CREDITRISKMONITOR COM INC
Form 10KSB
March 31, 2005

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

FORM 10-KSB

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

For the fiscal year ended: December 31, 2004

|_| TRANSITION REPORT UNDER 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.
(Name of small business issuer 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)	(Zip Code)

Issuer's telephone number: (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)

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

Yes |X| No |_|

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. |_|

State issuer's revenues for the most recent fiscal year. $3,346,572

The aggregate market value of the Registrant's common stock held by non-affiliates as of March 7, 2005 was $1,010,749. The Company's common stock is traded on the OTC Electronic Bulletin Board.

There were 7,679,462 shares of common stock $.01 par value outstanding as of March 7, 2005.

Documents incorporated by reference: None

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

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-KSB 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 "CRM") 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-QSB to be filed by the Company in fiscal year 2005.

The CreditRiskMonitor Business

CRM is an interactive Internet-based (see our website at www.crmz.com) financial information and news service designed specifically for corporate credit professionals and which competes directly with Dun & Bradstreet, Inc. ("D&B(TM)"). CRM's service analyzes business/commercial credit risk as contrasted to the credit risk of individuals. For example, when an individual purchases a television set, before the television leaves the store a payment is made via cash, check or credit card. However, in a business-to-business transaction, e.g., for $20,000 of widgets, the seller usually will ship before the buyer pays - there is an extension of trade credit by the seller. The terms of trade credit could be 2%-10 days, net 30 (a 2% deduction from the price if payment is made within 10 days but, if not, payment in full must be made within 30 days). It is the extension of this credit that is referred to as trade credit risk. CRM's service is usually purchased by the seller to review the risks of extending trade credit to the purchaser. If the purchaser is unable to pay, the seller can suffer substantial losses (e.g., assuming a 10% pre-tax margin it will take $10 of sales to offset each $1 of bad debt). This decision to ship prior to payment may be made under intense time pressure, with potentially adverse results if the credit manager has inaccurate or stale information. CRM believes that, with the downsizing of corporate America and the related reductions in credit departmental budgets and personnel, corporate credit professionals have to do more with less. Simultaneously, the Company further believes that there has been an explosion in available information, resulting in an overwhelming amount of data and limited time for research and analysis.

CRM's credit risk analysis service is the result of management's

experience in the commercial credit industry and on-going research with respect to corporate credit department information needs. This has enabled CRM to satisfy the credit industry's requirements for a timely, technologically advanced, low cost credit information service. CRM sells the following commercial credit analysis services to corporate credit managers:

(1) An annual fixed price service with coverage of approximately 17,600 U.S. and Canadian public companies with full financial analysis and up-to-date financial news coverage for purposes of credit evaluation. This service is supplemented with the publishing of trade receivable data and public filing information (i.e., suits, liens, judgments and bankruptcy information) on over 5 million public and private U.S. companies.

(2) An annual fixed price service with coverage of approximately 20,600 foreign public companies with full financial analysis for purposes of credit analysis. This service, for the most part, includes the extensive financial analysis provided in the domestic service described in item (1) above.

(3) Individual credit reports on the approximately 38,200 companies covered in items (1) and (2) above.

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

CRM's services provide corporate credit professionals with a one-stop information service to continuously monitor the creditworthiness of all their U.S. and foreign public company customers and many domestic and foreign private company customers, in the shortest possible time and with minimum effort. This timesaving is critical where immediate decisions must be made.

There is little hard data on CRM's market: The U.S. National Association of Credit Management has about 30,000 members, but some industry observers believe the number of U.S. credit managers or personnel performing this function is substantially greater. In addition, there are numerous U.S. based companies that do not have a specific credit function but still require credit information. Because CRM's sales solicitation is by phone and Internet demonstration of the product, an untapped global market also exists for U.S. and foreign companies doing business with other U.S. or foreign corporations and thus a world market exists for the various forms of CRM's services.

The viability and potential of CRM's business is made possible by its Internet service delivery and the following characteristics:

- Low price. The annual subscription price of each of CRM's services is low compared to the cost of most competitive products and low compared to the subscriber's possible loss of

not getting paid (see the Price Comparison chart on our website).

- Counter-cyclical. As economic growth slows, general corporate credit risk usually increases and the credit manager's function rises in importance and complexity. Since the cost of our services is low compared to both the size of potential losses it is designed to reduce and to the cost of competitive services, CRM's business and revenues may have some counter-cyclicality as world economic growth

slows or declines. Additionally, products that allow credit managers to perform their jobs more efficiently and cost effectively should continue to gain market share in most business environments.

- Profit multiplier. Some of the Company's basic costs are being reduced. On a broad generic basis, computer hardware, software, telecommunications and financial data prices have been coming down for all buyers, including CRM. In addition, CRM 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 CRM's services if the Company chooses to increase content and not raise prices to cover these additional costs.

- Self financing. CRM's business has no inventory, manufacturing or warehouse facilities. Thus, it is a low capital intensive business capable of generating high margins and sufficient positive cash flow to grow the business with little need for external capital except for working capital purposes. (See MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Financial Condition, Liquidity and Capital Resources.)

- Management. CRM has in-place an experienced management team with proven talent in business credit evaluation systems and Internet development.

The Company's Goals

- Lowest cost provider. CRM's analysis and preparation of data into a usable form is nearly 100% computer driven and minimum incremental personnel costs are required to broaden the number of companies analyzed. CRM delivers all of its information to customers via the Internet and there is a seamless interface between the preparation and delivery of a company credit report to a subscriber. Since CRM has automated a significant amount of the processes used to create and deliver our service, CRM's production costs are relatively stable over a wide range of increasing revenue. CRM's cost structure is believed to be one of the lowest in its industry.

- Continued cost reductions. The Company foresees declining costs in some important expense areas, such as computer and communication costs, which should increase net profits from its subscription income stream. The Company believes that the advent of Internet delivery of telephone calls will further reduce the cost per phone call over the next several years, and computer costs per transaction should also continue to decline. The Company further believes that the base of its renewal business should grow larger each year and the Company has lower sales expenses for renewals than for new sales. All these naturally occurring cost reductions will be in addition to the cost reductions achieved through servicing more accounts over the Company's in-place fixed costs. Offsetting these cost reductions will be CRM's need to add additional content unless it is able to offset these additional content costs by increasing the price of CRM's services.

- International penetration. Foreign companies doing business in the

U.S. have the same need as domestic companies for CRM's credit analysis of U.S. companies. Internationally, the Internet provides the same rapid and inexpensive selling and distribution of CRM's service as has been achieved domestically.

Marketing and Sales

To gain market share for company credit information, CRM will continue to use the Internet (at our website www.crmz.com) as the primary mechanism for distributing its service. To inform potential subscribers about its service, CRM uses a combination of telemarketing, trade show representation and speaking engagements before credit associations.

Value Proposition

CRM's fundamental value proposition is that CRM creates and sells high quality commercial credit reports at a cost significantly below that of equivalent reports from the leading provider (price comparison as of March 10, 2005). Because D&B(TM) 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. CRM's customers clearly agree that the quality and freshness of its commercial credit reports on active public companies is as high, if not higher, than that of the D&B(TM) BIRs on the same companies. Moreover, the price of CRM's commercial credit reports is often 80% below D&B(TM)'s price for BIRs on the same companies.

The operational strategy CRM follows to deliver on its value proposition is straightforward. CRM 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 integrated data base. CRM also employs human review of selected data at critical points in its

process to further enhance the quality of its products and their relevance to credit professionals.

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

- For low-volume customers, CRM sells individual domestic and foreign commercial credit reports for a flat price of $49.95 per report, using credit card transactions across the Internet. Although D&B(TM) also sells single reports on the Internet, they impose a complicated pricing schedule, in which the price of a 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 20 different price points for the D&B(TM) BIR alone, ranging from $80 to $570 per report. It is apparently designed to protect D&B(TM)'s 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 BIRs across internal D&B(TM) organizational boundaries. In contrast, CRM 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.

- Customers who purchase dozens of credit reports (or more) per year

typically have contracts with D&B(TM), at least in the United States. Traditionally, D&B(TM) sells such customers prepaid units and/or reports ("units") on an annual basis, which they can then use to buy D&B(TM) products throughout the year. The price of each unit depends on the number of units being purchased upfront, with the resulting price of a domestic U.S. BIR generally ranging between $40 and $60. If a customer has unused units at the end of the year, D&B(TM) may allow it to only carry a percentage of them forward, as long as the customer renews for another year for at least the same number of units as the previous year. All other unused units may be forfeited. For these customers, CRM's unlimited "all you can eat" fixed price annual subscription (which also includes continuous monitoring and email alerting of S&P rating changes, SEC filings, and press releases) represents an opportunity to save money by significantly reducing the customer's D&B(TM) usage. CRM does not recommend to subscription customers that they drop their D&B(TM) contracts altogether, since D&B(TM) has broader coverage of private companies. However, CRM has found that most medium to large sized companies generate a substantial portion of their revenues selling to public companies, and CRM believes that its reports and monitoring of public companies are superior to what is offered by D&B(TM). The Best Practice that CRM recommends to its subscription customers is to always search CRM's data base first (which does not incur any incremental expense to them) and to save their expensive D&B(TM) units for those situations where CRM has no information on the business in question. CRM believes that customers who follow this practice typically find that the reduction in their D&B(TM) usage alone pays for the modest CRM

subscription fee many times over.

- It is expected that compliance with the Sarbanes-Oxley Act of 2002 will require companies to adopt a systematic process to continually review the financial results of those companies that represent the higher revenue generators for each company. These, for the most part, will be their public company customers.

- The best estimate is that a small percentage of all credit-related business transactions are supported by objective third party credit information. This is not surprising, given the high cost of commercial credit reports from the traditional vendors. CRM breaks that model. By eliminating the incremental cost of a credit report, CRM's unlimited annual subscription enables subscription customers to employ objective credit information in many more transactions than was economically feasible before. The inevitable result is better credit decisions with no increase in costs.

Net Operating Loss Carryforwards

As of December 31, 1998, the Company had approximately $13.9 million of net operating loss ("NOL") carryovers. At December 31, 2004, the Company had NOL carryforwards aggregating approximately $6.4 million, including the balance remaining of the 1998 carryovers, expiring in varying amounts over the following twenty (20) years, which, to the extent available under the Internal Revenue Code of 1986, as amended (the "Code"), may be used to minimize the Company's liability for taxes on future taxable income of the Company, if any.

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. Generally, such a limit is determined, with respect to the amount of NOL carryforward to which the limit applies, by multiplying the company's value at the time of the ownership change by the published long-term tax exempt interest rate. The resulting amount is the maximum that can be offset by NOL carryforwards in any one year if an ownership change has occurred.

An ownership change occurs if there has been an "owner shift" -- a more than 50 percentage point increase in stock ownership involving "5-percent shareholders" over the lowest percentage of stock of the loss corporation owned by such shareholders at any time during the testing period (generally, the prior 3 years). For this purpose, in general, shareholders that are not 5-percent shareholders are aggregated and treated as a single 5-percent shareholder.

See "Risks and Other Considerations - Disallowance of NOL Carryovers" for a discussion of the risk that an "ownership change" may have occurred or could occur which could cause the loss or limitation of the Company's available NOL carryforwards, pursuant to Section 382.

Employees

As of March 7, 2005, the Company had 32 full-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. To date the Company has not made any contributions. The Company has no other retirement, pension, profit sharing or similar program in effect for its employees. The Company adopted a stock option plan in 1998 that covers its employees.

ITEM 2. PROPERTY.

The Company does not own any real property. The Company relocated its principal office in August 2004 to approximately 7,690 square feet of leased space in an industrial warehouse complex located in Valley Cottage, New York. The lease expires on July 31, 2009 and provides for a monthly cost of $7,682 during the first year and increases of 3% per annum in subsequent years, plus an allocated portion of real estate taxes, insurance and common area maintenance.

ITEM 3. LEGAL PROCEEDINGS.

As previously reported, in November, 2001, the Company commenced an action against Samuel Fensterstock and a competitor (collectively the "Defendants") in the Supreme Court of the State of New York, Nassau County; on August 6, 2004, in the Contempt Proceedings, the Court issued a Decision finding that Defendants violated the Settlement Agreement and were in contempt of the July 2001 Order, and awarded compensatory and punitive damages against the Defendants aggregating $821,044, plus attorney fees and legal costs in an amount to be determined; on August 24, 2004, the Court entered a Judgment providing for the enforcement of its award and assigned a Referee to conduct a hearing concerning the amount of attorneys' fees and costs to be awarded; on August 30, 2004, Defendants filed a Notice of Appeal and posted a $900,000 bond to secure the compensatory and punitive damages awarded in the Judgment; and on September 10, 2004 the competitor and Samuel Fensterstock served separate Motions to Reargue. In January 2005, the Court rejected the arguments contained in the Motions to Reargue and adhered to its August 6, 2004 Decision. The issue of attorneys' fees

and costs is currently before the Referee.

In the Company's action against Decision Strategies LLC ("Decision Strategies") in Nassau County, previously reported, the Court granted Decision Strategies' motion to dismiss because Decision Strategies commenced an action in New York County. The dispute will now be heard in New York County.

In the Competitor Action, previously reported, the parties are engaged in discovery.

In each of the actions filed by the Company, against the

competitor and Mark McNamara and against the competitor and Ryan Kohler, previously reported, the parties are engaged in discovery.

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

No matters were submitted to a vote of security holders during the fourth quarter of the Company's fiscal year ended December 31, 2004, either through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL BUSINESS ISSUER PURHASES OF EQUITY SECURITIES.

The Company's Common Stock trades in the over-the-counter market "Bulletin Board Service" under the symbol CRMZ. The following table sets forth the high and low closing bid quotations reported on the over-the-counter market Bulletin Board Service for each calendar quarter of 2003 and 2004. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and do not necessarily represent actual transactions.

	High Bid	Low Bid
2003		
First Quarter	$ 0.400	$ 0.250
Second Quarter	$ 0.400	$ 0.260
Third Quarter	$ 0.330	$ 0.330
Fourth Quarter	$ 0.400	$ 0.340
2004		
First Quarter	$ 0.800	$ 0.400
Second Quarter	$ 0.510	$ 0.440
Third Quarter	$ 0.510	$ 0.420
Fourth Quarter	$ 0.420	$ 0.400

On March 7, 2005, there were approximately 328 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.

The Company has not paid any cash dividends on its Common Stock and does

not anticipate paying any cash dividends in the foreseeable future.

The Company sold 1,853,333 shares of common stock at $0.45 per share for total consideration of $834,000 in December 2003 pursuant to a self-administered Confidential Private Offering Memorandum. The shares were sold only to "accredited investors" as such term is defined under Regulation D of the Securities Act of 1933, as amended.

The Company did not repurchase any of its common stock during the fourth quarter of 2004.

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

Financial Condition, Liquidity and Capital Resources

In December 2003, the Company augmented its working capital by raising $834,000 through the sale of approximately 1.85 million common shares at $0.45 per share in a private placement.

At December 31, 2004, the Company had cash and cash equivalents of $877,000 compared to $1.14 million at December 31, 2003. The Company's working capital deficit at December 31, 2004 was approximately $1.05 million compared to a working capital deficit of approximately $709,000 at December 31, 2003, due primarily to a decrease of $261,000 in cash and cash equivalents and a $107,000 increase in accrued expenses. Additionally, the working capital deficit at December 31, 2004 is mainly derived from the $2.22 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 taken into income over the subscription term, which approximates twelve months. The Company has no bank lines of credit or other currently available credit sources.

For the year ended December 31, 2004, the Company reported a $261,000 decrease in cash and cash equivalents compared to a $150,000 increase for the prior fiscal year. The prior year's increase is inclusive of the $834,000 raised in the private placement. Excluding the funds raised from the private placement, the Company experienced a $684,000 decrease in cash and cash equivalents during 2003. Excluding costs of $269,000 and $591,000 in 2004 and 2003, respectively, incurred in connection with the Contempt Proceeding, the Competitor Action and the other litigation described in Part I, Item 3 (collectively, the "Litigation") the Company had positive cash flow of $8,000 for the year ended December 31, 2004 versus a cash flow deficit of $93,000 (also excluding payment of Litigation expenses and before the funds raised in the 2003 private placement) for fiscal 2003.

The Company believes that its legal fees are likely to continue to be significant as a result of (i) a decision by Defendants to appeal the August 6, 2004 Decision, (ii) the proceedings before the Referee to determine legal fees and court costs, (iii) the Competitor Action against the Company, (iv) the ongoing litigation involving Decision Strategies, and (v) the ongoing litigations against the competitor and the Company's former employees.

The Company further believes that the substantial award provided in the August 6, 2004 Decision, if realized, should benefit its cash position. In addition, the Defendants should no longer be able to engage in anti-competitive activities which violate the Settlement Agreement, in which event the Company's ability to retain and/or obtain customers should be improved. Additionally, the

Defendants have posted a bond that will secure the damages provided in the August 6, 2004 Decision. There can be no assurance that any of the above results will be achieved, or that any amounts awarded in excess of the bond posted by Defendants will be collectible in whole or in part.

The parties currently are engaged in discovery in connection with the Competitor Action. The Company believes that (a) the competitor's claims are without merit, and (b) in any event, the Company's counterclaims should reduce or eliminate the effect of any recovery the competitor may obtain. There can be no assurance that any of the above results will be achieved.

While the Company, as noted above, believes that the negative cash flow impact of its legal costs may continue, the Company believes that it will have sufficient resources to meet its working capital and capital expenditure needs, including debt service, for at least the next 12 months and, if it is correct in its assessment of the effect of the Litigation on the improvement of its cash flow and gross revenues, for the longer term as well.

As described more fully in Notes 6 and 8 of the Notes to Consolidated Financial Statements, at December 31, 2004 the Company had certain cash obligations, which are due as follows:

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Promissory Note	$ 620,787	$100,084	$233,763	$286,940	--
Capital lease obligations	71,422	26,518	44,904	--	--
Operating leases	541,991	128,457	248,900	164,634	--
Total	$1,234,200	$255,059	$527,567	$451,574	--

Off-Balance Sheet Arrangements

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

Results of Operations

2004 vs. 2003

	Year Ended December 31,			
	2004		2003	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Operating revenues	$ 3,346,572	100.00%	$ 3,042,635	100.00%

Operating expenses:				
Data and product costs	1,042,912	31.16%	1,194,310	39.25%
Selling, general and administrative	2,308,046*	68.97%	2,490,382*	81.85%
Depreciation and amortization	67,721	2.02%	88,254	2.90%
Total operating expenses	3,418,679	102.15%	3,772,946	124.00%
Loss from operations	(72,107)*	-2.15%	(730,311)*	-24.00%
Other income	7,729	0.23%	6,369	0.21%
Interest expense	(74,271)	-2.22%	(81,023)	-2.66%
Loss before income taxes	(138,649)*	-4.14%	(804,965)*	-26.46%
Income taxes	381	0.01%	982	0.03%
Net loss	$ (139,030)*	-4.15%	$ (805,947)*	-26.49%

* Litigation expenses were $237,000 and $669,000 in 2004 and 2003, respectively.

11

Operating revenues increased 10% for the year ended December 31, 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 13% for fiscal 2004. This decrease was primarily due to the lower cost of acquiring third-party international credit reports, and lower salary and related employee benefits resulting from a decrease in headcount, offset partially by the incurrence of certain non-recurring capital expenditures in connection with its move to its new leased facility and the Company's decision to co-locate its production servers at an offsite location, both of which occurred in the third quarter of 2004.

Selling, general and administrative expenses decreased 7% for fiscal 2004. This decrease was primarily due to a decrease in legal fees incurred in connection with the Litigation, partially offset by an increase in rent expense due to the four month incurrence of rental payments on both the Company's old and new leased facilities as well as slightly higher salary and related employee benefit costs due to an increase in the Company's sales force during the past 12 months.

Depreciation and amortization decreased 23% for fiscal 2004. This decrease was due to a lower depreciable asset base during most of the year, as certain items had been fully depreciated but were still in use, offset by depreciation expense recorded for the assets either purchased or leased in connection with the Company's move and the decision to co-locate its production servers.

Other income increased 21% for fiscal 2004. This increase was due to a higher level of funds invested in interest bearing accounts during the year compared to last year due to the funds raised in the 2003 private placement.

Interest expense decreased 8% for fiscal 2004, due to a lower outstanding

promissory note balance, partially offset by the interest expense on the capital leases entered into during 2004.

The Company incurred net losses of $139,030 and $805,947 for the years ended December 31, 2004 and 2003, respectively. The decrease in the net loss is due principally to the decrease in Litigation expenses described above. Excluding the Litigation expenses of $237,000 and $669,000 for the years ended December 31, 2004 and 2003, respectively, the Company would have reported net income (loss) of $98,000 and ($137,000) for fiscal 2004 and 2003, respectively.

12

2003 vs. 2002

	Year Ended December 31,			
	2003		2002	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Operating revenues	$ 3,042,635	100.00%	$ 3,069,546	100.00%
Operating expenses:				
Data and product costs	1,194,310	39.25%	1,453,650	47.36%
Selling, general and administrative	2,490,382*	81.85%	1,688,609*	55.01%
Depreciation and amortization	88,254	2.90%	104,308	3.40%
Total operating expenses	3,772,946	124.00%	3,246,567	105.77%
Loss from operations	(730,311)*	-24.00%	(177,021)*	-5.77%
Other income	6,369	0.21%	17,511	0.57%
Interest expense	(81,023)	-2.66%	(92,186)	-3.00%
Loss before income taxes	(804,965)*	-26.46%	(251,696)*	-8.20%
Income taxes	982	0.03%	1,220	0.04%
Net loss	$ (805,947)*	-26.49%	$ (252,916)*	-8.24%

* Litigation expenses were $669,000 and $77,000 in 2003 and 2002, respectively.

Operating revenues decreased 1% for the year ended December 31, 2003, due to a decrease in subscription revenue from the Company's third-party international credit reports offset in part by an increase in the number of subscribers to the Company's Internet subscription service.

Data and product costs decreased 18% for fiscal 2003, primarily due to lower salary and related employee benefits, resulting from a decrease in headcount, and the lower cost of acquiring data for the Company's domestic

service, due to a change in data providers, offset in part by higher professional fees paid to outside consultants.

Selling, general and administrative expenses increased 47% for fiscal 2003. This increase was primarily due to higher legal fees incurred in connection with the Litigation ($669,000 in 2003 versus $77,000 in 2002) as well as higher salary and related employee benefit costs, due to an increase in the Company's sales force during the past 12 months.

Depreciation and amortization decreased 15% for fiscal 2003, due to a lower depreciable asset base as certain items have been fully depreciated but are still in use.

Other income decreased 64% for fiscal 2003, due to a decrease in funds invested in interest bearing accounts as well as lower interest rates paid on these investments during 2003 compared to last year.

Interest expense decreased 12% for fiscal 2003, due to a lower outstanding promissory note balance.

The Company incurred net losses of $805,947 and $252,916 for the years ended December 31, 2003 and 2002, respectively. The increase in the net loss is due principally to the increase in Litigation

13

expenses described above.

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.

Critical Accounting Policies, Estimates and Judgments

The Company's consolidated financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these consolidated financial statements require 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 consolidated 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 -- CRM's domestic and international 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 when persuasive evidence of an arrangement exists, fees are fixed or 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

The Company has available net operating loss carryforwards ("NOLs"), which may be used to reduce its Federal income tax liability. However, 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 so-called "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. Finally, if the Company becomes an investment company subject to the Investment Company Act of 1940, it will no longer be entitled to a deduction for NOLs. See "Business - Net Operating Loss Carryforwards".

Recently Issued Accounting Standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs--an amendment of ARB No. 43, Chapter 4," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) by requiring these items to be recognized as current-period charges. Further, SFAS No. 151 requires that allocation of fixed production overhead to conversion costs be based on normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted. The adoption of SFAS No. 151 will have no impact on our results of operations or our financial position.

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 that begins after December 15, 2005.

In December 2003, the FASB issued FASB Interpretation ("FIN") No. 46-R, "Consolidation of Variable Interest Entities". FIN No. 46-R, which modifies certain provisions and effective dates of FIN No. 46, sets forth criteria to be used in determining whether an investment in a variable interest entity should be consolidated. The Company holds no interest in variable interest entities.

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 Securities and Exchange Commission 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.

Limited Operating History of CRM; Anticipated Losses and Negative Cash Flow. The Company has been operating its business since January 1999, when it acquired the assets of the CreditRisk Monitor credit information service. Accordingly, CRM has a limited operating history on which to base an evaluation of its business and prospects. The Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as online commerce. Such risks for the Company include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks, 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 Web site, 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.

Since inception, CRM has incurred significant losses, and the Company may continue to incur additional losses and negative cash flow at least for the balance of 2005. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

Unpredictability of Future Revenues and Profits; Potential Fluctuations in Quarterly Operating Results. 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 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 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) continued litigation costs or other unanticipated expenses, and (xvii) 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.

Risks of Litigation. As reported under "Legal Proceedings", the Company is a party to various legal proceedings, including particularly the Contempt Proceeding and the Competitor Action. Litigation is often a lengthy and costly process causing diversion of effort and resources by the Company and its management with no guarantee of success. While enforcement of the August 6, 2004 Decision in the Contempt Proceeding should benefit the Company's cash position and its business operations, the Decision is currently on appeal and there can be no assurance of a favorable outcome, or that any material cash award in excess of the bond will be collectible. While the Company believes that the competitor's claims in the Competitor Action are without merit and that, in any event, the Company's counterclaims should reduce or eliminate the effect of any recovery the competitor may obtain, there also can be no assurance that these results will be achieved. Failure by the Company to sustain and collect a

substantial award of damages in the Contempt Proceeding, or an unfavorable result in the Competitor Action, or both, could have a material adverse effect on the Company's business, cash and financial position, prospects and results of operations. In any event, the Company's legal fees are likely to continue to be significant in light of the litigation to which it is a party. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Financial Condition, Liquidity and Capital Resources."

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&B(TM) which currently has the dominant position in the industry and the financial resources to withstand substantial price competition, and (ii) a number of indirect competitors that specialize in online commerce or information or derive a substantial portion of the revenues from online commerce or information, who may offer 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, 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, whether and when its litigation costs will cease or be substantially reduced, 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, any additional equity financing may be dilutive to stockholders and may cause a loss or material limitation of the Company's NOL carryovers, and debt financing may be unavailable in light of the first priority liens which have been granted to secure the Company's note to the seller of the assets of its credit information service and, 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.

There can be no assurance that the Company will be able to meet its debt service obligations. In the event the Company's cash flow is inadequate to meet its obligations, the Company could face substantial liquidity problems. If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if the Company otherwise fails to comply with the various covenants in its indebtedness, it would be in default under the terms thereof, which would permit the holders of such indebtedness to accelerate the maturity of such indebtedness and to foreclose on its collateral, which could cause defaults under other indebtedness of the Company. Any such default could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

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 were located to a secure offsite location during 2004. 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 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 market CRM. The Company's ability to generate revenue from its CRM business 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 or services 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 over time intends to expand its operations by continuing to promote new or complementary products or formats 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 CRM 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 data analysis 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 Web site 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 development of a Web site 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 Web site, 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 17 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

24

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 involve 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.

Disallowance of NOL Carryovers. As of December 31, 1998, the Company had approximately $13.9 million of net operating loss ("NOL") carryovers. As of December 31, 2004, the Company had approximately $6.4 million of NOL carryovers, including the balance remaining of the 1998 carryovers, expiring in varying amounts over the following twenty (20) years, which it believes may be available to shelter future taxable income, if any. While the Company's view is predicated upon the advice of counsel, the Company does not intend to seek a ruling from the Internal Revenue Service ("IRS") as to the availability of its NOLs and neither the Company's views nor counsel's advice is binding on the IRS. Moreover, counsel's advice is in turn predicated on the accuracy of certain factual assumptions, including assumptions as to the value of its respective preferred and common equity interests as of certain relevant dates, which are in turn based upon the opinion of the independent directors of the Company. Since these factual determinations are important to the tax conclusions, a ruling on this issue would not be available from the IRS, since it does not issue rulings on factual issues. There can be no assurance that such assumptions would be sustained if challenged by the IRS. If a successful challenge were maintained, then the sale of shares of common stock in its 1999 private placement, together with other "owner-shifts" within the prior three years, could have resulted in an "ownership change", in which event the NOL carryovers would be lost in their entirety. In addition, the issuance of shares of common stock in the 2003 private placement, and future issuances

by the Company of its equity securities, could result in an "ownership change" which, depending upon the timing thereof, would in turn cause a limitation on the amount of NOL carryovers which can be used in any one year. Any inability to utilize these NOLs or any material limitation on their availability would adversely effect the Company's after-tax cash flow and, accordingly, its financial condition and results of operations.

Risks Associated with Domain Names. The Company currently utilizes its domain name "CreditRiskMonitor.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 no currently apply to the Company's business, or the application of

26

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.

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.

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, as it has in its outstanding litigation against a competitor and former employee, such litigation is now and in future 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 7. FINANCIAL STATEMENTS.

The information required by Item 7, and an index thereto, appears at pages

F-1 to F-20 (inclusive) of this Report on Form 10-KSB.

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

Effective September 27, 2004, upon the recommendation of the Company's audit committee, the Company engaged J.H. Cohn LLP as its independent registered public accounting firm to audit its financial statements for the year ended December 31, 2004. J.H. Cohn LLP replaced BDO Seidman, LLP who were dismissed by the Company on September 27, 2004.

During the years ended December 31, 2003 and 2002 there were no disagreements with BDO Seidman, LLP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

ITEM 8A. 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 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.

ITEM 8B. OTHER INFORMATION.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

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	64	Chairman of the Board/President/ Chief Executive Officer	1983
Lawrence Fensterstock	54	Senior Vice President/Chief Financial Officer/ Secretary	1999
Richard J. James	65	Director	1992
Leslie Charm	61	Director	1994

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.

Lawrence Fensterstock became an employee and was elected to his current offices in January 1999. He joined Information Clearinghouse Incorporated ("ICI") in 1993 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 the credit reporting service, he was chief operating and financial officer of ICI. Upon leaving ICI, in 1996, he joined Market Guide to assist in the formation of its credit information services division. From August 1989 through October 1992, he 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 has an MBA degree from The University of Chicago Business School and a BA degree from Queens College.

Richard James is retired after serving as the Technical Manager for Polaroid Corporation's Consumer Hardware Division Corporation from 1980 until 2002, encompassing 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 is 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.

Leslie Charm has been, since 1972, a partner in the firm of Youngman & Charm, a firm specializing in assisting companies that are experiencing operating and/or financial problems and also advises entrepreneurs in the growing of companies. From 1989 to the present, he has been a director of Moto Photo, Inc., a publicly-held international franchisor of imaging centers which filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in November 2002. Mr. Charm was appointed a director of International Electronics, Inc., a publicly-held company, in February 2005. Mr. Charm is an adjunct professor in entrepreneurial finance at Babson College and is a graduate of the Harvard Business School.

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.

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.

The Audit Committee currently consists of its outside directors - Richard James and Leslie Charm, both of whom are audit committee financial experts and are independent, as such terms are defined by the SEC.

Compliance with Section 16(a) of the of 1934

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 2004, 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.

Code of Ethics

CRM'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 and Chief Financial Officer (who also is the Company's principal accounting officer).

ITEM 10. 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.

31

SUMMARY COMPENSATION TABLE

		Annual Compensation(4)		Long-Term Compensation(5)
Name and Principal Position	Year	Salary(2)	Other Annual Compen- sation(3)	Number of Securities Underlying Options
Jerome S. Flum, Chairman,	2004	$130,400(3)	$ --	--
President and Chief Executive	2003	$115,200(1)(3)	$ --	5,000
Officer	2002	$120,905(1)(3)	$ --	--
Lawrence Fensterstock, Senior	2004	$138,417	$ --	--
Vice President	2003	$140,000	$ --	5,000
	2002	$150,000	$ --	--

(1) Beginning January 20, 1999 and continuing through June 30, 2003, Mr. Flum was being compensated by the Company at the rate of $150,000 per annum, of which $12,500 and $25,000 was deferred in 2003 and 2002, respectively. In addition, during 2003 and 2002, Mr. Flum elected to receive a portion of his salary in the form of other non-cash compensation. Effective July 1, 2003, Mr. Flum elected to discontinue any future deferral. The cumulative amount deferred of $238,750 is non-interest bearing and was initially payable at the earlier of (a) the attainment by the Company of sustainable cash flow breakeven and (b) the repayment in full of the revised promissory note issued in connection with the Company's acquisition of the assets of CRM from Market Guide Inc. In July 2004, the Company's Board of Directors agreed to issue 200,000 shares of the Company's common stock with a fair value of $90,000 as partial payment of this liability as well as paying, in cash, the balance to the Chief Executive Officer, representing the tax "gross-up" on this stock award, thereby reducing the cumulative deferred amount by approximately $150,000 to $88,890. The full amount of his compensation, including the deferred portion, is reflected in the Company's financial statements.

(2) Amounts shown prior to salary reductions under the Company's Health Plan and compensation deferred under the Company's 401(k) Plan.

(3) The aggregate amount of other annual compensation for each named individual did not equal or exceed the threshold for reporting herein (i.e., the lesser of either $50,000 or 10% of the total of such individual's annual salary and bonus).

(4) No Bonus was paid during the past three fiscal years.

(5) There were no Restrictive Stock Awards or Long-Term Incentive Plan payouts during the past three fiscal years.

32

Directors' Fees

Commencing September 1994, non-employee directors receive $450 for each Board of Directors' meeting attended, up to a maximum payment of $1,800 per Director per calendar year. During 2003, non-qualified options to purchase 3,500 shares of Common Stock at a purchase price of $1.00 per share, were granted to each of the two non-employee directors.

Compensation Pursuant to Stock Option Plans

No stock options were granted to the Company's executive officers during the last fiscal year.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR END OPTION VALU

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)		Value o In-the-Money Year
			Exercisable	Un-exercisable	Exercisable
Jerome S. Flum	-0-	-0-	15,000	5,000	-0-
Lawrence Fensterstock	-0-	-0-	-0-	170,000	-0-

(1) Represents the amount by which the closing price on December 31, 2004 ($0.45) exceeded the exercise prices of unexercised options.

All of the options granted may be exercised after three years 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.

33

	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.

No stock options were exercised by the Company's executive officers in the last fiscal year.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth as of March 7, 2005 information regarding the beneficial ownership of the Company's voting securities (i) by each person who is known to the Company to be the owner 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:

34

Name	Number of Shares of Common Stock(1)	Percentage of Outstanding Common Stock

Flum Partners(2)	4,897,128	63.64%
Jerome S. Flum	5,375,353 (3)(4)	69.86%
Richard J. James	37,000	--*
Leslie Charm	36,000	--*
All directors and officers (as a group (4 persons))	5,448,353 (3)(4)	70.81%

* less than 1%

(1) Does not give effect to (a) options to purchase 525,500 shares of Common Stock granted to 11 officers and employees pursuant to the 1998 Long Term Incentive Plan of the Company, (b) options to purchase an aggregate of 6,500 shares granted to each of the non-employee directors pursuant to the 1998 Long Term Incentive Plan of the Company, and (c) options to purchase 3,000 shares of Common Stock granted to a consultant pursuant to the 1998 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 15,000 shares of Common Stock granted to Mr. Flum, which are immediately exercisable

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

(3) Includes 4,897,128 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 5,375,353 shares of Common Stock, or 69.86% 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").

(4) Includes 2,000 shares of common stock owned by a grandchild of Mr. Flum, the beneficial ownership of which is disclaimed by Mr. Flum.

The Company's equity compensation plan approved by stockholders is the 1998 Long-Term Incentive Plan.

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, 2004.

Num
sec
rem
avail

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	f issua e comp (e se ref firs
Equity compensation plans approved by stockholders	546,500	$0.8600	881,500
Equity compensation plans not approved by stockholders	--	--	--
Total	556,500	$0.8895	881,500

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There were no such reportable relationships or related transactions in 2004.

ITEM 13. EXHIBITS.

(a) Exhibits

2 - Copy of the Asset Purchase Agreement dated December 29, 1998. (2)

3(i) - Copy of the Company's Amended and Restated Articles of Incorporation dated as of May 7, 1999. (4)

3(ii) - Copy of the Company's By-Laws as amended April 27, 1987. (1)

10-C - Copy of Company's 1998 Long-Term Incentive Plan. (3)

14 - CreditRiskMonitor.com, Inc. Code of Ethics for Principal Executive Officer and Senior Financial Officers. (5)

31.1* - Certification of Chief Executive Officer.

31.2* - Certification of Chief Financial Officer.

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.

(1) Filed as an Exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ending December 31, 1988 (File No.0-10825) and incorporated herein by reference thereto.

(2) 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.

(3) 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.

(4) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 1999 (File No. 1-10825) 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, 2003 (File No. 1-10825) and incorporated herein by reference thereto.

* Filed herewith.

DOCUMENTS AVAILABLE UPON REQUEST

All exhibits indicated above are available upon request and payment of a reasonable fee approximating the Company's cost of providing and mailing the exhibits by writing to:

Office of the Secretary, CreditRiskMonitor.com, Inc., 704 Executive Boulevard, Suite A, Valley Cottage, NY 10989.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

J.H. Cohn LLP's aggregate fees billed or billable for professional services rendered for the audit of the Company's annual financial statements for the 2004 fiscal year and the review of the financial statements included in the Company's Form 10-QSB for 2004's third quarter were $31,500. The engagement of J.H. Cohn LLP for the 2004 fiscal year and the scope of audit-related services, including the audit and reviews described above, were all pre-approved by the audit committee. Prior to its dismissal in September 2004, BDO Seidman, LLP's aggregate fees billed for professional services rendered in 2004 (for the review of the financial statements included in the Company's Forms 10-QSB for the first 2 quarters of fiscal 2004 and the Company's Registration Statement on Form S-8) were $11,675. The engagement of BDO Seidman, LLP for the reviews described above were all pre-approved by the audit committee.

BDO Seidman, LLP's aggregate fees billed for professional services rendered for the audit of the Company's annual financial statements for the 2003 fiscal year and the review of the financial statements included in the Company's Forms 10-QSB for the 2003 fiscal year were $31,500. The engagement of BDO Seidman, LLP for the 2003 fiscal year and the scope of audit-related services, including the audit 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.

Audit-Related Fees

J.H. Cohn LLP and/or BDO Seidman, LLP did not provide any other assurance or related services in the 2004 or 2003 fiscal years except

as described under the caption "Audit Fees".

Tax Fees

J.H. Cohn LLP's aggregate fees billed or billable for all tax related services for the 2004 fiscal year are $6,000 for tax preparation services.

BDO Seidman, LLP's aggregate fees for all tax related services for the 2003 fiscal year were $6,000 for tax preparation services.

All Other Fees

J.H. Cohn LLP and/or BDO Seidman, LLP did not provide any products or services in the 2004 or 2003 fiscal years other than as described above.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREDITRISKMONITOR.COM, INC.
(REGISTRANT)

Date: March 31, 2005 By: /s/ Jerome S. Flum
Jerome S. Flum
Chairman of the Board and
Chief Executive Officer

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

Date: March 31, 2005 By: /s/ Jerome S. Flum
Jerome S. Flum
Chairman of the Board and
Chief Executive Officer

Date: March 31, 2005 By: /s/ Lawrence Fensterstock
Lawrence Fensterstock
Chief Financial Officer

Date: March 31, 2005 By: /s/ Richard J. James
Richard J. James
Director

Date: March 31, 2005 By: /s/ Leslie Charm
Leslie Charm
Director

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	PAGE
REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS	F-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets - December 31, 2004 and 2003	F-4
Consolidated Statements of Operations - Years Ended December 31, 2004 and 2003	F-5
Consolidated Statements of Stockholders' Equity - Years Ended December 31, 2004 and 2003	F-6
Consolidated Statements of Cash Flows - Years Ended December 31, 2004 and 2003	F-7
Notes to Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of CreditRiskMonitor.com, Inc. and Subsidiary as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express and opinion on these financial statements based on our audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CreditRiskMonitor.com, Inc. and Subsidiary as of December 31, 2004, and their results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

/s/ J.H. Cohn LLP

Jericho, New York
March 2, 2005

F-2

Report of Independent Registered Public Accounting Firm

To the Directors and Shareholders of
CreditRiskMonitor.com, Inc.:

We have audited the accompanying consolidated balance sheet of CreditRiskMonitor.com, Inc. and subsidiary as of December 31, 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CreditRiskMonitor.com, Inc. at December 31, 2003 and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO SEIDMAN, LLP

New York, New York
February 20, 2004

F-3

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 877,025	$ 1,138,447
Accounts receivable, net of allowance of $43,677	637,221	504,591
Other current assets	172,019	102,602
Total current assets	1,686,265	1,745,640
Property and equipment, net	162,085	80,000

Goodwill, net	1,954,460	1,954,460
Prepaid and other assets	20,042	18,880
Total assets	$ 3,822,852	$ 3,798,980
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Deferred revenue	$ 2,221,233	$ 2,032,478
Accounts payable	170,949	208,065
Accrued expenses	218,990	112,418
Current portion of long-term debt	100,084	90,328
Current portion of capitalized lease obligations	26,518	10,873
Total current liabilities	2,737,774	2,454,162
Long-term debt, net of current portion:		
Promissory note	520,703	620,787
Capitalized lease obligations	44,904	2,757
	565,607	623,544
Deferred rent payable	2,375	5,295
Accrued compensation	88,890	238,750
Total liabilities	3,394,646	3,321,751
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 and 7,407,462 shares, respectively	76,794	74,074
Additional paid-in capital	28,122,383	28,035,096
Accumulated deficit	(27,770,971)	(27,631,941)
Total stockholders' equity	428,206	477,229
Total liabilities and stockholders' equity	$ 3,822,852	$ 3,798,980

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

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2004 and 2003

	2004	2003

Operating revenues	$ 3,346,572	$ 3,042,635
Operating expenses:		
Data and product costs	1,042,912	1,194,310
Selling, general and administrative expenses	2,308,046	2,490,382
Depreciation and amortization	67,721	88,254
Total operating expenses	3,418,679	3,772,946
Loss from operations	(72,107)	(730,311)
Other income	7,729	6,369
Interest expense	(74,271)	(81,023)
Loss before income taxes	(138,649)	(804,965)
Provision for state and local income taxes	381	982
Net loss	$ (139,030)	$ (805,947)
Net loss per share- basic and diluted	$ (0.02)	$ (0.14)

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

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2004 and 2003

	Common Stock		Additional		Total
	Shares	Amount	Paid-in Capital	Accumulated Deficit	Stockholde Equity
Balance January 1, 2003	5,419,129	$ 54,191	$ 27,201,171	$(26,825,994)	$ 429,3
Net loss	--	--	--	(805,947)	(805,9
Proceeds from private offering	1,853,333	18,533	815,466	--	833,9
Issuance of shares for compensation	60,000	600	19,200	--	19,8
Proceeds from exercise of stock option	75,000	750	(741)	--	
Balance December 31, 2003	7,407,462	74,074	28,035,096	(27,631,941)	477,2
Net loss	--	--	--	(139,030)	(139,0

Issuance of shares to pay portion of accrued compensation	200,000	2,000	88,000	--	90,0
Proceeds from exercise of stock options	72,000	720	(713)	--	
Balance December 31, 2004	7,679,462	$ 76,794	$ 28,122,383	$(27,770,971)	$ 428,2

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

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Net loss	$ (139,030)	$ (805,947
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	67,721	88,254
Accrued compensation	--	12,500
Stock issued in lieu of compensation	--	19,800
Deferred rent	(2,920)	(3,052
Changes in operating assets and liabilities:		
Accounts receivable, net	(132,630)	(140,818
Other current assets	(69,417)	28,759
Prepaid and other assets	(1,162)	2,549
Deferred revenue	188,755	97,746
Accounts payable	(37,116)	95,595
Accrued expenses	46,712	18,993
Net cash used in operating activities	(79,087)	(585,621
Cash flows from investing activities:		
Purchase of property and equipment	(73,150)	(6,563
Net cash used in investing activities	(73,150)	(6,563
Cash flows from financing activities:		
Proceeds from private placement	--	833,999
Proceeds from exercise of stock options	7	9
Payments on promissory notes	(90,328)	(81,523
Payments on capital lease obligations	(18,864)	(10,281

Net cash provided by (used in) financing activities	(109,185)	742,204
Net increase (decrease) in cash and cash equivalents	(261,422)	150,020
Cash and cash equivalents at beginning of year	1,138,447	988,427
Cash and cash equivalents at end of year	$ 877,025	$ 1,138,447
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ 58,451	$ 74,858
Income taxes	$ 381	$ 982
Supplemental schedule of noncash investing and financing activities:		
Acquisition of computer and telephone equipment under capital leases	$ 76,656	$ --
Issuance of shares to pay portion of accrued compensation	$ 90,000	$ --

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

F-7

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Barbito Corp. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 Equivalents

The Company considers all highly liquid debt instruments with maturities of three months or less when acquired to be 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. Capital leases are recorded at the lower of the fair market value of the asset or the present value of future minimum lease payments. Assets under capital leases are amortized on the straight-line method over their primary term. Estimated useful lives are generally as follows: fixtures, equipment and software--3 to 6 years; capitalized leases--3 to 5 years; and leasehold improvements--lower of life or term of lease.

Goodwill

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" effective January 1, 2002. SFAS No. 142 requires that purchased goodwill and

certain indefinite-lived intangibles no longer be amortized, but instead be tested for impairment at least annually. There was no impairment of goodwill in 2004 and 2003. The Company has no other intangible assets.

Prior to the adoption of SFAS No. 142, the Company amortized goodwill on a straight-line basis over 20 years.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". 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, 2004, 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

CRM's domestic and international 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 when persuasive evidence of an arrangement exists, fees are fixed or 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 (Loss) Per Share

Income (loss) per share is computed under the provisions of SFAS No. 128, "Earnings Per Share". Amounts reported as basic and diluted net loss per share for each of the two years in the period ended December 31, 2004 reflect the net loss for the year divided by the weighted average of common shares outstanding during the period (see Note 9).

Fair Value of Financial Instruments

The Company follows the provisions of SFAS No. 107, "Disclosure about Fair Value of Financial Instruments". 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. The Company's promissory note was originally discounted, as appropriate, to bear an interest rate that represents the cost of borrowings with third-party lenders. Management believes that the carrying value of the note approximates its fair value at December 31, 2004 and 2003.

Comprehensive Income

The Company adheres to the provisions of SFAS No. 130, "Reporting 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, 2004 and 2003, there were no items that gave rise to other comprehensive income or loss and the net loss equaled comprehensive loss.

Segment Information

The Company follows the provisions of SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". 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 shareholders. 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.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

Stock-Based Compensation

At December 31, 2004 the Company has a stock-based employee compensation plan which is described more fully in Note 4. The Company accounts for this 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 loss and net loss per share had compensation cost for the Company's stock plan been determined using a fair value based method consistent with SFAS No. 123 for the years ended December 31:

	2004	2003
Net loss		
As reported	$(139,030)	$(805,947)
Plus: Stock-based employee compensation expense in reported net loss, net of related tax benefits or effects	--	19,800
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax benefits or effects (see Note 4)	4,187	(30,493)
Pro forma	$(134,843)	$(816,640)
Net loss per share - basic and diluted		
As reported	$ (0.02)	$ (0.14)
Pro forma	$ (0.02)	$ (0.15)

In 2003, the Company issued 60,000 shares of common stock to employees in lieu of compensation. The pro forma amounts presented above may not be representative of the future effects on reported net loss and net loss per share, since the pro forma compensation expense is allocated over the periods in which options become exercisable, and new option awards may be granted each year.

Recently Issued Accounting Standards

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--an amendment of ARB No. 43, Chapter 4," which clarifies the accounting for abnormal amounts

of idle facility expense, freight, handling costs and wasted material (spoilage) by requiring these items to be recognized as current-period charges. Further, SFAS No. 151 requires that allocation of fixed production overhead to conversion costs be

based on normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted. The adoption of SFAS No. 151 will have no impact on our results of operations or our financial position.

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 that begins after December 15, 2005.

In December 2003, the FASB issued FASB Interpretation ("FIN") No. 46-R, "Consolidation of Variable Interest Entities". FIN No. 46-R, which modifies certain provisions and effective dates of FIN No. 46, sets forth criteria to be used in determining whether an investment in a variable interest entity should be consolidated. The Company holds no interest in variable interest entities.

Reclassifications

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

NOTE 3 - INCOME TAXES

The Company has generated net operating loss ("NOL") carryforwards for income tax purposes, which are available for carryforward against future taxable income. At December 31, 2004, the Company had Federal NOL carryforwards of approximately $6,432,000, which expire through 2024.

The actual tax expense for 2004 and 2003 differs from the "expected" tax expense for those years (computed by applying the applicable United

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

States federal corporate tax rate to income (loss) before income taxes) as follows:

	2004	2003
Computed "expected" benefit	$ (55,460)	$(321,986)
Expiration of net operating loss carryforward	453,528	605,987
Decrease in valuation allowance	(397,687)	(283,019)
Income tax expense	$ 381	$ 982

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2004 and 2003 are as follows:

	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	$ 2,574,145	$ 2,843,514
Other	120,752	180,114
Total gross deferred tax assets	2,694,897	3,023,628
Deferred tax liabilities:		
Goodwill amortization	(229,332)	(167,991)
Fixed assets	(7,615)	--
Total gross deferred tax liabilities	(236,947)	(167,991)
Valuation allowance	(2,457,950)	(2,855,637)
Net deferred tax assets	$ --	$ --

No deferred tax benefit has been recorded and a full valuation allowance has been charged against the related deferred tax assets because the Company does not consider it more likely than not that the deferred tax assets will be realized.

The net change in the total valuation allowance for the years ended December 31, 2004 and 2003 was a decrease of $397,687 and $283,019, respectively.

NOTE 4 - COMMON STOCK, STOCK OPTIONS, AND STOCK APPRECIATION RIGHTS

Common Stock

In December 2003, the Company sold approximately 1.85 million shares of common stock at $0.45 per share raising $833,999 in a private placement.

At December 31, 2004, 546,500 shares of the Company's authorized common stock were reserved for issuance upon exercise of outstanding options under its stock option plan. An additional 10,000 shares of the Company's common stock were

reserved for issuance under warrants

granted in connection with the Company's January 1999 private placement. The warrants are exercisable at $2.50 per share beginning in January 2002 and expire in 2005.

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, 2004, the Company does not have any preferred stock outstanding.

Stock Options and Stock Appreciation Rights

At December 31, 2004, the Company has one stock option plan: the 1998 Long-Term Incentive Plan.

The 1998 Long-Term Incentive 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. At December 31, 2004, there were options outstanding for 546,500 shares of common stock under this plan.

Options expire on the date determined, but not more than ten years from the date of grant. The plan terminates ten years from the date of stockholder approval. The exercising of the options granted may be accelerated 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.

There have been no transactions with respect to the Company's stock appreciation rights during the years ended December 31, 2004 and 2003, nor are there any stock appreciation rights outstanding at

NOTES TO CONSOLDIATED FINANCIAL STATEMENTS

December 31, 2004 and 2003.

Transactions with respect to the Company's stock option plans for the years ended December 31, 2004 and 2003 are as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2003	655,250	$ 0.6285
Granted	27,000	1.0000
Forfeited	(138,250)	0.5546
Exercised	(75,000)	0.0001
Outstanding at December 31, 2003	469,000	$ 0.7721
Granted	181,500	1.0000
Forfeited	(32,000)	2.3001
Exercised	(72,000)	0.0001
Outstanding at December 31, 2004	546,500	$ 0.8600

As of December 31, 2004, there were 881,500 shares of common stock reserved for the granting of additional options.

The following table summarizes information about the Company's stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercis
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable
$ 0.0001 - $ 0.5000	150,000	3.67	$0.0001	--
$ 1.0000 - $ 1.7500	372,500	8.04	$1.0040	18,000
$ 2.1875 - $ 4.5000	24,000	4.98	$4.0000	--
	546,500	6.70	$0.8600	18,000

The weighted average fair value at date of grant for options granted during 2004 and 2003 was $0.36 and $0.28 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

Assumption	Years ended December 31, 2004	2003
Risk-free interest rate	4.42%	4.18%
Dividend yield	0.00%	0.00%
Volatility factor	0.88	1.10
Weighted-average expected life of the option (years)	9	9

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's 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.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2004	2003
Computer equipment and software	$ 178,982	$ 446,553
Furniture and fixtures	50,189	54,322
Leasehold improvements	35,855	--
Capitalized lease	119,073	42,416
	384,099	543,291
Less accumulated depreciation and amortization	(222,014)	(463,291)
	$ 162,085	$ 80,000

NOTE 6 - PROMISSORY NOTE

In December 2002, the Company entered into a Note Modification Agreement with Market Guide Inc. ("MGI"), which modified the Consolidated Secured Promissory Note that had been executed in July 2001. The prior promissory note consolidated the two notes issued by CRM in January 1999, as part of the purchase of the assets of MGI's CreditRisk Monitor credit information service. Pursuant to the December 2002 Agreement, CRM issued a new Secured Promissory Note effective January 1, 2003 with a face value of $812,672. The new note bears interest at the rate of 9.5% per annum from January 1, 2003 and is payable in 84 equal monthly installments of principal and interest of $13,282 each, commencing January 31, 2003. In accordance with the terms of Emerging Issues Task Force ("EITF") Issue No. 96-19, "Debtor's Accounting for a Modification or Exchange of Debt Instruments", this transaction is not considered to result in a substantially different debt instrument and as such no gain or loss was

recognized on this transaction. Accordingly, the Company was required to discount the new note by approximately $20,000 to yield an effective interest rate of 10.30% based on the carrying value of the old debt instrument.

The new note is secured by the assets originally purchased from MGI

and substantially all other assets of the Company and does not contain any covenants.

If the Company is unable to generate sufficient cash flow or otherwise obtain funds necessary to make the required payments on this note, it would be in default under the terms thereof, which would permit the holders of the note to accelerate the maturity of such indebtedness. Such a default could have a material adverse effect on Company's business, prospects, financial condition and results of operations.

The principal maturities on this note subsequent to December 31, 2004 are as follows:

Year Ending December 31,	Amount
2005	$ 100,084
2006	110,893
2007	122,870
2008	136,141
2009	150,799
	620,787
Less current portion	100,084
	$ 520,703

NOTE 7 - ACCRUED COMPENSATION

Beginning January 20, 1999 and continuing through June 30, 2003, the Company's President and Chief Executive Officer agreed to defer a portion of his annual salary. Accordingly, $12,500 was deferred in 2003. Effective July 1, 2003, the President and Chief Executive Officer elected to discontinue any future deferral. The cumulative amount deferred of $238,750 is non-interest bearing and was initially payable at the earlier of (a) the attainment by the Company of sustainable cash flow breakeven and (b) the repayment in full of the revised promissory note issued in connection with the Company's acquisition of the assets of CRM from Market Guide Inc. (see Note 6). In July 2004, the Company's Board of Directors agreed to issue 200,000 shares of the Company's common stock with a fair value of $90,000 as partial payment of this liability as well as paying, in cash, the balance to the Chief Executive Officer, representing the tax "gross-up" on this stock award, thereby reducing the cumulative deferred amount by approximately $150,000 to $88,890. The full amount of his compensation, including the deferred amount, is reflected in the Company's financial statements.

NOTE 8 - LEASE COMMITMENTS

The Company's operations are conducted from a leased facility, which is under an operating lease that expires in 2009. The Company also

leases certain equipment under an operating lease that expires in 2008. Rental expenses under operating leases were $171,442 and $112,429 for the years ended December 31, 2004 and 2003, respectively.

During 2002, the Company acquired certain computer equipment pursuant to a capital lease that expires in 2005. This lease has an implicit interest rate of approximately 18% and allows the Company to acquire the equipment for $1 at the end of the lease. In connection with the Company's relocation in 2004 it entered into 2 capital leases for telephone equipment and computer equipment. Both of these leases are for 36 months, have an implicit interest rate of approximately 10.8% and provide for the Company to acquire the equipment for $1 at the end of the lease.

Future minimum lease payments for the capital lease and noncancelable operating leases at December 31, 2004 are as follows:

	Capital Lease Obligations	Operating Leases
2005	$ 32,947	$128,457
2006	30,043	131,258
2007	19,167	117,642
2008	--	104,112
2009	--	60,522
Total minimum lease payments	82,157	$541,991
Less amounts representing interest	10,735	
	71,422	
Less current portion of capitalized lease obligations	26,518	
Long-term capitalized lease obligations	$ 44,904	

NOTE 9 - NET LOSS PER SHARE

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

	2004	2003
Net loss	$ (139,030)	$ (805,947)

Basic average common shares outstanding	7,513,509	5,608,439
Net loss per share - basic and diluted	$ (0.02)	$ (0.14)

Potential common shares of 556,500 and 479,000 related to the Company's outstanding stock options and warrants were excluded from the computation of diluted loss per share for the years ended December 31, 2004 and 2003, respectively, as inclusion of these shares would have been anti-dilutive.

NOTE 10 - LEGAL PROCEEDINGS

As previously reported: (a) on April 20, 2001, the Company filed an action in the Supreme Court of the State of New York, Nassau County, against Samuel Fensterstock and a competitor (collectively, the "Defendants"), seeking injunctive relief, declaratory relief and monetary damages; (b) thereafter, the parties entered into a Settlement Agreement that was so ordered by the Court in July 2001 pursuant to which the Defendants were restricted from engaging in certain activities; and (c) on November 27, 2001, the Company commenced an action against the Defendants (the "Contempt Proceedings") in the Supreme Court of the State of New York, Nassau County; (d) on August 6, 2004, in the Contempt Proceedings, the Court issued a Decision finding that Defendants violated the Settlement Agreement and were in contempt of the July 2001 Order, and awarded compensatory and punitive damages against the Defendants aggregating $821,044, plus attorney fees and legal costs in an amount to be determined; (e) on August 24, 2004, the Court entered a Judgment providing for the enforcement of its award and assigned a Referee to conduct a hearing concerning the amount of attorneys' fees and costs to be awarded; (f) on August 30, 2004, Defendants filed a Notice of Appeal and posted a $900,000 bond to secure the compensatory and punitive damages awarded in the Judgment; and (g) on September 10, 2004, the competitor and Samuel Fensterstock served separate Motions to Reargue.

The issue of attorneys' fees and costs is currently before the Referee. In January 2005, the Court rejected the arguments contained in Defendants' Motions to Reargue and adhered to its August 6, 2004 Decision. The Defendants each filed Notices of Appeal of the Court's rejection of the arguments contained in the Motions to Reargue. In February 2005, the Defendants presented separate applications to the Appellate Division requesting that the Appellate Division dispense with requiring Defendants to file a complete copy of the trial transcript from the Contempt Proceeding. The Company opposed Defendants applications and Defendants' applications are currently before the Appellate Division. The Company is treating the award of $821,044 plus attorney fees and legal costs as a gain contingency that will not be recorded until realized.

As previously reported: (a) in February 2003, the competitor from the above action commenced an action (the "Competitor Action") in the same Court, against the Company, its President and a senior manager, seeking compensatory damages, exemplary damages and injunctive relief; (b) the Company denied the allegations in the Competitor Action and counterclaimed against the competitor, its President and Samuel Fensterstock; and (c) the parties currently are engaged in

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

discovery in connection with the Competitor Action. The Company cannot predict the outcome of the Competitor Action; however, it is possible that an unfavorable outcome could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

As previously reported: (a) in January 2004, the Company filed a second action in the same Court by order to show cause against the competitor and Mark McNamara, a former Company employee, seeking injunctive relief, declaratory relief and monetary damages arising from the competitor's and McNamara's misappropriation of CRM's proprietary information; (b) by Order dated April 2, 2004 the Court denied the Company's request for immediate injunctive relief; and (c) the issues of declaratory relief and money damages are pending before the Court and the parties are currently engaged in discovery.

As previously reported: (a) in March 2004, the Company filed a third action in the same Court against the competitor and Ryan Kohler, a former Company employee; (b) the action seeks declaratory relief and compensatory damages arising from the competitor's and Kohler's misappropriation of CRM's proprietary information; and (c) the parties are currently engaged in discovery.

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

The Court granted Decision Strategies' motion to dismiss because Decision Strategies commenced an action in New York County and a Preliminary Conference is scheduled for April 13, 2005. Although this action is subject to the uncertainties inherent in litigation, based on the information presently available to the Company, management does not believe that the ultimate resolution of this action will have a material adverse effect on the Company's financial condition, results of operations or cash flows.