

CREDITRISKMONITOR COM INC
Form 10QSB
August 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: June 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

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

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

Common stock \$.01 par value 7,679,462 shares outstanding as of July 31, 2006.

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

CREDITRISKMONITOR.COM, INC. AND SUBSIDIARY
INDEX

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets June 30, 2006 and December 31, 2005</u>	2
<u>Consolidated Statements of Operations for the Three Months Ended June 30, 2006 and 2005</u>	3
<u>Consolidated Statements of Operations for the Six Months Ended June 30, 2006 and 2005</u>	4
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2006 and 2005</u>	5
<u>Condensed Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
<u>Item 3. Controls and Procedures</u>	14
<u>PART II. OTHER INFORMATION</u>	
<u>Item 2. Changes in Securities and Small Business Issuer Purchases of Equity Securities</u>	15
<u>Item 6. Exhibits</u>	15
<u>SIGNATURES</u>	16
<u>EXHIBITS</u>	
<u>31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	17
<u>31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	19
<u>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</u>	21
<u>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</u>	22

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2006	Dec. 31, 2005
		(Note 1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,181,036	\$ 2,034,786
Accounts receivable, net of allowance	491,127	658,603
Other current assets	131,371	191,137
	<hr/>	<hr/>
Total current assets	2,803,534	2,884,526
Property and equipment, net	141,641	153,689
Goodwill	1,954,460	1,954,460
Prepaid and other assets	35,762	33,854
	<hr/>	<hr/>
Total assets	\$ 4,935,397	\$ 5,026,529
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Deferred revenue	\$ 2,753,861	\$ 2,607,569
Accounts payable	79,043	125,590
Accrued expenses	149,366	157,676
Current portion of long-term debt	116,728	110,893
Current portion of capitalized lease obligations	27,934	26,467
	<hr/>	<hr/>
Total current liabilities	3,126,932	3,028,195
	<hr/>	<hr/>
Long-term debt, net of current portion:		
Promissory note	349,949	409,810
Capitalized lease obligations	4,094	18,437
	<hr/>	<hr/>
	354,043	428,247
Other liabilities	97,279	95,812
	<hr/>	<hr/>
Total liabilities	3,578,254	3,552,254
	<hr/>	<hr/>
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued		

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

Common stock, \$.01 par value; authorized 25,000,000 shares; issued and outstanding 7,679,462 shares	76,794	76,794
Additional paid-in capital	28,137,517	28,122,383
Accumulated deficit	(26,857,168)	(26,724,902)
	<u> </u>	<u> </u>
Total stockholders' equity	1,357,143	1,474,275
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	\$ 4,935,397	\$ 5,026,529
	<u> </u>	<u> </u>

See accompanying condensed notes to consolidated financial statements.

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

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 1,058,406	\$ 949,746
Operating expenses:		
Data and product costs	372,611	277,239
Selling, general and administrative expenses	775,842	730,396
Depreciation and amortization	16,952	16,191
Total operating expenses	<u>1,165,405</u>	<u>1,023,826</u>
Loss from operations	(106,999)	(74,080)
Other income	17,483	7,306
Gain on settlement of litigation		1,100,000
Interest expense	(13,648)	(16,999)
Income (loss) before income taxes	(103,164)	1,016,227
Provision for state and local income taxes	89	
Net income (loss)	<u>\$ (103,253)</u>	<u>\$ 1,016,227</u>
Net income (loss) per share of common stock:		
Basic and diluted	<u>\$ (0.01)</u>	<u>\$ 0.13</u>
Weighted average number of common shares outstanding:		
Basic and diluted	<u>7,679,462</u>	<u>7,679,462</u>

See accompanying condensed notes to consolidated financial statements.

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

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 2,086,251	\$ 1,845,000
Operating expenses:		
Data and product costs	693,003	516,615
Selling, general and administrative expenses	1,491,779	1,412,615
Depreciation and amortization	33,203	32,733
Total operating expenses	2,217,985	1,961,963
Loss from operations	(131,734)	(116,963)
Other income	31,363	10,050
Gain on settlement of litigation		1,100,000
Interest expense	(28,150)	(34,833)
Income (loss) before income taxes	(128,521)	958,254
Provision for state and local income taxes	3,745	1,175
Net income (loss)	\$ (132,266)	\$ 957,079
Net income (loss) per share of common stock:		
Basic and diluted	\$ (0.02)	\$ 0.12
Weighted average number of common shares outstanding:		
Basic and diluted	7,679,462	7,679,462

See accompanying condensed notes to consolidated financial statements.

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

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income (loss)	\$ (132,266)	\$ 957,079
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	33,203	32,733
Deferred rent	1,467	2,849
Stock-based compensation	15,134	
Changes in operating assets and liabilities:		
Accounts receivable	167,476	163,558
Other current assets	59,766	48,637
Prepaid and other assets	(1,908)	(8,942)
Deferred revenue	146,292	138,576
Accounts payable	(46,547)	29,390
Accrued expenses	(8,310)	(28,761)
	<u>234,307</u>	<u>1,335,119</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(21,155)	(25,836)
	<u>(21,155)</u>	<u>(25,836)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Payments on promissory note	(54,026)	(48,759)
Payments on capital lease obligations	(12,876)	(14,317)
	<u>(66,902)</u>	<u>(63,076)</u>
Net cash used in financing activities		
Net increase in cash and cash equivalents	146,250	1,246,207
Cash and cash equivalents at beginning of period	2,034,786	877,025
	<u>2,181,036</u>	<u>2,123,232</u>
Cash and cash equivalents at end of period	\$	\$

See accompanying condensed notes to consolidated financial statements.

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

(1) Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by CreditRiskMonitor.com, Inc. (the Company or CRM), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the 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 June 30, 2006 and its results of operations and cash flows for the periods ended June 30, 2006 and 2005.

Results of operations for the three and six-month periods ended June 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 June 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.

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 six-month periods ended June 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 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 six months ended June 30, 2006, the Company recognized stock-based compensation expense of \$7,567 and \$15,134, 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 six months ended June 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 six months ended June 30, 2005:

	3 Months Ended 6/30/05	6 Months Ended 6/30/05
Net income		
As reported	\$ 1,016,227	\$ 957,079
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax benefits or effects	2,399	2,154
Pro forma	\$ 1,013,828	\$ 954,925

Net income per share basic and diluted		
As reported	\$ 0.13	\$ 0.12
Pro forma	\$ 0.13	\$ 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 6/30/05	6 Months Ended 6/30/05
Risk-free interests rate	4.19%	4.19%
Dividend yield	0.00%	0.00%
Volatility factor	0.69	1.93
Weighted-average expected life of options (in 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, are fully transferable, and do not include a discount for large block trades. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility, expected life of the option and other estimates. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at beginning of period	737,500	\$ 0.9461		
Granted				
Exercised				
Cancelled	(27,000)	\$ 3.8704		
	<u>710,500</u>	<u>\$ 0.8406</u>	<u>6.72</u>	<u>\$ 276,917</u>
Outstanding at end of period				
Exercisable at end of period	<u>15,000</u>	<u>\$ 1.0000</u>	<u>0.47</u>	<u>\$ 4,499</u>

As of June 30, 2006, there was \$197,635 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 4.75 years.

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 June 30, 2006:

<u>Range of Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Outstanding</u>	<u>Weighted Average Remaining Contractual Life (in years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$ 0.0001 - \$ 0.9900	150,000	2.15	\$ 0.0001		
\$ 1.0000 - \$ 1.2000	461,500	7.65	\$ 1.0000	15,000	\$ 1.0000
\$ 1.2100 - \$ 1.6500	99,000	9.33	\$ 1.3712		
	<u>710,500</u>	<u>6.72</u>	<u>\$ 0.8406</u>	<u>15,000</u>	<u>\$ 1.0000</u>

(3) Other Recently Issued Accounting Standards

The FASB and the SEC had issued certain accounting pronouncements as of June 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 Loss Per Share

The computation of diluted net income (loss) per share excludes the effects of the assumed exercise of all options since their inclusion would be anti-dilutive. During the three and six-months ended June 30, 2006, 734,500 and 710,500 options, respectively, were excluded because the Company had losses in those periods. During the three and six-months ended June 30, 2005, 556,500 and 546,500 options, respectively, were excluded as their exercise prices were above market value.

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2006, the Company had cash and cash equivalents of \$2.18 million compared to \$2.03 million at December 31, 2005. The Company's working capital deficit at June 30, 2006 was approximately \$323,000 compared to a working capital deficit of approximately \$144,000 at December 31, 2005, due primarily to a decrease of \$167,000 in accounts receivable, an increase of \$146,000 in deferred revenue and a decrease of \$60,000 in other current assets offset somewhat by an increase of \$146,000 in cash, a decrease of \$47,000 in accounts payable and a net decrease of \$1,000 in accrued expenses and current portion of debt. Additionally, the working capital deficit at June 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 June 30,			
	2006		2005	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
Operating revenues	\$ 1,058,406	100.00%	\$ 949,746	100.00%
Operating expenses:				
Data and product costs	372,611	35.20%	277,239	29.19%
Selling, general & administrative	775,842	73.30%	730,396	76.91%
Depreciation and amortization	16,952	1.60%	16,191	1.70%
Total operating expenses	1,165,405	110.10%	1,023,826	107.80%
Loss from operations	(106,999)	-10.10%	(74,080)	-7.80%
Other income	17,483	1.65%	7,306	0.77%
Gain on settlement of litigation		0.00%	1,100,000	115.82%
Interest expense	(13,648)	-1.29%	(16,999)	-1.79%
Income (loss) before income taxes	(103,164)	-9.74%	1,016,227	107.00%
Provision for income taxes	89	0.01%		0.00%
Net income (loss)	\$ (103,253)	-9.75%	\$ 1,016,227	107.00%

Edgar Filing: CREDITRISKMONITOR COM INC - Form 10QSB

Operating revenues increased 11% for the three months ended June 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.

Data and product costs increased 34% for the second quarter of 2006 compared to the same period of fiscal 2005. This increase was primarily due to higher consulting fees, higher salary and related employee benefits including the hiring of additional quality control personnel, as well as the cost of new third-party content added to the Company's website.

Selling, general and administrative expenses increased 6% for the second 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 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 5% for the second 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 139% for second quarter 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 second 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 a net loss of \$103,000 versus net income of \$1,016,000 for the three months ended June 30, 2006 and 2005, respectively. The decrease was primarily due to the litigation settlement of \$1.1 million received in the second quarter of fiscal 2005.

	Six Months Ended June 30,			
	2006		2005	
	Amount	% of Total Operating Revenues	Amount	% of Total Operating Revenues
Operating revenues	\$ 2,086,251	100.00%	\$ 1,845,000	100.00%
Operating expenses:				
Data and product costs	693,003	33.22%	516,615	28.00%
Selling, general & administrative	1,491,779	71.50%	1,412,615	76.56%
Depreciation and amortization	33,203	1.59%	32,733	1.78%
Total operating expenses	2,217,985	106.31%	1,961,963	106.34%
Loss from operations	(131,734)	-6.31%	(116,963)	-6.34%
Other income	31,363	1.50%	10,050	0.54%
Gain on settlement of litigation		0.00%	1,100,000	59.62%
Interest expense	(28,150)	-1.35%	(34,833)	-1.89%
Income (loss) before income taxes	(128,521)	-6.16%	958,254	51.93%
Provision for income taxes	3,745	0.18%	1,175	0.06%
Net income (loss)	\$ (132,266)	-6.34%	\$ 957,079	51.87%

Operating revenues increased 13% for the six months ended June 30, 2006 versus the first half of 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 34% for the first six months of fiscal 2006 compared to the same period of fiscal 2004. 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 6% for the first six 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 six 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 212% for the first six 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 19% for the first six 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 \$132,000 versus net income of \$957,000 for the six months ended June 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

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

SIGNATURES

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

CREDITRISKMONITOR.COM, INC.
(REGISTRANT)

Date: August 14, 2006

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