

CREDITRISKMONITOR COM INC  
Form 10-K  
March 21, 2014

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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, 2013  
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 Name of each exchange on which registered  
None

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

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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 Website, 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.  
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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):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  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, 2013 was \$9,412,777. The Company's common stock is traded on the OTC Markets. There were 7,958,564 shares of common stock \$.01 par value outstanding as of March 10, 2014.

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 2014.

#### 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&B<sup>TM</sup>") 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<sup>®</sup> 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<sup>®</sup> 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 midsized 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 more than 15,000 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&B™, our major competitor, has disclosed that it generated approximately \$693.2 million from its Risk Management Solutions business (i.e., credit information services revenue) in North America for 2013, 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 2013 operating revenues. This annual service is sold to a diverse customer base with no single customer representing more than 2% of 2013 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.

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 2013, the Fundamental Service covered over 57,000 public companies worldwide, totaling approximately \$62 trillion in corporate revenue compared to world Gross Domestic Product ("GDP") of \$84 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 2013 the total "notional" value of Over the Counter Credit Default Swap Derivatives was \$24.3 trillion. This was down from the peak value of \$58.2 trillion at the end of 2007 and from \$25.1 trillion at the end of 2012. To put this in perspective, in 2012 the world GDP was \$84 trillion, and the market value of all worldwide domestic equity at December 31, 2013 was approximately \$64.2 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&B™, 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 February 5, 2014). Because D&B™ 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 \$62 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&B<sup>TM</sup>. Traditionally, D&B<sup>TM</sup> sold their customers prepaid units and/or reports ("units") on an annual basis, which they could then use to buy D&B<sup>TM</sup> products throughout the year. In 2005, the Company became aware that D&B<sup>TM</sup> had also begun selling some part of its service on a "fixed-price" basis for "virtually unlimited usage", and in 2006, D&B<sup>TM</sup> expanded this practice under the trade name "DNBi". It appears that these contracts offer a fixed price for usage of D&B<sup>TM</sup> information within a wide range of amounts, the upper end of which is a multiple of the customer's current usage. D&B<sup>TM</sup> 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&B<sup>TM</sup> attempts to bind its customers to multi-year agreements, so as to blunt the customer's ability to reduce its D&B<sup>TM</sup> costs over several years. Since its introduction through the end of 2009, the DNBi strategy seems to have been both useful for D&B<sup>TM</sup> 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&B<sup>TM</sup>'s strategy much less whether D&B<sup>TM</sup> 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<sup>TM</sup> unit-based plan, to save their expensive D&B<sup>TM</sup> 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<sup>TM</sup> 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&B<sup>TM</sup> 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. Their "flagship" report is the D&B<sup>TM</sup> Business Information Report, whose price can range from \$122 to \$631. 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.

## Employees

As of March 10, 2014, the Company had 85 full-time and 3 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 12,300 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 \$14,200, 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. MINE SAFETY DISCLOSURES.

Not applicable.

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## 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 listed on the OTC Markets OTCQB until July 9, 2012, at which time 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 the first 2 calendar quarters of 2012, and on the OTCQX U.S. Premier for the last 2 calendar quarters of 2012 and all of 2013. 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
2013		
First Quarter	\$4.05	\$2.95
Second Quarter	\$3.25	\$2.35
Third Quarter	\$3.67	\$2.25
Fourth Quarter	\$3.50	\$2.40
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 10, 2014, there were approximately 254 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 2013, the Company paid a cash dividend of \$0.05 per share on its Common Stock on November 22, 2013; in fiscal 2012, the Company paid a cash dividend of \$0.20 per share on its Common Stock on December 5, 2012.

The Company did not repurchase any of its common stock during the fourth quarter of 2013.

## ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7. 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 2014 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 2014.

Financial Condition, Liquidity and Capital Resources

The following table presents selected financial information and statistics as of December 31, 2013 and 2012 (dollars in thousands):

	2013	2012
Cash, cash equivalents and marketable securities	\$8,047	\$8,148
Accounts receivable, net	\$1,708	\$1,776
Working capital	\$2,277	\$2,289
Cash ratio	1.00	1.00
Quick ratio	1.21	1.21
Current ratio	1.28	1.28

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, 2013, the Company had \$8.05 million in cash, cash equivalents and marketable securities, a decrease of approximately \$101,000 from December 31, 2012. The reason for this decrease was that cash used for the purchase of fixed assets (\$331,000) and the payment of the dividend to shareholders in November 2013 (\$398,000) exceeded the cash generated by operating activities for the last 12 months (\$701,000).

The Company's cash generated by operating activities significantly exceeded its net income due primarily due to non-cash expenses (e.g., depreciation, stock-based compensation and unrealized loss on marketable securities). Additionally, the main component of current liabilities at December 31, 2013 is deferred revenue of \$6.69 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 8 of the last 9 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.

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As described more fully in Note 8 of the Notes to Financial Statements, at December 31, 2013 the Company had certain cash obligations, which are due as follows:

		Less than		4-5	More than
	Total	1 Year	1-3 Years	Years	5 Years
Operating leases	\$279,696	\$173,833	\$105,353	\$510	-
Total	\$279,696	\$173,833	\$105,353	\$510	-

Off-Balance Sheet Arrangements

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

Results of Operations

2013 vs. 2012

	Year Ended December 31,			
	2013		2012	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Operating revenues	\$11,837,211	100.00 %	\$11,062,619	100.00 %

Operating expenses: