

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

CREDITRISKMONITOR COM INC
Form 10QSB
November 14, 2006

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

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: September 30, 2006

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

Commission file number 1-8601

CREDITRISKMONITOR.COM, INC.

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

Nevada

36-2972588

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices)

(845) 230-3000

(Issuer's telephone number)

Check whether the issuer (1) 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 No

Indicated by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes No

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

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

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

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

Common stock \$.01 par value 7,679,462 shares outstanding as of November 10, 2006.

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

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
INDEX

Page

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Consolidated Balance Sheets September 30, 2006 and
December 31, 2005 2

Consolidated Statements of Operations for the Three Months
Ended September 30, 2006 and 2005 3

Consolidated Statements of Operations for the Nine Months
Ended September 30, 2006 and 2005 4

Consolidated Statements of Cash Flows for the Nine Months
Ended September 30, 2006 and 2005 5

Notes to Consolidated Financial Statements 6

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations 10

Item 3. Controls and Procedures 14

PART II. OTHER
INFORMATION

Item 2. Changes in
Securities and Small
Business Issuer Purchases
of Equity Securities 15

Item 6. Exhibits 15

SIGNATURES 16

EXHIBITS

31.1 Certification of Chief Executive Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002 17

31.2 Certification of Chief Financial Officer Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002 19

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 21

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 22

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(Unaudited)

	<u>Sept. 30, 2006</u>	<u>Dec. 31, 2005</u>
		(Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,290,216	\$ 2,034,786
Accounts receivable, net of allowance	467,432	658,603
Other current assets	159,831	191,137
	<u>2,917,479</u>	<u>2,884,526</u>
Total current assets	2,917,479	2,884,526
Property and equipment, net	126,668	153,689
Goodwill	1,954,460	1,954,460
Prepaid and other assets	26,057	33,854
	<u>2,013,645</u>	<u>2,096,643</u>
Total assets	<u>\$ 5,024,664</u>	<u>\$ 5,026,529</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Deferred revenue	\$ 2,751,509	\$ 2,607,569
Accounts payable	62,921	125,590
Accrued expenses	205,262	157,676
Current portion of long-term debt	119,760	110,893
Current portion of capitalized lease obligations	25,324	26,467
	<u>3,164,776</u>	<u>3,028,195</u>
Total current liabilities	3,164,776	3,028,195
Long-term debt, net of current portion:		
Promissory note	318,848	409,810
Capitalized lease obligations		18,437
	<u>318,848</u>	<u>428,247</u>
Other liabilities	97,537	95,812
	<u>97,537</u>	<u>95,812</u>
Total liabilities	<u>3,581,161</u>	<u>3,552,254</u>
Stockholders equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued		
Common stock, \$.01 par value; authorized 25,000,000 shares; issued and outstanding 7,679,462 shares	76,794	76,794

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

	Sept. 30, 2006	Dec. 31, 2005
Additional paid-in capital	28,145,084	28,122,383
Accumulated deficit	(26,778,375)	(26,724,902)
	<u> </u>	<u> </u>
 Total stockholders' equity	 1,443,503	 1,474,275
	<u> </u>	<u> </u>
 Total liabilities and stockholders' equity	 \$ 5,024,664	 \$ 5,026,529
	<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
 (Unaudited)

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 1,084,838	\$ 985,106
Operating expenses:		
Data and product costs	316,397	300,542
Selling, general and administrative expenses	678,013	669,354
Depreciation and amortization	16,794	16,725
Total operating expenses	<u>1,011,204</u>	<u>986,621</u>
Income (loss) from operations	73,634	(1,515)
Other income	18,349	9,930
Interest expense	(12,674)	(16,069)
Income (loss) before income taxes	79,309	(7,654)
Provision for state and local income taxes	517	563
Net income (loss)	<u>\$ 78,792</u>	<u>\$ (8,217)</u>
Net income (loss) per share of common stock:		
Basic	\$ 0.01	\$ (0.00)
Diluted	\$ 0.01	\$ (0.00)
Weighted average number of common shares outstanding:		
Basic	7,679,462	7,679,462
Diluted	7,933,052	7,679,462

See accompanying notes to consolidated financial statements.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
 (Unaudited)

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 3,171,089	\$ 2,830,106
Operating expenses:		
Data and product costs	1,009,400	817,158
Selling, general and administrative expenses	2,169,792	2,081,969
Depreciation and amortization	49,997	49,458
	<u>3,229,189</u>	<u>2,948,585</u>
Total operating expenses		
Loss from operations	(58,100)	(118,479)
Other income	49,713	19,980
Gain on settlement of litigation		1,100,000
Interest expense	(40,824)	(50,902)
	<u>(49,211)</u>	<u>950,599</u>
Income (loss) before income taxes		
Provision for state and local income taxes	4,262	1,738
	<u>4,262</u>	<u>1,738</u>
Net income (loss)	\$ (53,473)	\$ 948,861
Net income (loss) per share of common stock:		
Basic and diluted	\$ (0.01)	\$ 0.12
Weighted average number of common shares outstanding:		
Basic and diluted	7,679,462	7,679,462

See accompanying notes to consolidated financial statements.

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income (loss)	\$ (53,473)	\$ 948,861
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	49,997	49,458
Deferred rent	1,725	3,813
Stock-based compensation	22,701	
Changes in operating assets and liabilities:		
Accounts receivable	191,171	199,978
Other current assets	31,306	66,553
Prepaid and other assets	7,797	(3,636)
Deferred revenue	143,940	42,433
Accounts payable	(62,669)	38,311
Accrued expenses	47,586	(78,334)
	<u>380,081</u>	<u>1,267,437</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,976)	(50,014)
	<u>(22,976)</u>	<u>(50,014)</u>
Cash flows from financing activities:		
Payments on promissory note	(82,095)	(74,093)
Payments on capital lease obligations	(19,580)	(20,335)
	<u>(101,675)</u>	<u>(94,428)</u>
Net increase in cash and cash equivalents	255,430	1,122,995
Cash and cash equivalents at beginning of period	2,034,786	877,025
	<u>\$ 2,290,216</u>	<u>\$ 2,000,020</u>

See accompanying notes to consolidated financial statements.

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

(1) Basis of Presentation

The consolidated financial statements included herein have been prepared by CreditRiskMonitor.com, Inc. (the Company or CRM), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report on Form 10-KSB for the year ended December 31, 2005.

In the opinion of the Company, the unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position as of September 30, 2006 and its results of operations and cash flows for the periods ended September 30, 2006 and 2005.

Results of operations for the three and nine-month periods ended September 30, 2006 and 2005 are not necessarily indicative of the results of a full year.

Certain prior year amounts have been reclassified to conform with the fiscal 2006 presentation.

(2) Stock-Based Compensation

The Company's 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 September 30, 2006, there were options outstanding for 710,500 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. All of the options granted may be exercised after three years in installments upon the Company attaining certain specified gross revenue and pre-tax margin objectives, unless such objectives are modified in the sole discretion of 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 the time of such change in control.

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

Prior to January 1, 2006 the Company accounted for stock-based compensation under the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards (SFAS) No. 123 Accounting for Stock-Based Compensation (SFAS 123). As permitted under this standard, compensation cost for options granted to employees was recognized using the intrinsic value method in accordance with the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25) and related interpretations. Effective January 1, 2006, the Company has adopted SFAS No. 123R, Share-Based Payment (SFAS 123R) using the modified-prospective transition method. Under this transition method, compensation cost recognized for the three and nine-month periods ended September 30, 2006 includes (a) compensation cost for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, and (b) compensation cost for all share-based payments granted on or subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated. In March 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107, which expresses views of the SEC staff and provides interpretive guidance regarding the application of SFAS 123R.

APB 25 did not require any compensation expense to be recorded in the financial statements if the exercise price of the award was not less than the market price on the date of grant. Since all options granted by the Company had exercise prices equal to or greater than the market price on the date of grant, no compensation expense was recognized for stock option grants prior to January 1, 2006.

For the three and nine months ended September 30, 2006, the Company recognized stock-based compensation expense of \$7,567 and \$22,701, respectively, related to outstanding stock options according to the provisions of SFAS 123R, using the modified-prospective transition method.

Prior to the adoption of SFAS 123R and for the three and nine months ended September 30, 2006, no tax benefits from the exercise of stock options have been recognized as no options have been exercised. Any future excess tax benefits derived from the exercise of stock options will be recorded prospectively and reported as cash flows from financing activities in accordance with SFAS 123R.

The following table illustrates the pro forma effect on operating results and per share information had the Company accounted for employee stock-based compensation in accordance with SFAS 123 for the three and nine months ended September 30, 2005:

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

	3 Months Ended 9/30/05	9 Months Ended 9/30/05
Net income (loss)		
As reported	\$ (8,217)	\$ 948,861
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax benefits or effects	11,188	13,342
Pro forma	\$ (19,405)	\$ 935,519
Net income (loss) per share basic and diluted		
As reported	\$ (0.00)	\$ 0.12
Pro forma	\$ (0.00)	\$ 0.12

The above pro forma stock-based employee compensation cost was determined under the fair value based method and was calculated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	3 Months Ended 9/30/05	9 Months Ended 9/30/05
Risk-free interests rate	4.22%	4.26%
Dividend yield	0.00%	0.00%
Volatility factor	2.53	2.93
Weighted-average expected life of options (in years)	9	9

The table below summarizes stock option activity pursuant to our plan for the nine months ended September 30, 2006:

	Shares	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at beginning of period	737,500	\$ 0.9461		
Granted				
Exercised				
Cancelled	(27,000)	\$ 3.8704		
Outstanding at end of period	710,500	\$ 0.8406	6.47	\$ 180,560
Exercisable at end of period	165,000	\$ 0.0910	1.75	\$ 158,235

As of September 30, 2006, there was \$190,067 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of

4.53 years.

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

The following tables summarize the range of exercise prices and the weighted average remaining contractual life of the options outstanding and the range of exercise prices for the options exercisable at September 30, 2006:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 0.0001 - \$ 0.9900	150,000	1.90	\$ 0.0001	150,000	\$ 0.0001
\$ 1.0000 - \$ 1.2000	461,500	7.40	\$ 1.0000	15,000	\$ 1.0000
\$ 1.2100 - \$ 1.6500	99,000	9.08	\$ 1.3712		
	<u>710,500</u>	6.47	\$ 0.8406	<u>165,000</u>	\$ 0.0910

(3) Other Recently Issued Accounting Standards

The FASB and the SEC had issued certain accounting pronouncements as of September 30, 2006 that will become effective in subsequent periods; however, management does not believe that any of those pronouncements would have significantly affected our financial accounting measurements or disclosures had they been in effect during the interim periods for which financial statements are included in this quarterly report.

(4) Net Income (Loss) Per Share

The computation of diluted net income (loss) per share excludes the effects of the assumed exercise of options for the following periods, since their inclusion would be anti-dilutive: during the three months ended September 30, 2005 and nine months ended September 30, 2006, 678,000 and 710,500 options, respectively, were excluded because the Company had losses in those periods, and during the nine months ended September 30, 2005, all of the 546,500 options outstanding were excluded as their average exercise price was above market value.

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006, the Company had cash and cash equivalents of \$2.29 million compared to \$2.03 million at December 31, 2005. The Company's working capital deficit at September 30, 2006 was approximately \$247,000 compared to a working capital deficit of approximately \$144,000 at December 31, 2005, due primarily to a decrease of \$191,000 in accounts receivable, an increase of \$144,000 in deferred revenue, a net increase of \$55,000 in accrued expenses and current portion of debt and a decrease of \$31,000 in other current assets offset somewhat by an increase of \$255,000 in cash and a decrease of \$63,000 in accounts payable. Additionally, the working capital deficit at September 30, 2006 is mainly derived from \$2.75 million in deferred revenue, which should not require any future cash outlay other than the cost of preparation and delivery of the applicable commercial credit reports. The deferred revenue is recognized as income over the subscription term, which approximates twelve months. The Company has no bank lines of credit or other currently available credit sources.

The Company believes that it will have sufficient resources to meet its working capital and capital expenditure needs, including debt service, for the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

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

RESULTS OF OPERATIONS

	Three Months Ended September 30,			
	2006		2005	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
Operating revenues	\$ 1,084,838	100.00%	\$ 985,106	100.00%
Operating expenses:				
Data and product costs	316,397	29.16%	300,542	30.51%
Selling, general & administrative	678,013	62.50%	669,354	67.95%
Depreciation and amortization	16,794	1.55%	16,725	1.70%
Total operating expenses	1,011,204	93.21%	986,621	100.16%
Income (loss) from operations	73,634	6.79%	(1,515)	-0.16%
Other income	18,349	1.69%	9,930	1.01%
Interest expense	(12,674)	-1.17%	(16,069)	-1.63%
Income (loss) before income taxes	79,309	7.31%	(7,654)	-0.78%
Provision for income taxes	517	0.05%	563	0.06%
Net income (loss)	\$ 78,792	7.26%	\$ (8,217)	-0.84%

Operating revenues increased 10% for the three months ended September 30, 2006. 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.

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

Data and product costs increased 5% for the third quarter of 2006 compared to the same period of fiscal 2005. This increase was primarily due to higher salary and related employee benefits, including the hiring of additional quality control personnel, offset in part by the lower cost of acquiring additional third-party international credit reports.

Selling, general and administrative expenses increased 1% for the third quarter of fiscal 2006 compared to the same period of fiscal 2005. This increase was primarily due to higher salary and related employee benefit costs as the result of an increase in the Company's sales force during the past 12 months and an increase in professional fees due to higher audit fees, partially offset by a decrease in marketing expenses.

Depreciation and amortization increased less than 1% for the third quarter of fiscal 2006 compared to the same period of fiscal 2005. This increase was due to a higher depreciable asset base during the quarter resulting from the purchase of new trade booths and computer equipment during the last 12 months, partially offset by lower depreciation expense during the fiscal 2006 period on certain items that have been fully depreciated but are still in use.

Other income increased 85% for third quarter of fiscal 2006 compared to the same period last year. This increase was primarily due to a higher investment balance as well as a higher interest rate received on funds invested in interest bearing accounts during the current period compared to the same period last year.

Interest expense decreased 21% for the third quarter of fiscal 2006 compared to the same period of fiscal 2005. This decrease was primarily due to a lower outstanding promissory note balance.

The Company reported net income of \$79,000 versus a net loss of \$8,000 for the three months ended September 30, 2006 and 2005, respectively.

	Nine Months Ended September 30,			
	2006		2005	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
Operating revenues	\$ 3,171,089	100.00%	\$ 2,830,106	100.00%
Operating expenses:				
Data and product costs	1,009,400	31.83%	817,158	28.87%
Selling, general & administrative	2,169,792	68.42%	2,081,969	73.57%
Depreciation and amortization	49,997	1.58%	49,458	1.75%
Total operating expenses	3,229,189	101.83%	2,948,585	104.19%
Loss from operations	(58,100)	-1.83%	(118,479)	-4.19%
Other income	49,713	1.57%	19,980	0.71%
Gain on settlement of litigation		0.00%	1,100,000	38.87%
Interest expense	(40,824)	-1.29%	(50,902)	-1.80%
Income (loss) before income taxes	(49,211)	-1.55%	950,599	33.59%
Provision for income taxes	4,262	0.14%	1,738	0.06%
Net income (loss)	\$ (53,473)	-1.69%	\$ 948,861	33.53%

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

Operating revenues increased 12% for the nine months ended September 30, 2006 versus the same period of fiscal 2005. This increase was primarily due to an increase in the number of subscribers to the Company's Internet subscription

service offset in part by a decrease in the number of subscribers to the Company's subscription service for third-party international credit reports.

Data and product costs increased 24% for the first nine months of fiscal 2006 compared to the same period of fiscal 2005. This increase was primarily due to higher salary and related employee benefits including the hiring of additional quality control personnel, higher consulting fees, as well as the cost of new third-party content added to the Company's website.

Selling, general and administrative expenses increased 4% for the first nine months of fiscal 2006 compared to the same period of fiscal 2005. This increase was primarily due to higher salary and related employee benefit costs due to an increase in the Company's sales force during the past 12 months and an increase in marketing expenses, partially offset by a decrease in professional fees as a result of the settlement of the litigation that was reached during last year's second quarter, as previously reported.

Depreciation and amortization increased 1% for the first nine months of fiscal 2006 compared to the same period of fiscal 2005. This increase was due to a higher depreciable asset base during the current period resulting from the purchase of new trade booths and computer equipment during the last 12 months, partially offset by lower depreciation expense during the fiscal 2006 period on certain items that have been fully depreciated but are still in use.

Other income increased 149% for the first nine months of fiscal 2006 compared to the same period last year. This increase was primarily due to the settlement proceeds received at the end of April 2005 that were invested in interest bearing accounts as well as a higher interest rate received on funds invested in interest bearing accounts during the current period compared to the same period last year.

Interest expense decreased 20% for the first nine months of fiscal 2006 compared to the same period of fiscal 2005. This decrease was due to a lower outstanding promissory note balance.

The Company reported a net loss of \$53,000 versus net income of \$949,000 for the nine months ended September 30, 2006 and 2005, respectively. This decrease was primarily due to the litigation settlement of \$1.1 million received in the second quarter of fiscal 2005.

FUTURE OPERATIONS

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

As a result of the Company's limited operating history and the evolving nature of the markets in which it competes, the Company's ability to accurately forecast its revenues, gross profits and operating expenses as a percentage of net sales is limited. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues. To a large extent these costs do not vary with revenue. Sales and operating results generally depend on the Company's ability to attract and retain customers and the volume of and timing of 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) increase its brand awareness, (ii) provide its customers with outstanding value, thus encouraging customer renewals, and (iii) achieve sufficient sales volume to realize economies of scale. Accordingly, the Company intends to continue to invest in marketing and promotion, product development and technology and operating infrastructure development. There can be no assurance that the Company will be able to achieve these objectives within a meaningful time frame.

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

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB may contain forward-looking statements, including statements regarding future prospects, industry trends, competitive

conditions and litigation issues. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "expects", "anticipates", "plans" or words of similar meaning are intended to identify forward-looking statements. This notice is intended to take advantage of the "safe harbor" provided by the Private Securities Litigation Reform Act of 1995 with respect to such forward-looking statements. These forward-looking statements involve a number of risks and uncertainties. Among others, factors that could cause actual results to differ materially from the Company's beliefs or expectations are those listed under "Results of Operations" and other factors referenced herein or from time to time as "risk factors" or otherwise in the Company's Registration Statements or Securities and Exchange Commission reports.

Item 3. Controls and Procedures

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

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management is aware that there is a lack of segregation of duties due to the small number of employees dealing with general administrative and financial matters. However, management has decided that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefit of adding employees to clearly segregate duties do not justify the expenses associated with such increase.

PART II. OTHER INFORMATION

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

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

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

CREDITRISKMONITOR.COM, INC.
(REGISTRANT)

Date: November 14, 2006

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