CREDITRISKMONITOR COM INC
Form 10QSB
August 15, 2005

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

FORM 10-QSB

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: June 30, 2005

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from ________ to ________

Commission file number 1-8601

CREDITRISKMONITOR.COM, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	36-2972588
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

704 Executive Boulevard, Suite A
Valley Cottage, New York 10989

(Address of principal executive offices)

(845) 230-3000

(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PAST FIVE YEARS

Check whether the registrant filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

Yes |_| No |_|

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date:

Common stock $.01 par value -- 7,679,462 shares outstanding as of July 29, 2005.

Transitional Small Business Disclosure Format (check one): Yes |_| No |X|

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2005 AND DECEMBER 31, 2004

	June 30, 2005 (Unaudited)	Dec. 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,123,232	$ 877,025
Accounts receivable, net of allowance	473,663	637,221
Other current assets	123,382	172,019
Total current assets	2,720,277	1,686,265
Property and equipment, net	155,188	162,085
Goodwill, net	1,954,460	1,954,460
Prepaid and other assets	28,984	20,042
Total assets	$ 4,858,909	$ 3,822,852
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Deferred revenue	$ 2,359,809	$ 2,221,233
Accounts payable	200,339	170,949
Accrued expenses	190,229	218,990
Current portion of long-term debt	105,350	100,084
Current portion of capitalized lease obligations	25,078	26,518
Total current liabilities	2,880,805	2,737,774
Long-term debt, net of current portion:		
Promissory note	466,678	520,703
Capitalized lease obligations	32,027	44,904
	498,705	565,607
Deferred rent payable	5,224	2,375
Deferred compensation	88,890	88,890
Total liabilities	3,473,624	3,394,646

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 7,679,462 shares	76,794	76,794
Additional paid-in capital	28,122,383	28,122,383
Accumulated deficit	(26,813,892)	(27,770,971)
Total stockholders' equity	1,385,285	428,206
Total liabilities and stockholders' equity	$ 4,858,909	$ 3,822,852

See accompanying condensed notes to consolidated financial statements.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

	2005	2004
Operating revenues	$ 949,746	$ 806,426
Operating expenses:		
Data and product costs	277,239	248,253
Selling, general and administrative expenses	638,570	452,920
Litigation related legal fees and expenses	91,826	96,493
Depreciation and amortization	16,191	14,276
Total operating expenses	1,023,826	811,942
Loss from operations	(74,080)	(5,516)
Other income	7,306	1,521
Gain on settlement of litigation	1,100,000	--
Interest expense	(16,999)	(18,261)
Income (loss) before income taxes	1,016,227	(22,256)
Provision (benefit) for income taxes	--	(329)
Net income (loss)	$ 1,016,227	$ (21,927)
Net income (loss) per share of common stock:		
Basic and diluted	$ 0.13	$ (0.00)

Weighted average number of common shares outstanding:		
Basic and diluted	7,679,462	7,407,462

See accompanying condensed notes to consolidated financial statements.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

	2005	2004
Operating revenues	$ 1,845,000	$ 1,633,624
Operating expenses:		
Data and product costs	516,615	518,754
Selling, general and administrative expenses	1,263,526	984,996
Litigation related legal fees and expenses	149,089	162,720
Depreciation and amortization	32,733	32,260
Total operating expenses	1,961,963	1,698,730
Loss from operations	(116,963)	(65,106)
Other income	10,050	3,585
Gain on settlement of litigation	1,100,000	--
Interest expense	(34,833)	(37,109)
Income (loss) before income taxes	958,254	(98,630)
Provision for income taxes	1,175	226
Net income (loss)	$ 957,079	$ (98,856)
Net income (loss) per share of common stock:		
Basic and diluted	$ 0.12	$ (0.01)
Weighted average number of common shares outstanding:		
Basic and diluted	7,679,462	7,407,462

See accompanying condensed notes to consolidated financial statements.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(Unaudited)

	2005	2004
Cash flows from operating activities:		
Net income (loss)	$ 957,079	$ (98,856)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	32,733	32,260
Deferred rent	2,849	(2,888)
Changes in operating assets and liabilities:		
Accounts receivable	163,558	154,012
Other current assets	48,637	14,974
Prepaid and other assets	(8,942)	(23,101)
Deferred revenue	138,576	4,163
Accounts payable	29,390	(5,846)
Accrued expenses	(28,761)	1,814
Net cash provided by operating activities	1,335,119	76,532
Cash flows from investing activities:		
Purchase of property and equipment	(25,836)	(13,159)
Net cash used in investing activities	(25,836)	(13,159)
Cash flows from financing activities:		
Payments on promissory note	(48,759)	(44,006)
Payments on capital lease obligations	(14,317)	(6,271)
Net cash used in financing activities	(63,076)	(50,277)
Net increase in cash and cash equivalents	1,246,207	13,096
Cash and cash equivalents at beginning of period	877,025	1,138,447
Cash and cash equivalents at end of period	$ 2,123,232	$ 1,151,543

See accompanying condensed notes to consolidated financial statements.

CEDITRISKMONITOR.COM, INC. AND SUBSIDIARY

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by CreditRiskMonitor.com, Inc. (the "Company" or "CRM"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report on Form 10-KSB for the year ended December 31, 2004.

In the opinion of the Company, the unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position as of June 30, 2005 and the results of its operations and its cash flows for the periods ended June 30, 2005 and 2004.

Results of operations for the three and six-month periods ended June 30, 2005 and 2004 are not necessarily indicative of the results of a full year.

Certain prior year amounts have been reclassified to conform with the fiscal 2005 presentation.

(2) Stock-Based Compensation

The Company accounts for its stock-based employee compensation plan using the intrinsic value method in accordance with the provisions of APB No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. No stock-based employee compensation cost for employee stock options is reflected in net loss, as all options granted under this plan had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant.

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure," the following table presents the effect on net income (loss) and net income (loss) per share had compensation cost for the Company's stock plan been determined using a fair value based method and amortized over the vesting period consistent with SFAS No. 123 for the three and six months ended June 30:

	3 MONTHS ENDED JUNE 30,		6 MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Net income (loss)				
As reported	$ 1,016,227	$ (21,927)	$ 957,079	$ (98,856)
Less: Total stock-based employee				

compensation expense determined under fair value based method for all awards, net of related tax benefits or effects	2,399	3,658	2,154	7,317
Pro forma	$ 1,013,828	$ (25,585)	$ 954,925	$ (106,173)
Net income (loss) per share - basic and diluted				
As reported	$ 0.13	$ (0.00)	$ 0.12	$ (0.01)
Pro forma	$ 0.13	$ (0.00)	$ 0.12	$ (0.01)

The above stock-based employee compensation costs determined under the fair value based method were calculated using the Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions, are fully transferable, and do not include a discount for large block trades. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility, expected life of the option and other estimates. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

(3) Income Taxes

Deferred tax assets are evaluated quarterly to assess the likelihood of realization, which is ultimately dependent upon generating future taxable income prior to the expiration of the net operating loss carryforwards. The Company has recorded certain U.S. federal deferred tax assets for which it has provided a full valuation allowance as of December 31, 2004. The full valuation allowance on the U.S. federal deferred tax assets was determined to be appropriate at December 31, 2004 due to continuing losses. Although the Company had pre-tax income for the three and six months ended June 30, 2005, at June 30, 2005, the Company continues to believe a full valuation allowance is required because such income was derived primarily from a nonrecurring gain on settlement of litigation (see Note 5). Should it be determined in the future that it is more likely than not that these assets will be realized, the valuation allowance would be removed against some or all of the deferred tax assets.

The actual tax expense for the three and six months ended June 30, 2005 differs from the "expected" tax expense for those periods (computed by applying the applicable United States federal corporate tax rate to income (loss) before income taxes) as follows:

	3 MONTHS ENDED JUNE 30,		6 MONTHS ENDED JUNE 30,	
	2005	2004	2005	2004
Computed "expected" provision	$ 331,924	$ --	$ 303,264	$ -

Utilization of net operating loss carryforward	(331,924)	--	(303,264)	-
State and local income taxes	--	(329)	1,175	22
Provision (benefit) for income taxes	$ --	$ (329)	$ 1,175	$ 22

(4) Recently Issued Accounting Standards

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--an amendment of APB Opinion No. 29," which addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier application permitted. The adoption of SFAS No. 153 will have no impact on our results of operations or our financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment", replacing SFAS No. 123 and superseding APB Opinion No. 25. SFAS No. 123R requires public companies to recognize compensation expense for the cost of stock options and all other awards of equity instruments. This compensation cost will be measured as the fair value of the award on the grant date estimated using an option-pricing model. The Company is evaluating the various transition provisions under SFAS No. 123R. For public entities that file as small business issuers, this Statement is effective as of the beginning of the first interim or annual reporting period of the first fiscal year that begins after December 15, 2005.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Contingent Asset Retirement Obligations", an interpretation of SFAS No. 143, "Asset Retirement Obligations". FIN No. 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated, even if conditional on a future event. FIN No. 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN No. 47 will have no impact on our results of operations or our financial position.

(5) Legal Proceedings

On April 27, 2005, the Company executed an agreement (the "Stipulation of Settlement") which settled all of the lawsuits between it and a competitor, as previously reported, and the competitor simultaneously paid the Company $1.1 million. In addition, the competitor agreed in the Stipulation of Settlement to assume certain potential liabilities against the Company and defend the Company in connection with the Decision Strategies litigation discussed below.

As previously reported: (a) in July 2004, the Company commenced an action in Nassau County against Decision Strategies LLC ("Decision Strategies"), the court-appointed forensic computer expert in the enforcement proceedings, for breach of its services contract and seeking a declaration of the rights of the parties under the terms of the contract; (b) also in July 2004, Decision

Strategies commenced an action in New York against the Company and the competitor for fees in excess of the limitations provided in the services contract; and (c) Decision Strategies successfully moved to dismiss the Company's Nassau County action because Decision Strategies had commenced an action in New York County.

At a conference in New York County held in June 2005, the Court denied a motion to move the action to Nassau County. Pursuant to the Stipulation of Settlement, the competitor has agreed to assume certain potential liabilities and defend the Company in this litigation, as noted above.

(6) Net Income (Loss) Per Share

The computation of diluted net income (loss) per share excludes the effects of the assumed exercise of all options since their inclusion would be anti-dilutive. During the three and six-months ended June 30, 2005, 556,500 and 546,500 options, respectively, were excluded as their exercise prices were above market value. During the three and six-months ended June 30, 2004, 468,000 and 486,000 options, respectively, were excluded because the Company had losses in those periods.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had cash and cash equivalents of $2.12 million compared to $877,000 at December 31, 2004. The Company's working capital deficit at June 30, 2005 was approximately $161,000 compared to a working capital deficit of approximately $1.05 million at December 31, 2004, due primarily to an increase of $1.25 million in cash and cash equivalents reflecting receipt of the settlement proceeds of $1.1 million referred to below. Additionally, the working capital deficit at June 30, 2005 is mainly derived from the $2.36 million in deferred revenue, which should not require any future cash outlay other than the cost of preparation and delivery of the applicable commercial credit reports. 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.

Excluding cash expenditures of $91,000 and $155,000 in the first half of fiscal 2005 and 2004, respectively, incurred in connection with the Contempt Proceeding, the Competitor Action and the other litigation described in Part II, Item 1 or previously reported (collectively, the "Litigation"), and before giving effect to the settlement proceeds of $1.1 million, the Company had positive cash flow of $237,000 and $168,000 for the six months ended June 30, 2005 and 2004, respectively.

On April 27, 2005, a Stipulation of Settlement was filed with the Supreme Court of the State of New York, Nassau County, pursuant to which: (i) the Company, the competitor and all other parties agreed to settle the Litigation (other than the Decision Strategies litigation referred to below), and (ii) the Company received payment of $1.1 million from the competitor.

After giving effect to the Stipulation of Settlement and the receipt of the $1.1 million settlement proceeds, the Company believes that it will have sufficient resources to meet its working capital and capital expenditure needs, including debt service, for the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

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

RESULTS OF OPERATIONS

	3 MONTHS ENDED JUNE 30,			
	2005		2004	
	AMOUNT	% OF TOTAL OPERATING REVENUES	AMOUNT	% OF TOTAL OPERATING REVENUES
Operating revenues	$ 949,746	100.00%	$ 806,426	100.00
Operating expenses:				
Data and product costs	277,239	29.19%	248,253	30.78
Selling, general & administrative	638,570	67.24%	452,920	56.16
Litigation related legal fees & expenses	91,826	9.67%	96,493	11.97
Depreciation and amortization	16,191	1.70%	14,276	1.77
Total operating expenses	1,023,826	107.80%	811,942	100.68
Loss from operations	(74,080)	-7.80%	(5,516)	-0.68
Other income	7,306	0.77%	1,521	0.19
Gain on settlement of litigation	1,100,000	115.82%	--	0.00
Interest expense	(16,999)	-1.79%	(18,261)	-2.27
Income (loss) before income taxes	1,016,227	107.00%	(22,256)	-2.76
Provision (benefit) for income taxes	--	0.00%	(329)	-0.04
Net income (loss)	$ 1,016,227	107.00%	$ (21,927)	-2.72

Operating revenues increased 18% for the three months ended June 30, 2005 versus the same period last year. This increase was primarily due to an increase in the number of subscribers to the Company's Internet subscription service offset in part by a decrease in the number of subscribers to the Company's subscription service for third-party international credit reports.

Data and product costs increased 12% for the second quarter of 2005 compared to the same period of fiscal 2004. This increase was primarily due to the higher cost of acquiring additional third-party content for inclusion on the Company's website as well as the cost of the co-location facility that the Company started leasing in the third quarter of 2004.

Selling, general and administrative expenses increased 41% for the second quarter of fiscal 2005 compared to the same period of fiscal 2004. This increase was primarily due to higher salary and related employee benefit costs due to an increase in the Company's sales force during the past 12 months, an increase in rent expense due to the Company's relocation to new leased facilities in the third quarter of 2004, and an increase in marketing expenses.

Depreciation and amortization increased 13% for the second quarter of fiscal 2005 compared to the same period of fiscal 2004. This increase was due to the depreciation expense on assets either purchased or leased in connection with the Company's move and the decision to co-locate its production servers in the second half of fiscal 2004.

Other income increased 380% for the second quarter of fiscal 2005 compared to the same period last year. This increase primarily reflects the investing of the settlement proceeds received in the quarter in interest bearing accounts, as well as a higher interest rate received on funds invested in interest bearing accounts during the current quarter compared to the same period last year.

Interest expense decreased 7% for the second quarter of fiscal 2005 compared to the same period of fiscal 2004. This decrease was due to a lower outstanding promissory note balance.

The Company reported net income of $1.02 million versus a net loss of $22,000 for the three months ended June 30, 2005 and 2004, respectively. Excluding the Litigation expenses of $92,000 and $96,000 for the three months ended June 30, 2005 and 2004, respectively, and the litigation settlement of $1.1 million received in the second quarter of fiscal 2005, the Company would have reported net income of $8,000 and $74,000 for the three months ended June 30, 2005 and 2004, respectively.

	6 MONTHS ENDED JUNE 30,			
	2005		2004	
	AMOUNT	% OF TOTAL OPERATING REVENUES	AMOUNT	% OF TOTAL OPERATING REVENUES
Operating revenues	$ 1,845,000	100.00%	$ 1,633,624	100.00%
Operating expenses:				
Data and product costs	516,615	28.00%	518,754	31.75%
Selling, general & administrative	1,263,526	68.48%	984,996	60.30%
Litigation related legal fees & expenses	149,089	8.08%	162,720	9.96%
Depreciation and amortization	32,733	1.78%	32,260	1.98%
Total operating expenses	1,961,963	106.34%	1,698,730	103.99%
Loss from operations	(116,963)	-6.34%	(65,106)	-3.99%
Other income	10,050	0.54%	3,585	0.22%
Gain on settlement of litigation	1,100,000	59.62%	--	0.00%
Interest expense	(34,833)	-1.89%	(37,109)	-2.27%
Income (loss) before income taxes	958,254	51.93%	(98,630)	-6.04%

Provision for income taxes	1,175	0.06%	226	0.01%
Net income (loss)	$ 957,079	51.87%	$ (98,856)	-6.05%

Operating revenues increased 13% for the six months ended June 30, 2005 versus the first half of 2004. This increase was primarily due to an increase in the number of subscribers to the Company's Internet subscription service offset in part by a decrease in the number of subscribers to the Company's subscription service for third-party international credit reports.

Data and product costs decreased 0.4% for the first six months of fiscal 2005 compared to the same period of fiscal 2004. This decrease was primarily due to the lower cost of acquiring additional third-party international credit reports, and lower salary and related employee benefits resulting from a decrease in headcount, offset in part by the cost of leasing the co-location facility that commenced in the third quarter of 2004.

Selling, general and administrative expenses increased 28% for the first six months of fiscal 2005 compared to the same period of fiscal 2004. This increase was primarily due to higher salary and related employee benefit costs due to an increase in the Company's sales force during the past 12 months, an increase in rent expense due to the Company's relocation to new leased facilities in the third quarter of 2004, and an increase in marketing expenses.

Depreciation and amortization increased 1% for the first six months of fiscal 2005 compared to the same period of fiscal 2004. This increase was due to the

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depreciation expense on assets either purchased or leased in connection with the Company's move and the decision to co-locate its production servers in the second half of fiscal 2004 offset by lower depreciation expense during the fiscal 2005 period on certain items that have been fully depreciated but are still in use.

Other income increased 180% for the first six months of fiscal 2005 compared to the same period last year. This increase was primarily due to the settlement proceeds received at the end of April 2005 that were invested in interest bearing accounts as well as a higher interest rate received on funds invested in interest bearing accounts during the current period compared to the same period last year.

Interest expense decreased 6% for the first six months of fiscal 2005 compared to the same period of fiscal 2004. This decrease was due to a lower outstanding promissory note balance.

The Company reported net income of $957,000 versus a net loss of $99,000 for the six months ended June 30, 2005 and 2004, respectively. Excluding the Litigation expenses of $149,000 and $163,000 for the six months ended June 30, 2005 and 2004, respectively, and the litigation settlement of $1.1 million received in the second quarter of fiscal 2005, the Company would have reported net income of $6,000 and $64,000 for the six months ended June 30, 2005 and 2004, respectively.

FUTURE OPERATIONS

The Company over time intends to expand its operations by expanding the breadth and depth of its product and service offerings and the introduction of new or 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 Company's limited operating history and the emerging 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 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.

Achieving 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) 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 Web site, (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.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB may contain forward-looking statements, including statements regarding future prospects, industry trends, competitive conditions and litigation issues. Any statements contained herein 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" or words of similar meaning are intended to identify forward-looking statements. This notice is intended to take advantage of the "safe harbor" provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Among others, factors that could cause actual results to differ materially from the Company's beliefs or expectations are those listed under "Results of Operations" and other factors referenced herein or from time to time as "risk factors" or otherwise in the Company's Registration Statements or Securities and Exchange Commission reports.

Item 3. 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 our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general administrative and financial matters. However, management has decided that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefit of adding employees to clearly segregate duties do not justify the expenses associated with such increase.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 27, 2005, the Company executed an agreement (the "Stipulation of Settlement") which settled all of the lawsuits between it and a competitor, as previously reported, and the competitor simultaneously paid the Company $1.1 million. In addition, the competitor agreed in the Stipulation of Settlement to assume certain potential liabilities against the Company and defend the Company in connection with the Decision Strategies litigation discussed below.

As previously reported: (a) in July 2004, the Company commenced an action in Nassau County against Decision Strategies LLC ("Decision Strategies"), the court-appointed forensic computer expert in the enforcement proceedings, for breach of its services contract and seeking a declaration of the rights of the parties under the terms of the contract; (b) also in July 2004, Decision Strategies commenced an action in New York against the Company and the competitor for fees in excess of the limitations provided in the services contract; and (c) Decision Strategies successfully moved to dismiss the Company's Nassau County action because Decision Strategies had commenced an action in New York County.

At a conference in New York County held in June 2005, the Court denied a motion to move the action to Nassau County. Pursuant to the Stipulation of Settlement, the competitor has agreed to assume certain potential liabilities and defend the Company in this litigation, as noted above.

Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities

The Company is prohibited from paying dividends pursuant to the Loan Security Agreement that secures its Secured Promissory Note with Market Guide Inc.

Item 6. Exhibits

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 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.

32.2 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.

SIGNATURES

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

CREDITRISKMONITOR.COM, INC.
(REGISTRANT)

Date: August 15, 2005

By: /s/ Lawrence Fensterstock
Lawrence Fensterstock
Chief Financial Officer