                      | -                      | -                                | (1,589,320 )           | (1,589,320 )                     |
| Exercise of stock options           | 26,000                 | 260                    | 25,740                           | -                      | 26,000                           |
| Stock-based compensation            | -                      | -                      | 150,499                          | -                      | 150,499                          |
| Tax benefit from stock option plans | -                      | -                      | 21,578                           | -                      | 21,578                           |
| Balance December 31, 2012           | 7,946,462              | \$79,464               | \$28,795,496                     | \$(24,945,949)         | \$ 3,929,011                     |

The accompanying notes are an integral part of these financial statements.

CREDITRISKMONITOR.COM, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2012 and 2011

|   | 2012         | 2011         |
|---|--------------|--------------|
| Cash flows from operating activities:   |              |              |
| Net income  | \$ 529,817   | \$ 908,589   |
| Adjustments to reconcile net income to net cash provided by operating activities: |              |              |
| Deferred income taxes   | 433,970      | 391,258      |
| Depreciation  | 150,069      | 162,482      |
| Stock-based compensation  | 150,499      | 136,303      |
| Unrealized (gain) loss on marketable securities                                   | 40,598       | (36,672 )    |
| Deferred rent   | 1,476        | 2,565        |
| Tax benefits from stock option plans  | (21,578 )    | --           |
| Changes in operating assets and liabilities:                                      |              |              |
| Accounts receivable, net  | (224,938 )   | (144,348 )   |
| Other current assets  | (97,695 )    | 29,779       |
| Other assets  | 22,840       | (7 )         |
| Deferred revenue  | 507,303      | 473,632      |
| Accounts payable  | (16,844 )    | 36,917       |
| Accrued expenses  | 74,335       | (80,033 )    |
| Net cash provided by operating activities   | 1,549,852    | 1,880,465    |
| Cash flows from investing activities:   |              |              |
| Purchase of marketable securities   | (13,159 )    | (512,166 )   |
| Purchase of property and equipment  | (103,697 )   | (104,932 )   |
| Net cash used in investing activities   | (116,856 )   | (617,098 )   |
| Cash flows from financing activities:   |              |              |
| Dividend paid to stockholders   | (1,589,320)  | (395,731 )   |
| Proceeds from exercise of stock options   | 26,000       | 21,000       |
| Tax benefit from stock option plans   | 21,578       | --           |
| Net cash used in financing activities   | (1,541,742)  | (374,731 )   |
| Net increase (decrease) in cash and cash equivalents                              | (108,746 )   | 888,636      |
| Cash and cash equivalents at beginning of year                                    | 6,531,204    | 5,642,568    |
| Cash and cash equivalents at end of year  | \$ 6,422,458 | \$ 6,531,204 |
| Supplemental disclosure of cash flow information:                                 |              |              |
| Cash paid during the year for:  |              |              |
| Income taxes  | \$ 46,545    | \$ 10,882    |

The accompanying notes are an integral part of these financial statements.



CREDITRISKMONITOR.COM, INC.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

CreditRiskMonitor.com, Inc. (also referred to as the “Company” or “CRMZ”) provides a totally interactive business-to-business Internet-based service designed specifically for corporate credit professionals. This service is sold predominantly to corporations located in the United States. In addition, the Company is a re-distributor of international credit reports in the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company has invested some of its excess cash in debt instruments of the United States Government. All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful life of the asset. Estimated useful lives are generally as follows: fixtures, equipment and software--3 to 6 years; and leasehold improvements--lower of life or term of lease.

Goodwill

In accordance with Accounting Standards Codification (“ASC”) 350, “Intangibles-Goodwill and Other”, goodwill and other indefinite-lived intangible assets are no longer amortized, but are reviewed for impairment at least annually and if a triggering event were to occur in an interim period. Goodwill impairment is determined using a two-step process. The first step of the impairment test is used to identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit exceeds its book value, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not required. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit’s goodwill with the book value of that goodwill. If the book value of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The Company completed its annual goodwill impairment tests for 2012 and 2011 during the fourth quarter of each year and determined there was no impairment of existing goodwill.



CREDITRISKMONITOR.COM, INC.  
NOTES TO FINANCIAL STATEMENTS

### Long-Lived Assets

The Company reviews its long-lived amortizable assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360, "Property, Plant and Equipment". Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted pre-tax future net cash flows expected to be generated by that asset. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds the fair value of the assets. As of December 31, 2012, management believes no impairment of long-lived assets has occurred.

### Income Taxes

The Company provides for deferred income taxes resulting from temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns. Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

### Revenue Recognition

CRMZ's North American and worldwide service is sold on a subscription basis pursuant to customer contracts that span varying periods of time, but are generally for a period of one year. The Company initially records amounts billed as accounts receivable and defers the related revenue until persuasive evidence of an arrangement exists, fees are fixed and determinable, and collection is reasonably assured. Revenues are recognized ratably over the related subscription period. Revenue from the Company's third-party international credit report service is recognized as information is delivered and products and services are used by customers.

### Income Per Share

Income per share is computed under the provisions of ASC 260, "Earnings Per Share". Amounts reported as basic and diluted net income per share for each of the two years in the period ended December 31, 2012 reflect the net income for the year divided by the weighted average of common shares outstanding during the year and the weighted average of common shares outstanding adjusted for the effects of potentially dilutive securities (see Note 9).

### Fair Value of Financial Instruments

The Company follows the provisions of ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). This pronouncement requires that the Company calculate the fair value of financial instruments and include this additional information in the notes to the financial statements when the fair value is different than the book value of those financial instruments. The Company believes the recorded value of cash and cash equivalents, accounts receivable, and accounts payable and other liabilities approximates fair value because of the short maturity of these financial instruments.



CREDITRISKMONITOR.COM, INC.  
NOTES TO FINANCIAL STATEMENTS

### Comprehensive Income

The Company adheres to the provisions of ASC 220, “Comprehensive Income”. This pronouncement establishes standards for reporting and display of comprehensive income or loss and its components (revenues, expenses, gains and losses). The statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be classified by their nature. Furthermore, the Company is required to display the accumulated balances of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. For the years ended December 31, 2012 and 2011, there were no items that gave rise to other comprehensive income or loss and net income equaled comprehensive income.

### Segment Information

The Company follows the provisions of ASC 280, “Segment Reporting”. This pronouncement establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. The pronouncement also establishes standards for related disclosure about products and services, geographic areas and major customers. The Company currently believes it operates in one segment.

### Stock-Based Compensation

The Company adopted ASC 718, “Compensation-Stock Compensation” (“ASC 718”), at the beginning of fiscal 2006 utilizing the modified prospective method, which does not require restatement of prior periods. The modified prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock awards over the requisite service period (generally the vesting schedule).

See Note 6 for more information regarding the Company’s stock compensation plans.

### Fair Value Measurements

The Company records its financial instruments that are accounted for under ASC 320, “Investments-Debt and Equity Securities” (“ASC 320”) at fair value. The determination of fair value is based upon the fair value framework established by ASC 820. ASC 820 provides that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 – valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable; thus, reflecting assumptions about the market participants.

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

## Recently Issued Accounting Standards

The FASB and the SEC had issued certain accounting pronouncements as of December 31, 2012 that will become effective in subsequent periods; however, management does not believe that any of those pronouncements would have significantly affected our financial accounting measurements or disclosures had they been in effect during the interim periods for which financial statements are included in this annual report, nor does management believe those pronouncements would have a significant effect on our future financial position or results of operations.

## Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit and other accounts, the balances of which, at times, may exceed Federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

The Company closely monitors the extension of credit to its customers. The Company's accounts receivable balance is net of an allowance for doubtful accounts. The Company does not require collateral or other security to support credit sales, but provides an allowance for doubtful accounts based on historical experience and specifically identified risks. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Company ceases collection efforts. The Company does not believe that significant credit risk existed at December 31, 2012 and 2011.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31:

|                    | 2012        | 2011        |
|--------------------|-------------|-------------|
| Cash               | \$723,008   | \$740,710   |
| Money market funds | 5,699,450   | 5,790,494   |
|                    | \$6,422,458 | \$6,531,204 |

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 4 - MARKETABLE SECURITIES

The Company accounts for its marketable securities in accordance with ASC 320. Accordingly, the Company classifies its marketable securities at acquisition as either: (i) held-to-maturity, (ii) trading or (iii) available-for-sale. The Company's investment in U.S. Government intermediate bond funds are classified as trading securities, which are carried at fair value, as determined by quoted market price, which is Level 1 input, as established by the fair value hierarchy under ASC 320. The related unrealized gains/(losses) are included in the caption "Other income" on the accompanying Statements of Income. The Company's marketable securities at December 31, 2012 and 2011 are summarized as follows:

|                                    | Adjusted<br>Cost | Gross<br>Unrealized<br>Holding<br>Gains | Gross<br>Unrealized<br>Holding<br>Losses | Fair<br>Value |
|------------------------------------|------------------|---|--|---------------|
| 2011:                              |                  |   |  |               |
| U.S. Treasury Note, due 11/15/2015 | \$1,210,468      | \$25,917                                | \$--                                     | \$1,236,385   |
| Marketable equity security         | 512,200          | 4,487                                   | --                                       | 516,687       |
|                                    | \$1,722,668      | \$30,404                                | \$--                                     | \$1,753,072   |
| 2012:                              |                  |   |  |               |
| U.S. Treasury Note, due 11/15/2015 | \$1,210,503      | \$--                                    | \$( 7,853 )                              | \$1,202,650   |
| Marketable equity security         | 525,325          | --                                      | ( 2,342 )                                | 522,983       |
|                                    | \$1,735,828      | \$--                                    | \$(10,195 )                              | \$1,725,633   |

## NOTE 5 - INCOME TAXES

Historically, the Company generated net operating loss ("NOL") carryforwards for income tax purposes, which were available for carryforward against future taxable income. As of December 31, 2012, the Company had fully utilized its Federal NOL carryforwards.

The income tax expense (benefit) consisted of the following:

|           | 2012      | 2011      |
|-----------|-----------|-----------|
| Current:  |           |           |
| Federal   | \$21,865  | \$--      |
| State     | 10,708    | 10,882    |
| Deferred: |           |           |
| Federal   | 327,540   | 332,571   |
| State     | 106,430   | 58,687    |
|           | \$466,543 | \$402,140 |

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

The actual tax expense for 2012 and 2011 differs from the "expected" tax expense for those years (computed by applying the applicable United States federal corporate tax rate to income before income taxes) as follows:

|                                      | 2012      | 2011      |
|--------------------------------------|-----------|-----------|
| Computed "expected" expense          | \$338,762 | \$524,292 |
| Permanent differences                | 2,901     | 3,579     |
| State and local income tax expense   | 77,311    | 10,882    |
| True-up of deferred taxes            | 44,205    | (81,965 ) |
| Unrealized mark-to-market adjustment | --        | (14,669 ) |
| Other                                | 3,364     | (39,979 ) |
| Income tax expense                   | \$466,543 | \$402,140 |

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets/(liabilities) at December 31, 2012 and 2011 are as follows:

|                                       | 2012         | 2011         |
|---------------------------------------|--------------|--------------|
| Deferred tax assets:                  |              |              |
| Net operating loss carryforwards      | \$--         | \$476,670    |
| Stock option expense                  | 112,248      | 53,953       |
| Accrued vacation                      | 42,598       | 41,491       |
| Other                                 | 18,051       | 13,486       |
| Total deferred tax assets             | 172,897      | 585,600      |
| Deferred tax liabilities:             |              |              |
| Goodwill amortization                 | (711,761 )   | (654,970 )   |
| Fixed asset depreciation              | (52,491 )    | (29,759 )    |
| Other                                 | --           | (58,256 )    |
| Total deferred tax liabilities        | (764,252 )   | (742,985 )   |
| Net deferred tax assets/(liabilities) | \$(591,355 ) | \$(157,385 ) |

## NOTE 6 - COMMON STOCK, STOCK OPTIONS, AND STOCK APPRECIATION RIGHTS

## Common Stock

At December 31, 2012, 795,000 shares of the Company's authorized common stock were reserved for issuance upon exercise of outstanding options under its stock option plan.

CREDITRISKMONITOR.COM, INC.

NOTES TO FINANCIAL STATEMENTS

Preferred Stock

The Company's Articles of Incorporation provide that the Board of Directors has the authority, without further action by the holders of the outstanding common stock, to issue up to five million shares of preferred stock from time to time in one or more series. The Board of Directors shall fix the consideration to be paid, but not less than par value thereof, and to fix the terms of any such series, including dividend rights, dividend rates, conversion or exchange rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price and the liquidation preference of such series. As of December 31, 2012, the Company does not have any preferred stock outstanding.

Stock Options and Stock Appreciation Rights

At December 31, 2012, the Company has two stock option plans: the 1998 Long-Term Incentive Plan ("1998 Plan") and the 2009 Long-Term Incentive Plan ("2009 Plan").

The 1998 Plan authorizes the grant of incentive stock options, non-qualified stock options, stock appreciation rights (SARs), restricted stock, bonus stock, and performance shares to employees, consultants, and non-employee directors of the Company. The exercise price of each option shall not be less than the fair market value of the common stock at the date of grant. The total number of the Company's shares that may be awarded under this plan is 1,500,000 shares of common stock. No stock options may be granted under this Plan after May 11, 2009. At December 31, 2012, there were options outstanding for 460,500 shares of common stock under this plan.

Options expire on the date determined, but not more than ten years from the date of grant. All of the options granted may be exercised after three years in installments upon the Company attaining certain specified gross revenue and pre-tax margin objectives, unless such objectives are modified in the sole discretion by the Board of Directors. No modifications to these criteria have been made.

Notwithstanding that the objectives may not be met in whole or in part, these options will vest in full on a date that is two years prior to the expiration date of the option or, in the event of a change in control (as defined), will vest in full at time of such change in control.

The 2009 Plan authorizes the grant of incentive stock options, non-qualified stock options, SARs, restricted stock, bonus stock, and performance shares to employees, consultants, and non-employee directors of the Company. The exercise price of each option shall not be less than the fair market value of the common stock at the date of grant. The total number of the Company's shares that may be awarded under this plan is 1,000,000 shares of common stock. At December 31, 2012, there were options outstanding for 205,000 shares of common stock under this plan.

Options expire on the date determined, but not more than ten years from the date of grant. All of the options granted under the 2009 Plan may be exercised after four years in installments upon the attainment of specified length of service. In the event of a change in control (as defined), the options will vest in full at the time of such change in control.

There have been no transactions with respect to the Company's stock appreciation rights during the years ended December 31, 2012 and 2011, nor are there any stock appreciation rights outstanding at December 31, 2012 and 2011.

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

Transactions with respect to the Company's stock option plan for the years ended December 31, 2012 and 2011 are as follows:

|                                  | Number<br>of Shares | Weighted<br>Average<br>Exercise<br>Price |
|----------------------------------|---------------------|--|
| Outstanding at January 1, 2011   | 612,500             | \$ 1.6900                                |
| Exercised                        | (21,000 )           | 1.0000                                   |
| Forfeited                        | (5,000 )            | 2.4000                                   |
| Granted                          | 48,500              | 6.5309                                   |
| Outstanding at December 31, 2011 | 635,000             | \$ 2.0770                                |
| Exercised                        | (26,000 )           | 1.0000                                   |
| Forfeited                        | --                  | --                                       |
| Granted                          | 56,500              | 3.0100                                   |
| Outstanding at December 31, 2012 | 665,500             | \$ 2.1983                                |

As of December 31, 2012, there were 795,000 shares of common stock reserved for the granting of additional options.

The following table summarizes the stock-based compensation expense for stock options that was recorded in the Company's results of operations in accordance with ASC 718 for the years ended December 31:

|   | 2012       | 2011       |
|---|------------|------------|
| Data and product costs                    | \$ 17,672  | \$ 19,534  |
| Selling, general and administrative costs | 132,827    | 116,769    |
|   | \$ 150,499 | \$ 136,303 |

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model that uses the weighted average assumptions noted in the following table. Expected volatilities are based on historical volatility of our stock through the date of grant. The Company uses the simplified method under Staff Accounting Bulletin No. 110, "Use of a Simplified Method in Developing an Estimate of Expected Term of 'Plain Vanilla' Share Options", to estimate the options' expected term. The risk-free interest rate used is based on the U.S. Treasury constant maturities at the time of grant having a term that approximates the expected life of the option.

The fair value of options granted during the years ended December 31, 2012 and 2011 were \$2.96 and \$6.53, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model with the following assumptions:



CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

|                                     | 2012 |   | 2011 |   |
|-------------------------------------|------|---|------|---|
| Risk-free interest rate             | 1.54 | % | 3.36 | % |
| Expected dividend yield             | 1.66 | % | 0.79 | % |
| Expected volatility factor          | 1.59 |   | 3.90 |   |
| Expected life of the option (years) | 9    |   | 9    |   |

The Company issues new shares upon the exercise of options.

The following table summarizes information about the Company's stock options outstanding at December 31, 2012:

| Range of Exercise Prices | Options Outstanding |  |                                 | Options Exercisable |                                 |
|--------------------------|---------------------|--|---------------------------------|---------------------|---------------------------------|
|                          | Number Outstanding  | Weighted Average Remaining Contractual Life (in years) | Weighted Average Exercise Price | Number Exercisable  | Weighted Average Exercise Price |
| 1.00 - \$1.20            | 341,500             | 2.09   | \$1.0000                        | 113,000             | \$1.0000                        |
| 1.21 - \$2.40            | 119,000             | 3.31   | \$1.6357                        | -                   | -                               |
| 2.41 - \$7.25            | 205,000             | 8.05   | \$4.5210                        | -                   | -                               |
|                          | 665,500             | 4.14   | \$2.1983                        | 113,000             | \$1.0000                        |

The aggregate intrinsic value represents the total pre-tax intrinsic value, based on options with an exercise price less than the Company's closing stock price of \$3.40 as of December 31, 2012, which would have been received by the option holders had those option holders exercised their options as of that date. The aggregate intrinsic value of options outstanding as of December 31, 2012 and 2011 was \$1,051,585 and \$873,025, respectively.

As of December 31, 2012, the total compensation cost related to unvested stock-based awards granted to employees under the Company's stock option plan but not yet recognized was \$754,216. This cost will be amortized on a straight-line basis over a weighted average term of 2.24 years and will be adjusted for subsequent changes in estimated forfeitures.

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|  | 2012       | 2011       |
|--|------------|------------|
| Computer equipment and software                | \$900,236  | \$801,698  |
| Furniture and fixtures                         | 140,372    | 136,405    |
| Leasehold improvements                         | 68,818     | 67,625     |
| Capital lease                                  | 90,043     | 90,043     |
|  | 1,199,469  | 1,095,771  |
| Less accumulated depreciation and amortization | (939,031 ) | (788,961 ) |
|  | \$260,438  | \$306,810  |

## NOTE 8 - LEASE COMMITMENTS

The Company's operations are conducted from a leased facility, which is under an operating lease that expires on July 31, 2015. Rental expenses under operating leases were \$235,452 and \$231,480 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments for noncancelable operating leases at December 31, 2012 are as follows:

|                              | Operating<br>Leases |
|------------------------------|---------------------|
| 2013                         | \$133,949           |
| 2014                         | 135,967             |
| 2015                         | 80,010              |
| Total minimum lease payments | \$349,926           |

CREDITRISKMONITOR.COM, INC.

## NOTES TO FINANCIAL STATEMENTS

## NOTE 9 - NET INCOME PER SHARE

The following table sets forth the computation of basic and diluted net income per share:

|   | 2012      | 2011      |
|---|-----------|-----------|
| Net income  | \$529,817 | \$908,589 |
| Weighted average common shares outstanding, basic   | 7,942,748 | 7,907,254 |
| Dilutive effect of stock options                    | 300,627   | 403,893   |
| Weighted average common shares outstanding, diluted | 8,243,375 | 8,311,147 |
| Net income per share:                               |           |           |
| Basic   | \$0.07    | \$0.11    |
| Diluted   | \$0.06    | \$0.11    |

For fiscal 2012, the computation of diluted net income per share excludes the effects of the assumed exercise of 68,500 options since their inclusion would be anti-dilutive as their exercise prices were above market value.

ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND  
9. FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during its fiscal fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2012.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B.

OTHER INFORMATION.

None.

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## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

## Directors and Executive Officers

The following table sets forth certain information with respect to the directors and executive officers of the Company and the period such persons held their respective positions with the Company.

| Name                    | Age | Principal Occupation/Position Held with Company         | Officer or Director Since |
|-------------------------|-----|---|---------------------------|
| Jerome S. Flum          | 72  | Chairman of the Board/Chief Executive Officer           | 1983                      |
| William B. Danner       | 56  | President/Chief Operating Officer                       | 2005                      |
| Lawrence Fensterstock   | 62  | Senior Vice President/Chief Financial Officer/Secretary | 1999                      |
| Andrew J. Melnick       | 71  | Director  | 2005                      |
| Jeffrey S. Geisenheimer | 47  | Director  | 2005                      |
| Joshua M. Flum          | 43  | Director  | 2007                      |
| Richard J. James        | 73  | Director  | 1992                      |

Jerome S. Flum was appointed President and Chief Executive Officer of the Company and Chairman of the Board of Directors in June 1985. From 1968 to 1985, Mr. Flum was in the investment business as an institutional security analyst, research and sales partner at an investment firm and then as a general partner of a private investment pool. Before entering the investment business, Mr. Flum practiced law, helped manage a U.S. congressional campaign and served as a legal and legislative aide to a U.S. congressman. Mr. Flum has been a guest lecturer at the Massachusetts Institute of Technology/Sloan School of Management Lab for Financial Engineering. Mr. Flum received a BS degree in business administration from Babson College and a JD degree from Georgetown University Law School.

William B. Danner joined the Company in May 2005 as Chief Marketing Officer, was appointed Chief Operating Officer in October 2005 and appointed President in May 2007. Mr. Danner brings to the Company over 20 years of financial services and information services experience. Prior to joining the Company, his most recent experience included brand strategy and business development consulting for financial services clients at his own firm, Danner Marketing. Clients included WellPoint and Bowne & Co. Previously, he was at Citigate Albert Frank, a marketing communications company in New York City, where he provided strategic planning and brand consulting for a variety of leading financial services organizations including Reuters Instinet and the CFA Institute. From 1997 to 2001, Mr. Danner was Vice President of Market Development at MetLife's employee-benefits business. Before joining MetLife, he was at Dun & Bradstreet for over 5-1/2 years, most recently as Vice President, Strategic Planning. He spent nearly the first 10 years of his career at General Electric Company, working in increasingly responsible positions at GE Information Services and GE Capital. Mr. Danner earned a BA in economics at Harvard College and an MBA at Harvard Business School.

Lawrence Fensterstock joined the Company and was elected to his current offices in January 1999. Previously, he joined Market Guide Inc. in September 1996 to assist in the formation of its credit information services division. From 1993 to 1996, Mr. Fensterstock was with Information Clearinghouse Incorporated (“ICI”) and was closely involved in the formation of its credit reporting service. In addition to being responsible for the publication of the various facets of this credit reporting service, he was chief operating and financial officer of ICI. From 1989 through 1992, Mr. Fensterstock was Vice President-Controller, Treasurer and Corporate Secretary for a private entity formed to acquire Litton Industries’ office products operations in a leveraged buyout. There, he spent 2-1/2 years acting as de facto chief financial officer. Mr. Fensterstock is a certified public accountant who began his career in 1973 with Arthur Andersen LLP. He earned an MBA degree from The University of Chicago Business School and a BA degree in economics from Queens College.

Andrew J. Melnick has been a Director since March 2005. Since 2010, he has been a Managing Partner of SkyView Investment Advisors. The firm provides investment advisory services to institutions and high net worth individuals as well as managing a fund of hedge funds partnerships and acting as lead sub-advisors to 40 Act mutual funds of hedge fund managers. From 2005 to 2009, Mr. Melnick helped manage two hedge funds. He retired from Goldman, Sachs & Co. at the end of 2004. He joined Goldman Sachs in 2002 as Co-Director of its Global Investment Research Division and a member of its Management Committee. Prior to joining Goldman Sachs, Mr. Melnick was Senior Vice President and Director of the Global Securities and Economics Research Group of Merrill Lynch. During his 13 years at Merrill Lynch, he expanded the Firm’s Research Group from primarily a domestic effort to one with research offices in 26 countries around the world. During that period Merrill Lynch was ranked as the top research department in nearly all regions of the world including six straight times as the number one equity research department in the United States. Previous employment: President of Woolcott & Co. a boutique research and investment banking firm; Director of Research and a Partner of L.F. Rothschild Unterberg Towbin; and Senior Analyst at Drexel Burnham Lambert. He is a director of the New York Society of Security Analysts. Mr. Melnick earned a BA in economics and MBA in finance from Rutgers. He is a Chartered Financial Analyst (C.F.A.).

Jeffrey S. Geisenheimer has been a Director since December 2005. He has been the Chief Financial Officer for the Coleman Research Group, Inc., a primary research firm serving the investment and corporate communities, since September 2011. In this capacity, he is responsible for all the financial, administrative and research operations. Prior to joining Coleman Research Group, Mr. Geisenheimer was the CFO of five private equity-backed companies (Ford Models, Inc., from 2008 to 2011, Managed Systems, Inc., from 2007 to 2008, Register.com, Inc., 2007, Instant Information, Inc., from 2005 to 2007 and Moneyline Telerate, Inc., from 2003 to 2005) and two publicly traded companies (Multex.com, Inc., from 1999 to 2003, and Market Guide, Inc., from 1987 to 1999). While CFO at three of these companies (Market Guide, Multex and Moneyline Telerate) he oversaw their acquisition by much larger corporations. Mr. Geisenheimer received a BBA degree in banking and finance and a MBA degree in accounting from Hofstra University.

Joshua M. Flum has been a Director since September 2007. He has been an executive with CVS Caremark Corporation since July 2004. Mr. Flum began his career at CVS Caremark in Store Operations and is currently Senior Vice President, Retail Pharmacy. Prior to joining CVS Caremark, Mr. Flum spent three years with The Boston Consulting Group specializing in the Consumer and Retail Practice Area. Mr. Flum is a graduate of the Yale Law School and spent the first years of his professional career clerking for the Honorable Edward R. Becker, Chief Judge of the United States Court of Appeals for the Third Circuit, and then at the law firm of Miller, Cassidy, Larroca and Lewin, LLP. Mr. Flum is the son of Jerome Flum.

Richard J. James is a Consultant for Sigma Breakthrough Technologies, Inc., working with leading international and domestic Fortune 500 companies to improve their new product development and operational processes, since 2005. From 1980 until 2002, Mr. James served as the Technical Manager for Polaroid Corporation's Consumer Hardware Division, supporting manufacturing plants in Scotland, China and the United States. In this role, he was responsible for increasing the business performance of Polaroid's instant consumer cameras through improved manufacturing processes and product redesigns. From 1968 through 1979, Mr. James was President of James Associates, a group of businesses involving accounting and tax preparation, small business consulting, real estate sales and rentals, and retail jewelry sales. Mr. James was a founding Board member and VP Finance of the Boston Chapter of the Society of Concurrent Product Development. Mr. James holds a BS in chemical engineering from Northeastern University and has completed extensive managerial and technical subjects.

The Company's By-Laws provide that (a) directors shall be elected to hold office until the next annual meeting of stockholders and that each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which the director was elected and until a successor has been elected, and (b) officers shall hold office until their successors are chosen by the Board of Directors, except that the Board may remove any officer at any time.

#### Significant Employees

Michael Broos has been Chief Technology Officer since December 2001. He has more than 30 years of experience leading technology teams in the development and implementation of software applications for the Internet, Windows, DOS, and mainframes. Before joining the Company, Mr. Broos was Senior Vice President of Technology for About.com; Chief Technology Officer of Fan2Fan.com; Chief Technology Officer of AKA.com; Vice President of Internet Solutions for Inventure.com; and Vice President of Software Development for Dun & Bradstreet Information Systems for 8 years. Prior to joining Dun & Bradstreet in 1990, Mr. Broos was an independent consultant and entrepreneur for 10 years, during which time he co-founded several software companies, including Infocom (the creators of Zork). Mr. Broos began his career with a ten-year stint on the academic computer research staff of the M.I.T. Laboratory of Computer Science, where he developed interactive, graphical and email-based applications for the ARPANET (the precursor of today's Internet).

Al Carmenini, RGCP, has been head of Product Development since July 2005. He is responsible for consulting with customers and enhancing the Company's service. Mr. Carmenini brings to the Company 25 years of experience in business credit. His background includes a combination of senior operational roles at Revlon and Viacom/Simon & Schuster, as well as product development roles at Walker Interactive Systems, Standard & Poor's and at Al Carmenini & Associates. He has been a member of the Credit Research Foundation for 25 years, during which time Mr. Carmenini has served as a trustee as well as an active member of numerous committees, including Future Trends, Benchmarking, Re-engineering, Technology, and Research. He was instrumental in creating the initial benchmarking database for CRF, which is the most in-depth database for business credit & collection in the U.S. today. Mr. Carmenini is a graduate of Fordham University, receiving B.S. degrees in both Marketing Management and Systems.





Camilo Gomez joined the Company in October 2009 to lead a new Quantitative Research effort. Dr. Gomez was most recently a principal at his firm, Lone Pine Mesa LLC, where he consulted with companies in the area of specialty finance since 2005. Previously he was a Managing Director at Standard & Poor's Risk Solutions group since 2001. Before S&P, Dr. Gomez was co-founder and Group Head for Financial Analytics for the Center for Adaptive Systems & Applications ("CASA"), a company spun off from the Los Alamos National Laboratory where he had been a researcher. Formed in collaboration with Citibank, CASA provided quantitative analytical consulting services to Fortune 500 companies. A major focus at CASA was to develop scoring and economic response models covering different regions of the globe. Dr. Gomez earned a B.S. in 1980 and a Ph.D. in 1985 from the Massachusetts Institute of Technology.

#### The Audit Committee

The Audit Committee shall assist the Board of Directors in fulfilling its responsibility to the shareholders, potential shareholders and investment community relating to corporate accounting, reporting practices of the Company and the quality and integrity of the Company's financial reporting. To fulfill its purposes, the Committee's duties shall include to:

- Appoint, evaluate, compensate, oversee the work of, and if appropriate terminate, the independent auditor, who shall report directly to the Committee.
- Approve in advance all audit engagement fees and terms of engagement as well as all audit and non-audit services to be provided by the independent auditor.
- Engage independent counsel and other advisors, as it deems necessary to carry out its duties.

In performing these functions, the Audit Committee meets periodically with the independent auditors and management to review their work and confirm that they are properly discharging their respective responsibilities. The Audit Committee met four times during the last fiscal year, prior to the filing of the Company's annual and quarterly SEC reports.

The Audit Committee currently consists of its outside directors – Andrew Melnick, Jeffrey Geisenheimer, Joshua Flum and Richard James, all of whom, except Mr. Flum, are audit committee financial experts and are independent, as such terms are defined by the SEC.

#### Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Such persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

To the Company's knowledge, based solely on its review of the copies of such reports received by it with respect to fiscal 2012, or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its directors, officers and persons who own more than 10% of a registered class of the Company's equity securities have been timely complied with, except that a Form 4 for Jerome Flum and another for Joshua Flum were filed late.



## Code of Ethics

CRMZ's Board of Directors has adopted a Code of Ethics for its Principal Executive Officer and Senior Financial Officers. This Code applies to the Company's Chief Executive Officer, President and Chief Financial Officer (who also is the Company's principal accounting officer).

## ITEM 11. EXECUTIVE COMPENSATION.

The following table shows all cash compensation paid or to be paid by the Company during the fiscal years indicated to the chief executive officer and all other executive officers of the Company as of the end of the Company's last fiscal year.

## SUMMARY COMPENSATION TABLE

| Name and Principal Position                          | Year | Salary     | Bonus (1) | Option Awards (2) | All Other Compensation | Total      |
|--|------|------------|-----------|-------------------|------------------------|------------|
| Jerome S. Flum, Chairman and Chief Executive Officer | 2012 | \$ 160,000 | \$ 38,000 | \$ -0-            | \$ -0-                 | \$ 198,000 |
|  | 2011 | \$ 160,000 | \$ 38,000 | \$ -0-            | \$ -0-                 | \$ 198,000 |
| William B. Danner, President                         | 2012 | \$ 192,800 | \$ 56,000 | \$ 26,748         | \$ -0-                 | \$ 275,548 |
|  | 2011 | \$ 192,800 | \$ 56,000 | \$ 25,522         | \$ -0-                 | \$ 274,322 |
| Lawrence Fensterstock, Senior Vice President         | 2012 | \$ 160,000 | \$ 54,000 | \$ 349            | \$ -0-                 | \$ 214,349 |
|  | 2011 | \$ 160,000 | \$ 54,000 | \$ 106            | \$ -0-                 | \$ 214,106 |

(1) The amounts in this column reflect bonuses awarded for the fiscal year shown but paid in the subsequent fiscal year.

(2) Represents the compensation costs of stock option awards for financial reporting purposes for the year under ASC 718, rather than an amount paid to or realized by the Named Executive Officer. See Note 6 of the Notes to Financial Statements for a discussion of the assumptions used in calculating the aggregate grant date fair value computed in accordance with ASC 718. The ASC 718 value as of the grant date for stock options is spread over the number of months of service required for the grant to become non-forfeitable. There can be no assurance that the ASC 718 amounts will ever be realized.

## Outstanding Equity Awards

The following table sets forth all stock options granted to the Company's executive officers during the last fiscal year:

## GRANTS OF PLAN-BASED AWARDS

| Name                                       | Grant Date | Equity Grants  |  |   |  |
|--|------------|--|--|---|--|
|  |            | All Other<br>Stock<br>Awards:<br>Number of<br>Shares of<br>Stock or<br>Units (#) | All Other<br>Option<br>Awards:<br>Number of<br>Securities<br>Underlying<br>Options (#) | Exercise or<br>Base Price<br>of Option<br>Awards<br>(\$/Sh) | Grant Date<br>Fair Value of<br>Stock and<br>Option<br>Awards |
| William Danner<br>Lawrence<br>Fensterstock | 07-11-12   | N/A  | 5,000  | \$ 3.01   | \$ 15,050  |
|  | 07-11-12   | N/A  | 2,000  | \$ 3.01   | \$ 6,020   |

The following table reflects outstanding equity grants to the Company's executive officers as of December 31, 2012:

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name              | Number of Securities Underlying Unexercised Options (#) |                | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) |     | Option Exercise Price (\$) | Option Expiration Date |
|-------------------|---|----------------|--|-----|----------------------------|------------------------|
|                   | Exercisable   | Un-exercisable |  |     |                            |                        |
| William B. Danner | -0-   | 100,000        | -0-  | -0- | \$ 1.00                    | 05-09-15               |
|                   | -0-   | 50,000         | -0-  | -0- | \$ 1.25                    | 10-06-15               |
|                   | -0-   | 10,000         | -0-  | -0- | \$ 7.25                    | 01-14-21               |
|                   | -0-   | 5,000          | -0-  | -0- | \$ 3.01                    | 07-11-22               |
| Lawrence          | 5,000   | -0-            | -0-  | -0- | \$ 1.00                    | 07-31-13               |
| Fensterstock      | -0-   | 2,000          | -0-  | -0- | \$ 3.01                    | 07-11-22               |

The closing market price of the Company's common stock on December 31, 2012 was \$3.40 per share.

The options under Mr. Danner's grants expiring in 2015 and Mr. Fensterstock's grant expiring in 2013 may be exercised after three years from the date of grant in installments upon the Company attaining certain specified gross revenue and pre-tax profit margin objectives as set forth in the table below, unless such objectives are modified in the sole discretion of the Board of Directors. In order to achieve the vesting of the applicable percentage of options at each level, both the minimum sales amount and the pre-tax operating margin tests for that level must be met.

## MINIMUM ANNUAL

| Level | Gross Sales   | Pre-Tax Operating Margin | Options Vested | Cumulative Options Vested |
|-------|---------------|--------------------------|----------------|---------------------------|
| 1     | \$ 3 Million  | 20%                      | 6.7%           | 6.7%                      |
| 2     | \$ 4 Million  | 23%                      | 6.7%           | 13.4%                     |
| 3     | \$ 5 Million  | 27%                      | 10.0%          | 23.4%                     |
| 4     | \$ 6 Million  | 36%                      | 10.0%          | 33.4%                     |
| 5     | \$7.5 Million | 39%                      | 13.3%          | 46.7%                     |
| 6     | \$ 9 Million  | 42%                      | 13.3%          | 60.0%                     |
| 7     | \$ 11 Million | 45%                      | 16.6%          | 76.6%                     |
| 8     | \$ 14 Million | 48%                      | 16.6%          | 93.2%                     |
| 9     | \$ 17 Million | 48%                      | 6.8%           | 100.0%                    |

Notwithstanding that the objectives may not have been met in whole or in part, each of the foregoing performance-based options will vest in full on a date which is two years prior to the expiration date of the option or, in the event of a change in control, will vest in full at the time of such change in control.

The options under Mr. Danner's grants expiring in 2021 and 2022 and Mr. Fensterstock's grant expiring in 2022 may be exercised after four years in installments upon the attainment of specified length of service. In the event of a change in control (as defined), the options will vest in full at the time of such change in control.

## Directors' Fees

Effective January 1, 2010, non-employee directors receive \$750 per quarter or a total of \$3,000 per calendar year.

## DIRECTOR COMPENSATION

| Name                    | Fees                   |                  | Total     |
|-------------------------|------------------------|------------------|-----------|
|                         | Earned or Paid in Cash | Option Awards(1) |           |
| Andrew J. Melnick       | \$ 3,000               | \$ 2,040         | \$ 5,040  |
| Jeffrey S. Geisenheimer | \$ 3,000               | \$ 6,063         | \$ 9,063  |
| Joshua M. Flum          | \$ 3,000               | \$ 9,065         | \$ 12,065 |
| Richard J. James        | \$ 3,000               | \$ 942           | \$ 3,942  |

(1) Represents the compensations costs for financial reporting purposes for the year under ASC 718. See Note 6 to the Notes to Financial Statements for the assumptions made in determining ASC 718 values.

ITEM SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND  
12. RELATED STOCKHOLDER MATTERS.

The following table sets forth as of March 15, 2013 information regarding the beneficial ownership of the Company's voting securities (i) by each person or group known by the Company to be the owner of record or beneficially of more than five percent of the Company's voting securities, (ii) by each of the Company's directors and executive officers, and (iii) by all directors and executive officers of the Company as a group. Except as indicated in the following notes, the owners have sole voting and investment power with respect to the shares. Unless otherwise noted, each owner's mailing address is c/o CreditRiskMonitor.com, Inc., 704 Executive Boulevard, Valley Cottage, NY 10989.

| Name of Beneficial Owner   | Amount and Nature of Beneficial Ownership(1) | Percent of Class |
|--|--|------------------|
| Santa Monica Partners, L.P./<br>La'Dadande Limited Partnership/<br>Lawrence J. Goldstein(2)<br>1865 Palmer Avenue<br>Larchmont, NY 10538 | 539,678                                      | 6.70%            |
| Flum Partners (3)  | 4,339,334                                    | 53.84%           |
| Jerome S. Flum   | 4,799,059 <sup>(4)(5)</sup>                  | 59.55%           |
| William B. Danner  | 21,395                                       | -----*           |
| Lawrence Fensterstock  | 110,000                                      | 1.36%            |
| Andrew J. Melnick  | 10,000                                       | -----*           |
| Jeffrey S. Geisenheimer  | 78,653                                       | -----*           |
| Joshua M. Flum   | 5,000  | -----*           |
| Richard J. James   | 43,500                                       | -----*           |
| All directors and officers (as a group (6 persons))  | 5,067,607 <sup>(4)(5)</sup>                  | 62.88%           |

\*less than 1%

(1) Does not give effect to (a) options to purchase 251,500 shares of Common Stock granted to 7 officers and employees pursuant to the 1998 Long-Term Incentive Plan of the Company, (b) options to purchase 185,000 shares of Common Stock granted to 19 officers and employees pursuant to the 2009 Long-Term Incentive Plan of the Company, (c) options to purchase an aggregate of 96,000 shares granted to the non-employee directors pursuant to the 1998 Long-Term Incentive Plan of the Company, and (d) options to purchase an aggregate of 20,000 shares granted to the non-employee directors pursuant to the 2009 Long-Term Incentive Plan of the Company. All of the foregoing options are not exercisable within sixty days. Includes 2,000 shares of Common Stock issued to Flum Partners in consideration of loans to the Company. Includes options to purchase 5,000 and 3,500 shares of Common Stock granted to Messrs. Fensterstock and James, respectively, as well as options to purchase 104,500 shares of Common Stock granted to a former director and 2 current employees, all of which are immediately exercisable.

(2) Based on the information contained in a Schedule 13G/A filed February 11, 2013. The general partner of Santa Monica Partners, L.P. is SMP Asset Management, LLC. The general partner of La'Dadande Limited Partnership is La'Dadande Corp. Lawrence J. Goldstein is an individual investor, the sole managing member and sole owner of SMP Asset Management, LLC, a limited partner of La'Dadande Limited Partnership and President of La'Dadande Corp., and may be deemed to beneficially own these shares. Mr. Goldstein disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.





(3) The sole general partner of Flum Partners is Jerome S. Flum, Chairman of the Board and Chief Executive Officer of the Company.

(4) Includes 4,339,334 shares owned by Flum Partners, of which Mr. Flum is the sole general partner, which are also deemed to be beneficially owned by Mr. Flum because of his power, as sole general partner of Flum Partners, to direct the voting of such shares held by the partnership. Mr. Flum disclaims beneficial ownership of the shares owned by Flum Partners. The 4,799,059 shares of Common Stock, or 59.55% of the outstanding shares of Common Stock, may also be deemed to be owned, beneficially and collectively, by Flum Partners and Mr. Flum, as a “group”, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the “Act”).

(5) Includes 6,000 shares of Common Stock owned by a grandchild of Mr. Flum, the beneficial ownership of which is disclaimed by Mr. Flum. Also, includes 200,000 shares of Common Stock owned by Family Trusts established by Mr. Flum, the beneficial ownership of which is disclaimed by Mr. Flum.

The Company’s equity compensation plans approved by stockholders are the 1998 Long-Term Incentive Plan, which expired May 11, 2009, and the 2009 Long-Term Incentive Plan. The 2009 Long-Term Incentive Plan provides for the grant of options and other awards up to an aggregate of 1,000,000 shares of common stock.

The following table summarizes information about the Company’s common stock that may be issued upon the exercise of options, warrants and rights under all equity compensation plans of the Company as of December 31, 2012.

| Plan category                                      | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column) |
|--|---|---|---|
| Equity compensation plans approved by stockholders | 665,500   | \$ 2.20   | 795,000   |
| Total  | 665,500   | \$ 2.20   | 795,000   |

## ITEM 13.CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There were no such reportable relationships or related transactions in 2012.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The aggregate fees incurred by CohnReznick LLP for professional services rendered to the Company for the last two fiscal years are as follows:

|                        | Fiscal Year Ended<br>December 31, |          |
|------------------------|-----------------------------------|----------|
|                        | 2012                              | 2011     |
| Audit fees (1)         | \$90,000                          | \$76,500 |
| Audit related fees (2) | 7,500                             | -        |
| Tax fees (3)           | 22,700                            | 9,000    |
| All other fees         | -                                 | -        |
| Total fees             | \$120,200                         | \$85,500 |

(1)Consists of fees for services provided in connection with the audit of the Company's financial statements and review of the Company's quarterly financial statements.

(2)Consists of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees."

(3)Consists of fees for preparation of Federal and state income tax returns, as well as assistance with an IRS audit.

The engagement of CohnReznick LLP for the 2012 and 2011 fiscal years and the scope of audit-related services, including the audits and reviews described above, were all pre-approved by the Audit Committee.

The policy of the Audit Committee is to pre-approve the engagement of the Company's independent auditors and the furnishing of all audit and non-audit services.

## ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

## PART IV

## (a) Financial Statements – contained in Item 8:

|   | Page |
|---|------|
| Report of Independent Registered Public Accounting Firm                     | 23   |
| Balance Sheets - December 31, 2012 and 2011                                 | 24   |
| Statements of Income - Years Ended December 31, 2012 and 2011               | 25   |
| Statements of Stockholders' Equity – Years Ended December 31, 2012 and 2011 | 26   |
| Statements of Cash Flows - Years Ended December 31, 2012 and 2011           | 27   |
| Notes to Financial Statements   | 28   |

## (b) Exhibits:

|              |   |  |
|--------------|---|--|
| 2            | - | Copy of the Asset Purchase Agreement dated December 29, 1998. (1)  |
| 3(i)         | - | Copy of the Company's Amended and Restated Articles of Incorporation dated as of May 7, 1999. (3)  |
| 3(ii)        | - | Copy of the Company's By-Laws as amended April 27, 1987 and May 11, 1999. (5)  |
| 10-C         | - | Copy of Company's 1998 Long-Term Incentive Plan. (2)   |
| 10-D         | - | Copy of Company's 2009 Long-Term Incentive Plan. (6)   |
| 14           | - | CreditRiskMonitor.com, Inc. Code of Ethics for Principal Executive Officer and Senior Financial Officers. (4)                                      |
| <u>31.1*</u> | - | Certification of Chief Executive Officer.  |
| <u>31.2*</u> | - | Certification of Chief Financial Officer.  |
| <u>32.1*</u> | - | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| <u>32.2*</u> | - | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS      |   | XBRL Instance Document   |
| 101.SCH      |   | XBRL Taxonomy Extension Schema Document  |
| 101.CAL      |   | XBRL Taxonomy Extension Calculation Linkbase Document  |
| 101.DEF      |   | XBRL Taxonomy Extension Definition Linkbase Document   |
| 101.LAB      |   | XBRL Taxonomy Extension Label Linkbase Document  |
| 101.PRE      |   | XBRL Taxonomy Extension Presentation Linkbase Document   |

(1) Filed as an Exhibit to Registrant's Report on Form 8-K dated January 19, 1999 (File No. 1-10825) and incorporated herein by reference thereto.

(2) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 1998 (File No. 0-10825) and incorporated herein by reference thereto.

(3) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 1999 (File No. 1-08601) and incorporated herein by reference thereto.

(4) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 2003 (File No. 1-08601) and incorporated herein by reference thereto.

(5) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 2005 (File No. 1-08601) and incorporated herein by reference thereto.

(6)Filed as an Exhibit to Registrant's Definitive Statement on Schedule 14C filed October 22, 2010 (File No. 1-08601) and incorporated herein by reference thereto.

\* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREDITRISKMONITOR.COM, INC.  
(REGISTRANT)

Date: March 25, 2013

By: Jerome S. Flum

/s/

Jerome S. Flum  
Chairman of the Board and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, 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: March 25, 2013

By: Jerome S. Flum

/s/

Jerome S. Flum  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: March 25, 2013

By: Lawrence Fensterstock

/s/

Lawrence Fensterstock  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: March 25, 2013

By: Andrew J. Melnick

/s/

Andrew J. Melnick  
Director

Date: March 25, 2013

By: Jeffrey S. Geisenheimer

/s/

Jeffrey S. Geisenheimer  
Director

Date: March 25, 2013

By: Joshua M. Flum

/s/

Joshua M. Flum  
Director

Date: March 25, 2013

By: Richard J. James

/s/

Richard J. James  
Director

