BEASLEY BROADCAST GROUP INC
Form 10-K
March 27, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 0-29253

BEASLEY BROADCAST GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**65-0960915**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	Identification No.)

3033 Riviera Drive, Suite 200

Naples, Florida 34103

(Address of principal executive offices and Zip Code)

(239) 263-5000

(Registrant s telephone number, including area code)

Securities Registered pursuant to Section 12(b) of the Act:

None

Securities Registered pursuant to Section 12(g) of the Act:

Class A Common Stock, $.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company x

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

As of June 30, 2008, the aggregate market value of the Class A common stock held by non-affiliates of the registrant was $24,424,214 based on the number of shares outstanding as of such date and the closing price of $4.57 on NASDAQ s National Market System on such date, the last business day of our most recently completed second quarter.

Class A Common Stock, $.001 par value 5,971,106 Shares Outstanding as of March 20, 2009

Class B Common Stock, $.001 par value 16,662,743 Shares Outstanding as of March 20, 2009

Documents Incorporated by Reference

Certain information in the registrant s Definitive Proxy Statement for its 2009 Annual Meeting of Stockholders pursuant to Regulation 14A, is incorporated by reference in Part III of this report, which will be filed with the Securities and Exchange Commission no later than April 30, 2009.

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BEASLEY BROADCAST GROUP, INC.

FORM 10-K ANNUAL REPORT

FOR THE PERIOD ENDED DECEMBER 31, 2008

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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to we, us, our, and similar terms refer to Beasley Broadcast Group, Inc. and its consolidated subsidiaries.

PART I

ITEM 1. BUSINESS

Overview

We are a radio broadcasting company whose primary business is operating radio stations throughout the United States. We own and operate 44 radio stations in the following markets: Miami-Fort Lauderdale, FL, Philadelphia, PA, Wilmington, DE, Las Vegas, NV, Fort Myers-Naples, FL, Fayetteville, NC, Greenville-New Bern-Jacksonville, NC, Augusta, GA, West Palm Beach-Boca Raton, FL, Atlanta, GA and Boston, MA.

Recent Developments

On March 13, 2009, our credit facility was amended to, among other things, reduce the maximum commitment under the revolving credit loan, increase the interest rate margin, revise certain financial covenants, reduce the aggregate dollar amount of Company shares we are able to repurchase, and reduce the amount of dividends we are able to pay on our common stock.

We tested our FCC broadcasting licenses for impairment during the fourth quarter of 2008. As a result of the testing, we recorded impairment losses of $46.6 million related to the FCC broadcasting licenses in our Wilmington, DE, Las Vegas, NV, Augusta, GA, West Palm Beach-Boca Raton, FL, Atlanta, GA and Boston, MA market clusters. The impairment losses were primarily due to a decrease in projected revenue growth rates in these markets. Advertising revenue declined moderately during the first three quarters then significantly during the fourth quarter of 2008, which determined the timing of the impairment test. For further discussion, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates of this report.

We tested our goodwill for impairment during the fourth quarter of 2008. As a result of the testing, we recorded impairment losses of $15.9 million related to the goodwill recorded in our Wilmington, DE, Las Vegas, NV and Augusta, GA market clusters. The impairment losses were primarily due to a decrease in projected revenue growth rates in these markets. Advertising revenue declined moderately during the first three quarters then significantly during the fourth quarter of 2008, which determined the timing of the impairment test. For further discussion, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates of this report.

We continue to be impacted by deteriorating general economic conditions, which have caused a downturn in the advertising industry. The decreased demand for advertising has negatively impacted our revenues. We expect the current environment to continue for some time and for our revenues to be adversely impacted during that time. We will continue to review our operating costs and expenses in non-essential areas in response to the expected decrease in revenues.

Strategy

We seek to secure and maintain a leadership position in the markets we serve by developing market-leading clusters of radio stations in each of our markets. We operate our radio stations in clusters to capture a variety of demographic listener groups, which we believe enhances our radio stations appeal to a wide range of advertisers. In addition, we have been able to achieve operating efficiencies by consolidating office and studio space where possible to minimize duplicative management positions and reduce overhead expenses. Finally, we will consider opportunities to swap existing radio stations with other radio station owners in new or existing markets. Current FCC rules and regulations do not allow us to add any more radio stations to our existing clusters in the Fayetteville, NC, Greenville-New Bern-Jacksonville, NC, and Augusta, GA radio markets.

We also continue to invest in interactive support services to develop and promote our radio station websites. We derive revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet.

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Competition

The radio broadcasting industry is highly competitive. Our radio stations compete for listeners and advertising revenue within their respective markets directly with other radio stations, as well as with other media such as over-the-air and cable television, newspapers and magazines, outdoor advertising, direct mail, satellite radio, cellular phones and other wireless media, the internet, and other forms of advertising.

Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. By building a strong listener base consisting of a specific demographic group in each of our markets, we are able to attract advertisers seeking to reach those listeners. The following are some of the factors that we believe are important to a radio station s competitive position: (i) transmitter power; (ii) management experience; (iii) assigned frequency; (iv) audience characteristics; (v) local program acceptance; and (vi) the number and characteristics of other radio stations and other advertising media in the market area.

We attempt to improve our competitive position with promotional campaigns aimed at the demographic groups targeted by our radio stations and by sales efforts designed to attract advertisers. We conduct extensive market research in an effort to enhance our audience ratings and, in certain circumstances, to identify opportunities to reformat radio stations to reach underserved demographic groups and increase advertising revenue. Our research, programming and promotions strategy combines thorough research with an assessment of our competitors vulnerabilities and overall market dynamics in order to identify specific audience and formatting opportunities within each market. Using this research, we tailor our programming and promotions on each radio station to maximize its appeal to its target audience and to respond to the changing preferences of our listeners.

Our radio stations pursue a variety of programming and promotional initiatives designed to develop a distinctive identity and to strengthen the radio stations local brand or franchise. In addition, through our research, programming and promotional initiatives, we create a marketable identity for our radio stations to enhance audience share and listener loyalty.

HD Radio

The FCC selected In-Band On-Channel as the exclusive technology for introduction of terrestrial digital operations by AM and FM radio stations. The technology is also known as HD Radio. The advantages of digital audio broadcasting over traditional analog broadcasting technology include improved sound quality, additional channels and the ability to offer a greater variety of auxiliary services. HD Radio technology permits a radio station to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. It is unclear what impact the introduction of digital broadcasting will have on the radio markets in which we compete. The FCC has authorized use of HD Radio digital technology developed by iBiquity Digital Corporation, or iBiquity, on FM and AM stations full-time. The FCC has adopted certain rules applicable to digital radio and is continuing to consider final rules for the service.

We currently utilize HD Radio digital technology on a number of our stations and plan to install this technology on most of our other stations over the next few years. In addition to committing to the use of this technology, we also hold a small equity interest in iBiquity. We are also a member of the HD Digital Radio Alliance Association, which has been formed to promote and develop HD Radio and its digital multicast operations.

Seasonality

Seasonal revenue fluctuations are common in the radio broadcasting industry and are due primarily to fluctuations in advertising expenditures. Our net revenues are typically lowest in the first calendar quarter of the year.

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Employees

As of February 28, 2009, we had a staff of 473 full-time employees and 181 part-time employees. We are a party to a collective bargaining agreement with the American Federation of Television and Radio Artists. This agreement applies only to certain of our employees at WXTU-FM in Philadelphia. The collective bargaining agreement automatically renews for successive one-year periods unless either party gives a notice of proposed termination at least 60 days before the termination date. We believe that our relations with our employees are good.

Environmental

As the owner, lessee or operator of various real properties and facilities, we are subject to federal, state and local environmental laws and regulations. Historically, compliance with these laws and regulations has not had a material adverse effect on our business. There can be no assurance, however, that compliance with existing or new environmental laws and regulations will not require us to make significant expenditures of funds.

Available Information

Our Internet address is www.bbgi.com. You may obtain through our internet website, free of charge, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports will be available as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission.

Federal Regulation of Radio Broadcasting

The radio broadcasting industry is subject to extensive and changing federal regulation of, among other things, program and advertising content including determination of indecency standards, technical operations and business and employment practices. This regulatory regime is administered by the Federal Communications Commission, or FCC, which regulates radio station ownership, operation and transfer. Among other things, the FCC:

- assigns frequency bands for broadcasting;
- determines the particular frequencies, locations, operating powers and other technical parameters of radio stations;
- issues, renews, revokes, conditions and modifies radio station licenses;
- determines whether to approve changes in ownership or control of radio station licenses;
- regulates equipment used by radio stations; and
- adopts and implements regulations and policies that directly affect the ownership, operation and employment practices of radio stations.

The FCC has the power to impose penalties for violations of its rules or the Communications Act, including the imposition of monetary forfeitures, the issuance of short-term licenses, the imposition of a condition on the renewal of a license, and, in egregious cases, non-renewal of licenses and the revocation of licenses.

The following is a brief summary of some provisions of the Communications Act and of certain specific FCC rules and policies. The summary is not a comprehensive listing of all of the regulations and policies affecting radio stations. For further information concerning the nature and extent of federal regulation of radio stations, you should refer to the Communications Act, FCC rules and FCC public notices and rulings.

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FCC Licenses. Radio stations operate pursuant to broadcasting licenses that are ordinarily granted by the FCC for renewable terms of eight years. A radio station may continue to operate beyond the expiration date of its license if a timely filed license renewal application is pending. During the periods when renewal applications are pending, petitions to deny license renewals can be filed by interested parties, including members of the public. Historically, FCC licenses have generally been renewed, and in the last renewal cycle, all of our licenses were renewed. We have no reason to believe that our licenses will not be renewed, although there can be no assurance to that effect. The non-renewal of one or more of our licenses could have a material adverse effect on our business. In a pending rule-making proceeding, the FCC has sought comments on the adoption of processing guidelines for renewal applications regarding a station s locally-oriented programming performance. The effect of whether and to what extent any such requirements are ultimately adopted and become effective cannot currently be determined.

The FCC classifies each AM and FM radio station. An AM radio station operates on either a clear channel, regional channel or local channel. A clear channel is one on which AM radio stations are assigned to serve wide areas. Clear channel AM radio stations are classified as either: Class A radio stations, which operate on an unlimited time basis and are designated to render primary and secondary service over an extended area; Class B radio stations, which operate on an unlimited time basis and are designed to render service only over a primary service area; or Class D AM radio stations, which operate either during daytime hours only, during limited times only or on an unlimited time basis with low nighttime power. A regional channel is one on which Class B and Class D AM radio stations may operate and serve primarily a principal center of population and the rural areas contiguous to it. A local channel is one on which AM radio stations operate on an unlimited time basis and serve primarily a community and the immediately contiguous suburban and rural areas. Class C AM radio stations operate on a local channel and are designed to render service only over a primary service area that may be reduced as a consequence of interference.

The FCC has authorized an additional 100 kHz of bandwidth for the AM band and has allotted frequencies in this new band to certain existing AM radio station licensees that applied for migration to the expanded AM band, including one of our radio stations, subject to the requirement that at the end of a transition period, those licensees return to the FCC the license for one of the AM band radio stations. Upon the completion of the migration process, it is expected that some AM radio stations will have improved coverage because of reduced interference. We have not completed our evaluation of the impact of the migration process on our operations but believe that such impact will not be material. We currently operate WRDW-AM on 1630 kHz in the expanded AM band. Current FCC requirements call for surrender of either the expanded band license for WRDW-AM or the existing band license for WGUS-AM in Augusta, GA. This surrender obligation is currently suspended while the FCC evaluates third party proposals to allow for the sale rather than surrender of one of the two licenses, including a proposal to allow such a sale to a qualifying small business. The surrender of either license would have no material impact on our results of operations or financial condition.

The class of an FM radio station determines its minimum and maximum facilities requirements. FM class designations depend upon the geographic zone in which the transmitter of the FM radio station is located. In general, commercial FM radio stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0 and C. In addition, the FCC rules subject Class C FM radio stations that do not satisfy a certain antenna height requirement to an involuntary downgrade in class to Class C0 under certain circumstances.

The following table sets forth the market served (the FCC-designated city of license may differ), call letters, FCC license classification, frequency, power and FCC license expiration date of each of the radio stations that we own including both the existing band license for WGUS-AM and the expanded band license for WRDW-AM in Augusta, GA. In many cases, our licenses are held by wholly-owned indirect subsidiaries. Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during the nighttime broadcasting hours, which can result in reducing the radio station s coverage during the nighttime hours of operation. Both daytime and nighttime power is shown, where applicable. For FM radio stations, the maximum effective radiated power in the main lobe is given.

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Market	Call Letters	FCC Class	Frequency	Power in Kilowatts	Expiration Date of FCC License
Miami-Fort Lauderdale, FL	WHSR-AM	B	980 kHz	5 day/1 night	02/01/2012
	WKIS-FM	C	99.9 MHz	100	02/01/2012
	WPOW-FM	C	96.5 MHz	100	02/01/2012
	WQAM-AM	B	560 kHz	5 day/1 night	02/01/2012
	WWNN-AM	B	1470 kHz	50 day/2.5 night	02/01/2012
Philadelphia, PA	WRDW-FM	B	96.5 MHz	17	08/01/2014
	WTMR-AM	B	800 kHz	5 day/.5 night	06/01/2014
	WWDB-AM	D	860 kHz	10	08/01/2014
	WXTU-FM	B	92.5 MHz	15.5	08/01/2014
Wilmington, DE	WJBR-FM	B	99.5 MHz	50	08/01/2014
Las Vegas, NV	KBET-AM	B	790 kHz	1 day/.3 night	10/01/2013
	KCYE-FM	C	104.3 MHz	24.5	10/01/2013
	KDWN-AM	B	720 kHz	50	10/01/2013
	KFRH-FM	C	102.7 MHz	96	10/01/2013
	KKLZ-FM	C	96.3 MHz	100	10/01/2013
Fort Myers-Naples, FL	WJBX-FM	C2	99.3 MHz	45	02/01/2012
	WJPT-FM	C2	106.3 MHz	50	02/01/2012
	WRXK-FM	C	96.1 MHz	100	02/01/2012
	WWCN-AM	B	770 kHz	10 day/1 night	02/01/2012
	WXKB-FM	C	103.9 MHz	100	02/01/2012
Fayetteville, NC	WAZZ-AM	C	1490 kHz	1	12/01/2011
	WFLB-FM	C	96.5 MHz	100	12/01/2011
	WKML-FM	C	95.7 MHz	100	12/01/2011
	WTEL-AM	B	1160 kHz	5 day/.25 night	12/01/2011
	WUKS-FM	C3	107.7 MHz	5.2	12/01/2011
	WZFX-FM	C1	99.1 MHz	100	12/01/2011
Greenville-New Bern-Jacksonville, NC	WIKS-FM	C1	101.9 MHz	100	12/01/2011
	WMGV-FM	C1	103.3 MHz	100	12/01/2011
	WNCT-AM	B	1070 kHz	50 day/10 night	12/01/2011
	WNCT-FM	C	107.9 MHz	100	12/01/2011
	WSFL-FM	C1	106.5 MHz	100	12/01/2011
	WXNR-FM	C2	99.5 MHz	16.5	12/01/2011
Augusta, GA	WCHZ-FM	C3	95.1 MHz	5.7	04/01/2012
	WDRR-FM	C3	93.9 MHz	13	04/01/2012
	WGAC-AM	B	580 kHz	5 day/.84 night	04/01/2012
	WGAC-FM	A	93.1 MHz	4.1	04/01/2012
	WGUS-AM	B	1480 kHz	5	04/01/2012
	WGUS-FM	A	102.7 MHz	3	12/01/2011
	WHHD-FM	C3	98.3 MHz	11.5	12/01/2011
	WKXC-FM	C2	99.5 MHz	24	12/01/2011
	WRDW-AM	B	1630 kHz	10 day/1 night	04/01/2012
West Palm Beach-Boca Raton, FL	WSBR-AM	B	740 kHz	2.5 day/.94 night	02/01/2012
Atlanta, GA	WAEC-AM	B	860 kHz	5 day/.5 night	04/01/2012
	WWWE-AM	D	1100 kHz	5	04/01/2012
Boston, MA	WRCA-AM	B	1330 kHz	5	04/01/2014

In November 2008, all FCC inquiries, including a notice of apparent liability for a monetary forfeiture, related to WQAM-AM and WRXK-FM were settled and the license renewal application for WQAM-AM was approved. Other complaints involving the broadcast of alleged indecent or profane material by radio stations we own remain pending.

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Indecency Regulation. The FCC s rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 am and 10 pm. Broadcasters risk of violating the prohibition on the broadcast of indecent material is increased by the vagueness of the FCC s definition of indecent material, coupled with the spontaneity of live programming. The FCC in the last few years has stepped up its enforcement activities as they apply to indecency, and has threatened to initiate license revocation or license renewal proceedings against broadcast licensees for a category of undefined serious indecency violations. The FCC has also expanded the breadth of indecency regulation to include material that could be considered blasphemy personally reviling epithets , profanity and vulgar or coarse words amounting to a nuisance. Legislation has also been enacted that substantially increases the monetary penalties for broadcasting indecent programming. Other legislative proposals have been keyed to the number of violations found by the FCC and would potentially subject broadcasters to license revocation, renewal or qualifications proceedings in the event that they broadcast indecent material. Several appeals of certain of the FCC s recent enforcement actions and of the FCC s underlying indecency standards are pending in the federal courts. Formerly, the maximum permitted fines for adjudicated violations of the FCC s indecency rules were $32,500 per instance and $300,000 for each continuing violation. In June 2006, Congress increased the maximum permitted fines to $325,000 per incident and $3,000,000 for any continuing violation arising from a single act or failure to act. The FCC implemented the increased forfeiture amounts in July 2007. Because the FCC may investigate indecency complaints prior to notifying a licensee of the existence of a complaint, a licensee may not have knowledge of a complaint unless and until the complaint results in the issuance of a formal FCC letter of inquiry or notice of apparent liability for forfeiture. Certain aspects of the FCC s indecency rules have been recently vacated by the U.S. Court of Appeals for the Second Circuit (the Second Circuit) and remanded for further action by the FCC, and the government s appeal from the court s decision has recently been argued before the U.S. Supreme Court. A separate case involving other aspects of the FCC s indecency rules has been vacated by the U.S. Court of Appeals for the Third Circuit and remanded to the FCC for further action. The government has sought to appeal this decision before the U.S. Supreme Court, and has asked any such appeal be held in abeyance until the Second Circuit case is decided. Proposals for new federal legislation regarding the broadcast of indecent programming, even if inadvertent and consisting of but a single word, have been introduced in Congress, but to date none has been enacted. Certain of our radio stations are currently subject to enforcement inquiries with respect to alleged indecency violations. The increased forfeiture amounts do not apply to any of these pending inquiries. See FCC Licenses above.

Transfers or Assignment of License. The Communications Act prohibits the assignment of broadcast licenses or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant such approval, the FCC considers a number of factors pertaining to the licensee and proposed licensee, including:

- compliance with the various rules limiting common ownership of media properties in a given market;
- the character of the licensee and those persons holding attributable interests in the licensee; and
- compliance with the Communications Act s limitations on alien ownership as well as compliance with other FCC regulations and policies.

To obtain FCC consent to assign or transfer control of a broadcast license, appropriate applications must be filed with the FCC. Interested parties, including members of the public, have the opportunity to file objections against assignment and transfer of control applications.

Multiple and Cross-Ownership Rules. The Communications Act and FCC rules impose specific limits on the number of commercial radio stations an entity can own, directly or by attribution, in a single market and the combination of radio stations, television stations and newspapers that any entity can own, directly or by attribution, in a single market. Digital radio channels authorized for AM and FM stations do not count as separate stations for purposes of the ownership limits. The radio multiple-ownership rules may preclude us from acquiring certain radio stations we might otherwise seek to acquire. The ownership rules also effectively prevent us from selling radio stations in a market to a buyer that has reached its ownership limit in the market unless that buyer divests other radio stations.

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Local Radio Ownership Rule. The local radio ownership rule establishes the following limits:

- in markets with 45 or more radio stations, ownership is limited to eight commercial radio stations, no more than five of which can be either AM or FM;
- in markets with 30 to 44 radio stations, ownership is limited to seven commercial radio stations, no more than four of which can be either AM or FM;
- in markets with 15 to 29 radio stations, ownership is limited to six commercial radio stations, no more than four of which can be either AM or FM; and
- in markets with 14 or fewer radio stations, ownership is limited to five commercial radio stations or no more than 50% of the market s total, whichever is lower, and no more than three of which can be either AM or FM.

In June 2003, the FCC adopted rules, which changed the methodology by which it defines a particular radio market and counts radio stations to determine compliance with the radio multiple ownership restrictions. Such changes generally reduce the number of radio stations counted as being in a market. The FCC s rules also provide that parties which own groups of radio stations that comply with the previous multiple ownership rules, but do not comply with the new limits, will be allowed to retain those groups on a grandfathered basis, but will not be allowed to transfer or assign those groups intact unless such transfer or assignment is to certain eligible small businesses. Under these rules, our ability to transfer or assign our radio stations as a group to a single buyer in one of our current markets may be limited. In June 2004, the United States Court of Appeals for the Third Circuit remanded to the FCC for further justification or modification the FCC s decision to retain the numerical limits on local radio ownership set forth above. In an order adopted in December 2007, the FCC declined to make any further changes to the local radio ownership rule.

Radio-Television Cross-Ownership Rule. The FCC s radio-television cross-ownership rule permits a single owner to own or control up to two television stations, consistent with the FCC s rules on common ownership of television stations, together with one radio station in all markets. In addition, an owner will be permitted to own additional radio stations, not to exceed the local radio ownership limits for the market, as follows:

- in markets where 20 media voices will remain after the consummation of the proposed transaction, an owner may own an additional five radio stations, or, if the owner only has one television station, an additional six radio stations; and
- in markets where 10 media voices will remain after the consummation of the proposed transaction, an owner may own an additional three radio stations.

A media voice generally includes each independently-owned, full power television and radio station and each daily newspaper, plus one cable television system per market.

Newspaper-Broadcast Cross-Ownership Rule. The FCC s currently effective newspaper-broadcast cross-ownership rule prohibits the same owner from owning a broadcast station and a daily English language newspaper in the same geographic market if specified signal contours of the television or radio station encompass the entire community in which the newspaper is published, unless such ownership is grandfathered or subject to a waiver. In December 2007, the FCC modified this rule to adopt a rebuttable presumption permitting the cross-ownership of one newspaper and one television or radio station in the top twenty markets under certain circumstances, and establishing a waiver procedure for such combinations in markets smaller than the top twenty. The FCC s Order is subject to administrative and judicial appeal.

Ownership Attribution. The FCC generally applies its ownership limits to attributable interests held by an individual, corporation, partnership or other association. In the case of corporations controlling broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation s voting stock are generally attributable. However, certain passive investors are

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attributable only if they hold 20% or more of the corporation s voting stock. In addition, the interests of minority shareholders in a corporation generally are not attributable if a single entity or individual holds 50% or more of that corporation s voting stock.

The FCC also has a rule, known as the equity-debt-plus rule, which causes certain creditors or investors to be attributable owners of a radio station. Under this rule, a major programming supplier or a same-market owner will be an attributable owner of a radio station if the supplier or owner holds debt or equity, or both, in the radio station that is greater than 33% of the value of the radio station s total debt plus equity. A major programming supplier includes any programming supplier that provides more than 15% of the radio station s weekly programming hours. A same-market owner includes any attributable owner of a media company, including broadcast stations, cable television and newspapers, located in the same market as the radio station, but only if the owner is attributable under an FCC attribution rule other than the equity-debt-plus rule. The attribution rules limit the number of radio stations we may acquire or own in any market.

Alien Ownership Rules. The Communications Act prohibits the issuance or holding of broadcast licenses by persons who are not U.S. citizens, whom the FCC rules refer to as aliens, including any corporation if more than 20% of its capital stock is owned or voted by aliens. In addition, the FCC may prohibit any corporation from holding a broadcast license if the corporation is controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens, if the FCC finds that the prohibition is in the public interest. Our certificate of incorporation prohibits the ownership, voting and transfer of our capital stock in violation of the FCC restrictions, and prohibits the issuance of capital stock or the voting rights such capital stock represents to or for the account of aliens or corporations otherwise subject to domination or control by aliens in excess of the FCC limits. The certificate of incorporation authorizes our board of directors to enforce these prohibitions. For example, the certificate of incorporation provides for the redemption of shares of our capital stock by action of the board of directors to the extent necessary to comply with these alien ownership restrictions.

Time Brokerage Agreements. It is not uncommon for radio stations to enter into what have commonly been referred to as time brokerage agreements. While these agreements may take varying forms, under a typical time brokerage agreement, separately owned and licensed radio stations agree to enter into cooperative arrangements of varying sorts, subject to compliance with the requirements of antitrust laws and with FCC s rules and policies. Under these arrangements, separately-owned radio stations could agree to function cooperatively in programming, advertising sales and similar matters, subject to the requirement that the licensee of each radio station maintain independent control over the programming and operations of its own radio station. One typical type of time brokerage agreement is a programming agreement between two separately-owned radio stations serving a common service area, whereby the licensee of one radio station provides substantial portions of the broadcast programming for airing on the other licensee s radio station, subject to ultimate editorial and other controls being exercised by the latter licensee, and sells advertising time during those program segments.

The FCC s rules provide that a radio station that brokers more than 15% of the weekly broadcast time on another radio station serving the same market will be considered to have an attributable ownership interest in the brokered radio station for purposes of FCC s local radio ownership limits. As a result, in a market where we own a radio station, we would not be permitted to enter into a time brokerage agreement with another radio station in the same market if we could not own the brokered radio station under the multiple ownership rules, unless our programming on the brokered radio station constituted 15% or less of the brokered radio station s programming time on a weekly basis. FCC rules also prohibit a broadcast station from duplicating more than 25% of its programming on another radio station in the same broadcast service, that is AM-AM or FM-FM, either through common ownership of the two radio stations or through a time brokerage agreement, where the brokered and brokering radio stations which it owns or programs serve substantially the same area.

Radio stations may also enter into what are commonly known as joint sales agreements. In a typical joint sales agreement, separately owned and licensed radio stations agree to enter into cooperative arrangements involving the sale of advertising time and the collection of proceeds from such sales, but involving no or only a

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limited amount of programming time. Such arrangements are subject to compliance with the requirements of the antitrust laws and the FCC s rules and policies. A radio station that sells more than 15% of the weekly advertising time of another radio station serving the same market is deemed to have an attributable interest in that other radio station.

Programming and Operations. The Communications Act requires broadcasters to serve the public interest. The FCC gradually has relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a radio station s community of license, although recently launched rulemaking proceedings propose to implement various requirements aimed at increasing local programming content and diversity. If adopted, these new requirements would impose new record-keeping and other burdens on our radio stations. Under the currently effective rules, a licensee is required to present programming that is responsive to issues of the radio station s community of license and to maintain records demonstrating this responsiveness. Complaints from listeners concerning a radio station s programming often will be considered by the FCC when it evaluates renewal applications of a licensee, although listener complaints may be filed and considered by the FCC at any time. Such complaints are required to be maintained in the radio station s public file. Radio stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act. Those rules regulate, among other things, political advertising, sponsorship identifications, the advertisement of contests and lotteries, employment practices, obscene and indecent broadcasts and technical operations, including limits on human exposure to radio frequency radiation.

The FCC s rules on equal employment opportunities prohibit employment discrimination by radio stations on the basis of race, religion, color, national origin, and gender; and require broadcasters to implement programs to promote equal employment opportunities at their radio stations. The rules generally require broadcasters to widely disseminate information about full-time job openings to all segments of the community to ensure that all qualified applicants have sufficient opportunity to apply for the job, to send job vacancy announcements to recruitment organizations and others in the community indicating an interest in all or some vacancies at the radio station, and to implement a number of specific longer-term recruitment outreach efforts, such as job fairs, internship programs, and interaction with educational and community groups from among a menu of approaches itemized by the FCC. Radio stations with ten or more full-time employees in a given market must file a Mid-term EEO Report with the FCC midway through the license term. Broadcasters must prepare and place in their public files and on their websites an annual EEO report, and file the previous two reports with the FCC along with the Mid-term EEO Report and the renewal application.

FCC decisions hold that a broadcast station may not deny a candidate for federal political office a request for broadcast advertising time solely on the grounds that the amount of time requested is not the standard length of time, which the radio station offers to its commercial advertisers. This policy has not had a material impact on our programming and commercial advertising operations but the policy s future impact is uncertain.

Proposed and Recent Changes. Congress and the FCC may in the future consider and adopt new laws, regulations and policies regarding a wide variety of matters that could affect, directly or indirectly, the operation, ownership and profitability of our radio stations, including the loss of audience share and advertising revenues for our radio stations, and an inability to acquire additional radio stations or to finance those acquisitions. Such matters may include:

- changes in the FCC s multiple-ownership, cross-ownership and attribution policies;
- regulatory fees, spectrum use fees or other fees on FCC licenses;
- recently approved increases in the royalties paid by radio stations with respect to Internet streaming;
- foreign ownership of broadcast licenses;
- revisions to the FCC s rules relating to political broadcasting, including free airtime to candidates;

technical and frequency allocation matters;

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- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages on radio;

- proposals to require radio broadcasters to pay royalties to musicians and record labels for the performance of music played on the stations;

- proposals to limit the tax deductibility of or impose sales tax on advertising expenses by advertisers; and

- proposals to regulate or prohibit payments to stations by independent record promoters, record labels and others for the inclusion of specific content in broadcast programming.

The FCC has recently adopted a standardized issues/programming form for use by television stations, and is considering requiring the use of the same or a similar form by radio stations. This form requests detailed information concerning what steps a station undertook to determine the issues of concern within its local market, and what amount and nature of news and public service programming was presented to address those issues. In addition, the FCC has released a proceeding in which it has proposed a variety of rules to enhance localism concerns, including the possibility of readopting programming standards, based perhaps on the data obtained by the new issues/programming forms; requiring that the main studio of each station be located within the boundaries of its community of license and staffed on a fulltime basis; and other proposals.

The FCC has also adopted procedures for the auction of broadcast spectrum in circumstances where two or more parties have filed for new or major change applications that are mutually exclusive. Such procedures may limit our efforts to modify or expand the broadcast signals of our radio stations.

We cannot predict what other matters might be considered in the future by the FCC or Congress, nor can we judge in advance what impact, if any, the implementation of any of these proposals or changes might have on our business.

Federal Antitrust Laws. The agencies responsible for enforcing the federal antitrust laws, the Federal Trade Commission or the Department of Justice, may investigate certain acquisitions. We cannot predict the outcome of any specific FTC or Department of Justice investigation. Any decision by the FTC or the Department of Justice to challenge a proposed acquisition could affect our ability to consummate the acquisition or to consummate it on the proposed terms.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Act requires the parties to file Notification and Report Forms concerning antitrust issues with the FTC and the Department of Justice and to observe specified waiting period requirements before consummating the acquisition. If the investigating agency raises substantive issues in connection with a proposed transaction, then the parties frequently engage in lengthy discussions or negotiations with the investigating agency concerning possible means of addressing those issues, including restructuring the proposed acquisition or divesting assets. In addition, the investigating agency could file suit in federal court to enjoin the acquisition or to require the divestiture of assets, among other remedies. In addition, acquisitions, whether or not required to be reported under the Hart-Scott-Rodino Act, may be investigated by the FTC, the Department of Justice or other state authorities under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws.

As part of its increased scrutiny of radio station acquisitions, the Department of Justice has stated publicly that it believes that local marketing agreements, joint sales agreements, time brokerage agreements and other similar agreements customarily entered into in connection with radio station transfers could violate the Hart-Scott-Rodino Act if such agreements take effect prior to the expiration of the waiting period under the Hart-Scott-Rodino Act. Furthermore, the Department of Justice has noted that joint sales agreements may raise antitrust concerns under Section 1 of the Sherman Act and has challenged joint sales agreements in certain locations. The Department of Justice also has stated publicly that it has established certain revenue and audience share concentration benchmarks with respect to radio station acquisitions, above which a transaction may receive additional antitrust scrutiny. However, to date, the Department of Justice has also investigated transactions that do not meet or exceed these benchmarks and has cleared transactions that do exceed these benchmarks.

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	4,438,542	37.50 %	3,731,218	33.73 %
Selling, general and administrative expenses	6,611,687	55.85 %	6,206,917	56.11 %
Depreciation and amortization	168,080	1.42 %	150,069	1.35 %
Total operating expenses	11,218,309	94.77 %	10,088,204	91.19 %
Income from operations	618,902	5.23 %	974,415	8.81 %
Other income (expense), net	(38,560)	(0.33 %)	21,945	0.20 %
Income before income taxes	580,342	4.90 %	996,360	9.01 %
Provision for income taxes	(238,529)	(2.02 %)	(466,543)	(4.22 %)
Net income	$ 341,813	2.88 %	$ 529,817	4.79 %

Operating revenues increased approximately $774,592, or 7%, for fiscal 2013 over the prior year. This overall revenue growth resulted from an increase in Internet subscription service revenue, attributable to increased sales to new and existing subscribers, partially offset by a decrease in the Company's third-party international credit report subscription service, attributable to lower usage by subscribers.

Data and product costs increased $707,324, or 19%, for fiscal 2013. This increase was primarily due to higher salary and related employee benefits, including additional quality control and programming personnel, the higher cost associated with the outsourcing of certain data entry tasks, as more tasks have been outsourced, as well as the higher cost of third-party content due to the purchase of additional data elements.

Selling, general and administrative expenses increased $404,770, or 7%, for fiscal 2013. This increase was primarily due to higher salary and related employee benefits as well as higher professional fees.

Depreciation and amortization increased $18,011, or 12%, for fiscal 2013. This increase was due to the capitalization of leasehold improvements during the 3rd quarter associated with additional space leased at the Company's corporate headquarters as well as the purchase of computer equipment.

Other income (expense), net decreased $60,505 for fiscal 2013, primarily due to the greater negative mark-to-market adjustment recorded in 2013.

Provision for income taxes decreased $228,014 due to the Company having lower pre-tax income because of the reasons enumerated.

2012 vs. 2011

	Year Ended December 31,			
	2012		2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Operating revenues	$11,062,619	100.00 %	$10,154,200	100.00 %
Operating expenses:				
Data and product costs	3,731,218	33.73 %	3,310,779	32.60 %
Selling, general and administrative expenses	6,206,917	56.11 %	5,468,802	53.86 %
Depreciation and amortization	150,069	1.35 %	162,482	1.60 %
Total operating expenses	10,088,204	91.19 %	8,942,063	88.06 %
Income from operations	974,415	8.81 %	1,212,137	11.94 %
Other income, net	21,945	0.20 %	98,592	0.97 %
Income before income taxes	996,360	9.01 %	1,310,729	12.91 %
Provision for income taxes	(466,543)	(4.22 %)	(402,140)	(3.96 %)
Net income	$529,817	4.79 %	$908,589	8.95 %

Operating revenues increased approximately $908,419, or 9%, for fiscal 2012 over the prior year. This overall revenue growth resulted from an increase in Internet subscription service revenue, attributable to increased sales to new and existing subscribers, partially offset by a decrease in the Company's third-party international credit report subscription service, attributable mainly to decreased usage as the result of a decrease in the number of subscribers to that service.

Data and product costs increased $420,439, or 13%, for fiscal 2012. This increase was primarily due to higher salary and related employee benefits, including additional quality control personnel, the higher cost associated with the outsourcing of certain data entry tasks, as more tasks have been outsourced, as well as the higher cost of third-party content due to the purchase of additional data elements.

Selling, general and administrative expenses increased $738,115, or 13%, for fiscal 2012. This increase was primarily due to higher salary and related employee benefits.

Depreciation and amortization decreased $12,413, or 8%, for fiscal 2012, due to a lower depreciable asset base reflecting the continued use of certain items that have been fully depreciated.

Other income, net decreased $76,647, or 78%, for fiscal 2012, due to the Company recording a negative mark-to-market adjustment in 2012 versus a positive mark-to-market adjustment recorded last year.

Provision for income taxes increased $64,403 as the result of higher payments made this year in connection with the filing of the Company's 2011 tax returns versus payments last year in connection with the filing of the Company's 2010 tax returns, partially offset by the lower pre-tax income because of the reasons enumerated 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 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 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 customer 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 greater 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 increase the size of its sales force and service staff, and to invest in product development, operating infrastructure, marketing and promotion. The Company believes that these expenditures will help it to sustain the revenue growth it has experienced over the last several years. We anticipate that sales and marketing expenses will continue to increase in dollar amount and as a percentage of revenues during 2014 and future periods as the Company continues to expand its business on a worldwide basis. Further, the Company expects that product development expenses will also continue to increase in dollar amount and may increase as a percentage of revenues in 2014 and future periods because it expects to employ more development personnel on average compared to prior periods and build the infrastructure required to support the development of new and improved products and services. However, as these expenditures are discretionary in nature, the Company expects that the actual amounts incurred will be in line with its projections of future cash flows in order not to negatively impact its future liquidity and capital needs. 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 financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires 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 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 -- CRMZ's North American and worldwide 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 until persuasive evidence of an arrangement exists, fees are fixed and 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.

Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC") have issued accounting pronouncements as of December 31, 2013 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 annual period for which financial statements are included in this annual report, nor does management believe those pronouncements would have a significant effect on our future financial position or results of operations.

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 SEC 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 SEC.

Slowing Rates of Growth and Margins. In order to continue to grow its business and maintain or increase its profit margins, 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 website, 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.

Unpredictability of Future Revenues and Profits; Potential Fluctuations in Operating Results. 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.

Maintaining and improving 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 website, (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.

Competition. The online commerce market, particularly over the Web, is 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™ which currently has the dominant position in the industry and the financial resources to invest much more than the Company can while withstanding substantial price competition, and (ii) a number of indirect competitors that specialize in online commerce or information or who derive a substantial portion of the revenues from online commerce, advertising or information, and who may offer competing 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, breadth of coverage, 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, 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, debt financing, 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.

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 are located at a secure offsite location. 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 continue 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 maintain and grow is revenues. The Company’s ability to continue to generate revenue 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 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 intends to expand its operations by continuing to promote new and complementary products 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 CRMZ 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 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 website 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 continuing development of a website 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 website, 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 36 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 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 involved 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.

Risks Associated with Domain Names. The Company currently utilizes its domain names “CreditRiskMonitor.com” and “crmz.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 not currently apply to the Company's business, or the application of 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. Other than trademarks for CRMZ and FRISK, the Company does not currently have any issued patents or registered copyrights or trademarks.

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; such litigation 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying balance sheets of CreditRiskMonitor.com, Inc. as of December 31, 2013 and 2012, and the related statements of income, stockholders' equity and cash flows for the years then ended. CreditRiskMonitor.com, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. The company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CreditRiskMonitor.com, Inc. as of December 31, 2013 and 2012, and its results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

/s/ CohnReznick LLP

Jericho, New York
March 21, 2014

CREDITRISKMONITOR.COM, INC.
BALANCE SHEETS
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$6,649,432	$6,422,458
Marketable securities	1,398,022	1,725,633
Accounts receivable, net of allowance of $30,000	1,707,582	1,776,151
Other current assets	581,132	548,838
Total current assets	10,336,168	10,473,080
Property and equipment, net	422,682	260,438
Goodwill	1,954,460	1,954,460
Other assets	23,653	21,970
Total assets	$12,736,963	$12,709,948
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Deferred revenue	$6,692,052	$6,978,797
Accounts payable	86,478	44,097
Accrued expenses	1,280,316	1,161,498
Total current liabilities	8,058,846	8,184,392
Deferred taxes on income	636,856	591,355
Other liabilities	5,099	5,190
Total liabilities	8,700,801	8,780,937
Commitments and contingencies		
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 7,958,564 and 7,946,462 shares, respectively	79,585	79,464
Additional paid-in capital	28,958,648	28,795,496
Accumulated deficit	(25,002,071)	(24,945,949)
Total stockholders' equity	4,036,162	3,929,011
Total liabilities and stockholders' equity	$12,736,963	$12,709,948

The accompanying notes are an integral part of these financial statements.
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CREDITRISKMONITOR.COM, INC.
STATEMENTS OF INCOME
Years Ended December 31, 2013 and 2012

	2013	2012
Operating revenues	$11,837,211	$11,062,619
Operating expenses:		
Data and product costs	4,438,542	3,731,218
Selling, general and administrative expenses	6,611,687	6,206,917
Depreciation and amortization	168,080	150,069
Total operating expenses	11,218,309	10,088,204
Income from operations	618,902	974,415
Other income (expense), net	(38,560)	21,945
Income before income taxes	580,342	996,360
Provision for income taxes	(238,529)	(466,543)
Net income	$341,813	$529,817
Net income per share:		
Basic	$0.04	$0.07
Diluted	$0.04	$0.06

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

CREDITRISKMONITOR.COM, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
Years Ended December 31, 2013 and 2012

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance January 1, 2012	7,920,462	$79,204	$28,597,679	$(23,886,446)	$4,790,437
Net income	-	-	-	529,817	529,817
Cash dividend paid	-	-	-	(1,589,320)	(1,589,320)
Exercise of stock options	26,000	260	25,740	-	26,000
Stock-based compensation	-	-	150,499	-	150,499
Tax benefit from stock option plans	-	-	21,578	-	21,578
Balance December 31, 2012	7,946,462	79,464	28,795,496	(24,945,949)	3,929,011
Net income	-	-	-	341,813	341,813
Cash dividend paid	-	-	-	(397,935)	(397,935)
Exercise of stock options	12,102	121	6,379	-	6,500
Stock-based compensation	-	-	146,234	-	146,234
Tax benefit from stock option plans	-	-	10,539	-	10,539
Balance December 31, 2013	7,958,564	$79,585	$28,958,648	$(25,002,071)	$4,036,162

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

CREDITRISKMONITOR.COM, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net income	$341,813	$529,817
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	45,501	433,970
Depreciation	168,080	150,069
Stock-based compensation	146,234	150,499
Unrealized loss on marketable securities	90,218	40,598
Deferred rent	(91)	1,476
Loss on retirement of fixed assets	259	--
Tax benefits from stock option plans	(10,539)	(21,578)
Changes in operating assets and liabilities:		
Accounts receivable, net	68,569	(224,938)
Other current assets	(21,755)	(97,695)
Other assets	(1,683)	22,840
Deferred revenue	(286,745)	507,303
Accounts payable	42,381	(16,844)
Accrued expenses	118,818	74,335
Net cash provided by operating activities	701,060	1,549,852
Cash flows from investing activities:		
(Purchase) sale of marketable securities	237,393	(13,159)
Purchase of property and equipment	(330,583)	(103,697)
Net cash used in investing activities	(93,190)	(116,856)
Cash flows from financing activities:		
Dividend paid to stockholders	(397,935)	(1,589,320)
Proceeds from exercise of stock options	6,500	26,000
Tax benefit from stock option plans	10,539	21,578
Net cash used in financing activities	(380,896)	(1,541,742)
Net increase (decrease) in cash and cash equivalents	226,974	(108,746)
Cash and cash equivalents at beginning of year	6,422,458	6,531,204
Cash and cash equivalents at end of year	$6,649,432	$6,422,458
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	$250,600	$46,545

The accompanying notes are an integral part of these financial statements.
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CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 and Cash Equivalents

The Company has invested some of its excess cash in debt instruments of the United States Government. All highly liquid investments with an original maturity of three months or less are considered 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. Estimated useful lives are generally as follows: fixtures, equipment and software--3 to 6 years; and leasehold improvements--lower of life or term of lease.

Goodwill

In accordance with Accounting Standards Codification (“ASC”) 350, “Intangibles-Goodwill and Other”, goodwill and other indefinite-lived intangible assets are no longer amortized, but are reviewed for impairment at least annually and if a triggering event were to occur in an interim period. Goodwill impairment is determined using a two-step process. The first step of the impairment test is used to identify potential impairment by comparing the fair value of a reporting unit to the book value, including goodwill. If the fair value of a reporting unit exceeds its book value, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is not required. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment loss, if any. The second step of the impairment test compares the implied fair value of the reporting unit’s goodwill with the book value of that goodwill. If the book value of the reporting unit’s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. The Company completed its annual goodwill impairment tests for 2013 and 2012 during the fourth quarter of each year and determined there was no impairment of existing goodwill.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Long-Lived Assets

The Company reviews its long-lived amortizable assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360, “Property, Plant and Equipment”. 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, 2013, 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

CRMZ’s North American and worldwide 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 until persuasive evidence of an arrangement exists, fees are fixed and 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 Per Share

Income per share is computed under the provisions of ASC 260, “Earnings Per Share”. Amounts reported as basic and diluted net income per share for each of the two years in the period ended December 31, 2013 reflect the net income for the year divided by the weighted average of common shares outstanding during the year and the weighted average of common shares outstanding adjusted for the effects of potentially dilutive securities (see Note 9).

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Fair Value of Financial Instruments

The Company follows the provisions of ASC 820, “Fair Value Measurements and Disclosures” (“ASC 820”). 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.

Comprehensive Income

The Company adheres to the provisions of ASC 220, “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, 2013 and 2012, there were no items that gave rise to other comprehensive income or loss and net income equaled comprehensive income.

Segment Information

The Company follows the provisions of ASC 280, “Segment Reporting”. 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 stockholders. 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.

Stock-Based Compensation

The Company adopted ASC 718, “Compensation-Stock Compensation” (“ASC 718”), at the beginning of fiscal 2006 utilizing the modified prospective method, which does not require restatement of prior periods. The modified prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock awards over the requisite service period (generally the vesting schedule).

See Note 6 for more information regarding the Company’s stock compensation plans.

Fair Value Measurements

The Company records its financial instruments that are accounted for under ASC 320, “Investments-Debt and Equity Securities” (“ASC 320”) at fair value. The determination of fair value is based upon the fair value framework established by ASC 820. ASC 820 provides that a fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The fair value hierarchy is broken down into three levels based on the source of inputs as follows: (a) Level 1 – valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; (b) Level 2 – valuations based on quoted prices in markets that are not active, or financial instruments for which all significant inputs are observable; either directly or indirectly; and (c) Level 3 – valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable; thus, reflecting assumptions about the market

participants.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Recently Issued Accounting Standards

The FASB and the SEC had issued certain accounting pronouncements as of December 31, 2013 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 annual report, nor does management believe those pronouncements would have a significant effect on our future financial position or results of operations.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk principally consist of cash, cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents in bank deposit and other accounts, the balances of which, at times, may exceed Federally insured limits. Exposure to credit risk is reduced by placing such deposits in high credit quality financial institutions.

The Company closely monitors the extension of credit to its customers. The Company's accounts receivable balance is net of an allowance for doubtful accounts. The Company does not require collateral or other security to support credit sales, but provides an allowance for doubtful accounts based on historical experience and specifically identified risks. Accounts receivable are charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Company ceases collection efforts. The Company does not believe that significant credit risk existed at December 31, 2013 and 2012.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of December 31:

	2013	2012
Cash	$498,249	$723,008
Money market funds	6,151,183	5,699,450
	$6,649,432	$6,422,458

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CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - MARKETABLE SECURITIES

The Company accounts for its marketable securities in accordance with ASC 320. Accordingly, the Company classifies its marketable securities at acquisition as either: (i) held-to-maturity, (ii) trading or (iii) available-for-sale. The Company's investment in U.S. Government intermediate bond funds are classified as trading securities, which are carried at fair value, as determined by quoted market price, which is Level 1 input, as established by the fair value hierarchy under ASC 320. The related unrealized gains/(losses) are included in the caption "Other income" on the accompanying Statements of Income. The Company's marketable securities at December 31, 2013 and 2012 are summarized as follows:

	Adjusted Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
2013:				
U.S. Treasury Note, due 11/15/2015	$1,210,503	$ --	$ (51,540)	$1,158,963
Marketable equity security	264,504	--	(25,445)	239,059
	$1,475,007	$ --	$ (76,985)	$1,398,022
2012:				
U.S. Treasury Note, due 11/15/2015	$1,210,503	$ --	$ (7,853)	$1,202,650
Marketable equity security	525,325	--	(2,342)	522,983
	$1,735,828	$ --	$ (10,195)	$1,725,633

NOTE 5 - INCOME TAXES

Historically, the Company generated net operating loss ("NOL") carryforwards for income tax purposes, which were available for carryforward against future taxable income. As of December 31, 2012, the Company had fully utilized its Federal NOL carryforwards.

The Company's income tax expense consisted of the following:

	2013	2012
Current:		
Federal	$148,098	$21,865
State	44,931	10,708
Deferred:		
Federal	35,495	327,540
State	10,005	106,430
	$238,529	$466,543

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CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

The actual tax expense for 2013 and 2012 differs from the "expected" tax expense for those years (computed by applying the applicable United States federal corporate tax rate to income before income taxes) as follows:

	2013	2012
Computed "expected" expense	$197,316	$338,762
Permanent differences	3,806	2,901
State and local income tax expense	36,258	77,311
AMT credit	(18,084)	--
True-up of deferred taxes	8,029	44,205
Other	11,204	3,364
Income tax expense	$238,529	$466,543

The tax effects of temporary differences that give rise to significant portions of the net deferred tax assets/(liabilities) at December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred tax assets:		
Stock option expense	$169,027	$112,248
Accrued vacation	50,612	42,598
Other	63,586	18,051
Total deferred tax assets	283,225	172,897
Deferred tax liabilities:		
Goodwill amortization	(772,282)	(711,761)
Fixed asset depreciation	(147,799)	(52,491)
Total deferred tax liabilities	(920,081)	(764,252)
Net deferred tax assets/(liabilities)	$(636,856)	$(591,355)

NOTE 6 - COMMON STOCK, STOCK OPTIONS, AND STOCK APPRECIATION RIGHTS

Common Stock

At December 31, 2013, 798,000 shares of the Company’s authorized common stock were reserved for issuance upon exercise of outstanding options under its stock option plan.

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, 2013, the Company does not have any preferred stock outstanding.

CREDITRISKMONITOR.COM, INC.
NOTES TO FINANCIAL STATEMENTS

Stock Options and Stock Appreciation Rights

At December 31, 2013, the Company has two stock option plans: the 1998 Long-Term Incentive Plan (“1998 Plan”) and the 2009 Long-Term Incentive Plan (“2009 Plan”).

The 1998 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. No stock options may be granted under this Plan after May 11, 2009. At December 31, 2013, there were options outstanding for 445,500 shares of common stock under this plan.

Options expire on the date determined, but not more than ten years from the date of grant. 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 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.

The 2009 Plan authorizes the grant of incentive stock options, non-qualified stock options, 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 1,000,000 shares of common stock. At December 31, 2013, there were options outstanding for 202,000 shares of common stock under this plan.

Options expire on the date determined, but not more than ten years from the date of grant. All of the options granted under the 2009 Plan may be exercised after four years in installments upon the attainment of specified length of service. In the event of a change in control (as defined), the options will vest in full at the 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, 2013 and 2012, nor are there any stock appreciation rights outstanding at December 31, 2013 and 2012.

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Transactions with respect to the Company's stock option plan for the years ended December 31, 2013 and 2012 are as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2012	635,000	$ 2.0770
Exercised	(26,000)	1.0000
Forfeited	--	--
Granted	56,500	3.0100
Outstanding at December 31, 2012	665,500	$ 2.1983
Exercised	(15,000)	1.0000
Forfeited	(3,000)	3.0100
Granted	--	--
Outstanding at December 31, 2013	647,500	$ 2.2223

As of December 31, 2013, there were 798,000 shares of common stock reserved for the granting of additional options.

The following table summarizes the stock-based compensation expense for stock options that was recorded in the Company's results of operations in accordance with ASC 718 for the years ended December 31:

	2013	2012
Data and product costs	$ 11,987	$ 17,672
Selling, general and administrative costs	134,247	132,827
	$ 146,234	$ 150,499

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model that uses the weighted average assumptions noted in the following table. Expected volatilities are based on historical volatility of our stock through the date of grant. The Company uses the simplified method under Staff Accounting Bulletin No. 110, "Use of a Simplified Method in Developing an Estimate of Expected Term of 'Plain Vanilla' Share Options", to estimate the options' expected term. The risk-free interest rate used is based on the U.S. Treasury constant maturities at the time of grant having a term that approximates the expected life of the option.

No options were granted during the year ended December 31, 2013. The fair value of options granted during the year ended December 31, 2012 was $2.96. The fair value of options at date of grant was estimated using the Black-Scholes model with the following assumptions:

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	2012
Risk-free interest rate	1.54 %
Expected dividend yield	1.66 %
Expected volatility factor	1.59
Expected life of the option (years)	9

The Company issues new shares upon the exercise of options.

The following table summarizes information about the Company's stock options outstanding at December 31, 2013:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$ 1.00 - $ 1.20	326,500	1.14	$ 1.0000	326,500	$ 1.0000
$ 1.21 - $ 2.40	119,000	2.31	$ 1.6357	89,000	$ 1.3848
$ 2.41 - $ 3.99	53,500	8.53	$ 3.0100	-	-
$ 4.00 - $ 7.25	148,500	6.49	$ 5.0960	-	-
	647,500	3.19	$ 2.2223	415,500	$ 1.0824

The aggregate intrinsic value represents the total pre-tax intrinsic value, based on options with an exercise price less than the Company's closing stock price of $3.50 as of December 31, 2013, which would have been received by the option holders had those option holders exercised their options as of that date. The aggregate intrinsic value of options outstanding as of December 31, 2013 and 2012 was $1,064,315 and $1,051,585, respectively.

As of December 31, 2013, the total compensation cost related to unvested stock-based awards granted to employees under the Company's stock option plan but not yet recognized was $599,900. This cost will be amortized on a straight-line basis over a weighted average term of 4.60 years and will be adjusted for subsequent changes in estimated forfeitures.

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NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2013	2012
Computer equipment and software	$1,058,332	$900,236
Furniture and fixtures	212,614	140,372
Leasehold improvements	163,995	68,818
Capital lease	90,043	90,043
	1,524,984	1,199,469
Less accumulated depreciation and amortization	(1,102,302)	(939,031)
	$422,682	$260,438

NOTE 8 - LEASE COMMITMENTS

The Company's operations are conducted from a leased facility, which is under an operating lease that expires on July 31, 2015. Rental expenses under operating leases were $267,925 and $235,452 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease payments for noncancelable operating leases at December 31, 2013 are as follows:

	Operating Leases
2014	$173,833
2015	103,311
2016	2,042
2017	510
Total minimum lease payments	$279,696

NOTE 9 - NET INCOME PER SHARE

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

	2013	2012
Net income	$341,813	$529,817
Weighted average common shares outstanding – basic	7,952,011	7,942,748
Potential shares exercisable under stock option plans	497,625	475,250
LESS: Shares which could be repurchased under treasury stock method	(204,315)	(174,623)
Weighted average common shares outstanding – diluted	8,245,321	8,243,375
Net income per share:		
Basic	$0.04	$0.07

Diluted	$0.04	$0.06

For fiscal 2013 and 2012, the computation of diluted net income per share excludes the effects of the assumed exercise of 148,500 and 68,500 options, respectively, since their inclusion would be anti-dilutive as their exercise prices were above market value.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure 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's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in the 1992 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2013.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

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	73	Chairman of the Board/Chief Executive Officer	1983
William B. Danner	57	President/Chief Operating Officer	2005
Lawrence Fensterstock	63	Senior Vice President/Chief Financial Officer/Secretary	1999
Andrew J. Melnick	72	Director	2005
Jeffrey S. Geisenheimer	48	Director	2005
Joshua M. Flum	44	Director	2007
Richard J. James	74	Director	1992

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. Mr. Flum served as a L/cpl in the USMCR.

William B. Danner joined the Company in May 2005 as Chief Marketing Officer, was appointed Chief Operating Officer in October 2005 and appointed President in May 2007. Mr. Danner's experience includes over 25 years in financial services and information services. Prior to joining the Company, his most recent experience included brand strategy and business development consulting for financial services clients at his own firm, Danner Marketing. Clients included WellPoint and Bowne & Co. Previously, he was at Citigate Albert Frank, a marketing communications company in New York City, where he provided strategic planning and brand consulting for a variety of leading financial services organizations including Reuters Instinet and the CFA Institute. From 1997 to 2001, Mr. Danner was Vice President of Market Development at MetLife's employee-benefits business. Before joining MetLife, he was at Dun & Bradstreet for over 5 years, most recently as Vice President, Strategic Planning. He spent nearly the first 10 years of his career at General Electric Company, working in increasingly responsible positions at GE Information Services and GE Capital. Mr. Danner earned a BA in economics at Harvard College and an MBA at Harvard Business School.

Lawrence Fensterstock joined the Company and was elected to his current offices in January 1999. Previously, he joined Market Guide Inc. in September 1996 to assist in the formation of its credit information services division. From 1993 to 1996, Mr. Fensterstock was with Information Clearinghouse Incorporated (“ICI”) 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 this credit reporting service, he was chief operating and financial officer of ICI. From 1989 through 1992, Mr. Fensterstock 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 over 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 earned a BA degree in economics from Queens College and an MBA degree from The University of Chicago Business School.

Andrew J. Melnick has been a Director since March 2005. Since 2010, he has been a Managing Partner of SkyView Investment Advisors. The firm provides investment advisory services to institutions and high net worth individuals as well as managing a fund of hedge funds partnerships and acting as lead sub-advisors to 40 Act mutual funds of hedge fund managers. From 2005 to 2009, Mr. Melnick helped manage two hedge funds. He retired from Goldman, Sachs & Co. at the end of 2004. He joined Goldman Sachs in 2002 as Co-Director of its Global Investment Research Division and a member of its Management Committee. Prior to joining Goldman Sachs, Mr. Melnick was Senior Vice President and Director of the Global Securities and Economics Research Group of Merrill Lynch. During his 13 years at Merrill Lynch, he expanded the Firm’s Research Group from primarily a domestic effort to one with research offices in 26 countries around the world. During that period Merrill Lynch was ranked as the top research department in nearly all regions of the world including six straight times as the number one equity research department in the United States. Previous employment: President of Woolcott & Co. a boutique research and investment banking firm; Director of Research and a Partner of L.F. Rothschild Unterberg Towbin; and Senior Analyst at Drexel Burnham Lambert. He is a member of the Board of the New York Society of Security Analysts, a Commissioner of the Monmouth County Improvement Authority and a member of the Board of Trustees of the Monmouth Medical Center. Mr. Melnick earned a BA in economics and MBA in finance from Rutgers. He is a Chartered Financial Analyst (C.F.A.).

Jeffrey S. Geisenheimer has been a Director since December 2005. He has been the Chief Financial Officer for the Coleman Research Group, Inc., a primary research firm serving the investment and corporate communities, since September 2011. In this capacity, he is responsible for all the financial, administrative and research operations. Prior to joining Coleman Research Group, Mr. Geisenheimer was the CFO of five private equity-backed companies (Ford Models, Inc., from 2008 to 2011, Managed Systems, Inc., from 2007 to 2008, Register.com, Inc., 2007, Instant Information, Inc., from 2005 to 2007 and Moneyline Telerate, Inc., from 2003 to 2005) and two publicly traded companies (Multex.com, Inc., from 1999 to 2003, and Market Guide, Inc., from 1987 to 1999). While CFO at three of these companies (Market Guide, Multex and Moneyline Telerate) he oversaw their acquisition by much larger corporations. Mr. Geisenheimer received a BBA degree in banking and finance and an MBA degree in accounting from Hofstra University.

Joshua M. Flum has been a Director since September 2007. He has been an executive with CVS Caremark Corporation since July 2004. Mr. Flum began his career at CVS Caremark in Store Operations and is currently Senior Vice President, Retail Pharmacy. Prior to joining CVS Caremark, Mr. Flum spent three years with The Boston Consulting Group specializing in the Consumer and Retail Practice Area. Mr. Flum is a graduate of the Yale Law School and spent the first years of his professional career clerking for the Honorable Edward R. Becker, Chief Judge of the United States Court of Appeals for the Third Circuit, and then at the law firm of Miller, Cassidy, Larroca and Lewin, LLP. Mr. Flum is the son of Jerome Flum.

Richard J. James has been a Director since 1992. He was a Consultant for Sigma Breakthrough Technologies, Inc. from 2005 to 2013, working with leading international and domestic Fortune 500 companies to improve their new product development and operational processes. From 1980 until 2002, Mr. James served as the Technical Manager for Polaroid Corporation’s Consumer Hardware Division, supporting 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 was 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.

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.

Significant Employees

Michael Broos has been Chief Technology Officer since December 2001. He has more than 30 years of experience leading technology teams in the development and implementation of software applications for the Internet, Windows, DOS, and mainframes. Before joining the Company, Mr. Broos was Senior Vice President of Technology for About.com; Chief Technology Officer of Fan2Fan.com; Chief Technology Officer of AKA.com; Vice President of Internet Solutions for Inventure.com; and Vice President of Software Development for Dun & Bradstreet Information Systems for 8 years. Prior to joining Dun & Bradstreet in 1990, Mr. Broos was an independent consultant and entrepreneur for 10 years, during which time he co-founded several software companies, including Infocom (the creators of Zork). Mr. Broos began his career with a ten-year stint on the academic computer research staff of the M.I.T. Laboratory of Computer Science, where he developed interactive, graphical and email-based applications for the ARPANET (the precursor of today’s Internet).

Al Carmenini, RGCP, has been head of Product Development since July 2005. He is responsible for consulting with customers and enhancing the Company’s service. Mr. Carmenini brings to the Company 25 years of experience in business credit. His background includes a combination of senior operational roles at Revlon and Viacom/Simon & Schuster, as well as product development roles at Walker Interactive Systems, Standard & Poor’s and at Al Carmenini & Associates. He has been a member of the Credit Research Foundation for 25 years, during which time Mr. Carmenini has served as a trustee as well as an active member of numerous committees, including Future Trends, Benchmarking, Re-engineering, Technology, and Research. He was instrumental in creating the initial benchmarking database for CRF, which is the most in-depth database for business credit & collection in the U.S. today. Mr. Carmenini is a graduate of Fordham University, receiving B.S. degrees in both Marketing Management and Systems.

Camilo Gomez joined the Company in October 2009 to lead a new Quantitative Research effort. Dr. Gomez was most recently a principal at his firm, Lone Pine Mesa LLC, where he consulted with companies in the area of specialty finance since 2005. Previously he was a Managing Director at Standard & Poor's Risk Solutions group since 2001. Before S&P, Dr. Gomez was co-founder and Group Head for Financial Analytics for the Center for Adaptive Systems & Applications ("CASA"), a company spun off from the Los Alamos National Laboratory where he had been a researcher. Formed in collaboration with Citibank, CASA provided quantitative analytical consulting services to Fortune 500 companies. A major focus at CASA was to develop scoring and economic response models covering different regions of the globe. Dr. Gomez earned a B.S. in 1980 and a Ph.D. in 1985 from the Massachusetts Institute of Technology.

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.

In performing these functions, the Audit Committee meets periodically with the independent auditors and management to review their work and confirm that they are properly discharging their respective responsibilities. The Audit Committee met four times during the last fiscal year, prior to the filing of the Company's annual and quarterly SEC reports.

The Audit Committee currently consists of its outside directors – Andrew Melnick, Jeffrey Geisenheimer, Joshua Flum and Richard James, all of whom, except Mr. Flum, are audit committee financial experts and are independent, as such terms are defined by the SEC.

Compliance with Section 16(a) of the Exchange Act

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 2013, 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, except that a Form 4 for Richard James and another for Lawrence Fensterstock were filed late.

Code of Ethics

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

ITEM 11. 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.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus [1]	Option Awards [2]	All Other Compensation	Total
Jerome S. Flum, Chairman and Chief Executive Officer	2013	$160,000	$45,000	$-0-	$ -0-	$205,000
	2012	$160,000	$ 38,000	$-0-	$ -0-	$198,000
William B. Danner, President	2013	$192,800	$65,000	$19,766	$ -0-	$277,566
	2012	$192,800	$ 56,000	$ 26,748	$ -0-	$275,548
Lawrence Fensterstock, Senior Vice President	2013	$160,000	$63,000	$740	$ -0-	$223,740
	2012	$160,000	$54,000	$349	$ -0-	$214,349

[1] The amounts in this column reflect bonuses awarded for the fiscal year shown but paid in the subsequent fiscal year.

[2] Represents the compensation costs of stock option awards for financial reporting purposes for the year under ASC 718, rather than an amount paid to or realized by the Named Executive Officer. See Note 6 of the Notes to Financial Statements for a discussion of the assumptions used in calculating the aggregate grant date fair value computed in accordance with ASC 718. The ASC 718 value as of the grant date for stock options is spread over the number of months of service required for the grant to become non-forfeitable. There can be no assurance that the ASC 718 amounts will ever be realized.

Outstanding Equity Awards

No stock options, stock awards or stock appreciation rights were granted to the Company's executive officers during the last fiscal year.

The following table reflects outstanding equity grants to the Company's executive officers as of December 31, 2013:
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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-exercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
	100,000	-0-	-0-	$ 1.00	05-09-15
	50,000	-0-	-0-	$ 1.25	10-06-15
	-0-	10,000	-0-	$ 7.25	01-14-21
William B. Danner	-0-	5,000	-0-	$ 3.01	07-11-22
Lawrence Fensterstock	-0-	2,000	-0-	$ 3.01	07-11-22

The closing market price of the Company’s common stock on December 31, 2013 was $3.50 per share.

The options under Mr. Danner’s grants expiring in 2015 may be exercised after three years from the date of grant 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.

	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.

The options under Mr. Danner's grants expiring in 2021 and 2022 and Mr. Fensterstock's grant expiring in 2022 may be exercised after four years in installments upon the attainment of specified length of service. In the event of a change in control (as defined), the options will vest in full at the time of such change in control.

Directors' Fees

Effective January 1, 2010, non-employee directors receive $750 per quarter or a total of $3,000 per calendar year.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash	Option Awards[1]	Total
Andrew J. Melnick	$ 3,000	$ 2,434	$ 5,434
Jeffrey S. Geisenheimer	$ 3,000	$ 6,988	$ 9,988
Joshua M. Flum	$ 3,000	$ 10,042	$ 13,042
Richard J. James	$ 3,000	$ 1,928	$ 4,928

[1] Represents the compensations costs for financial reporting purposes for the year under ASC 718. See Note 6 to the Notes to Financial Statements for the assumptions made in determining ASC 718 values.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth as of March 10, 2014 information regarding the beneficial ownership of the Company's voting securities (i) by each person or group known by the Company to be the owner of record or beneficially 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. Unless otherwise noted, each owner's mailing address is c/o CreditRiskMonitor.com, Inc., 704 Executive Boulevard, Valley Cottage, NY 10989.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class
Santa Monica Partners, L.P./ La'Dadande Limited Partnership/ Lawrence J. Goldstein[2] 1865 Palmer Avenue Larchmont, NY 10538	627,616	7.49%
Flum Partners [3]	4,339,334	51.82%
Jerome S. Flum	4,799,059[4][5]	57.31%
William B. Danner	171,395	2.05%
Lawrence Fensterstock	108,322	1.29%
Andrew J. Melnick	40,000	-----*
Jeffrey S. Geisenheimer	108,653	1.30%
Joshua M. Flum	5,000	-----*
Richard J. James	46,500	-----*
All directors and officers (as a group (7 persons))	5,278,929[4][5]	63.04%

*less than 1%

[1] Does not give effect to (a) options to purchase 182,000 shares of Common Stock granted to 18 officers and employees pursuant to the 2009 Long-Term Incentive Plan of the Company, (b) options to purchase an aggregate of 30,000 shares granted to a non-employee director pursuant to the 1998 Long-Term Incentive Plan of the Company, and (c) options to purchase an aggregate of 20,000 shares granted to the non-employee directors pursuant to the 2009 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 150,000, 30,000, 30,000 and 3,000 shares of Common Stock granted to Messrs. Danner, Melnick, Geisenheimer and James, respectively, as well as options to purchase 202,500 shares of Common Stock granted to a former director and 6 current employees, all of which are immediately exercisable.

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(2) Based on the information contained in a Schedule 13G/A filed February 10, 2014. The general partner of Santa Monica Partners, L.P. is SMP Asset Management, LLC. The general partner of La'Dadande Limited Partnership is La'Dadande Corp. Lawrence J. Goldstein is an individual investor, the sole managing member and sole owner of SMP Asset Management, LLC, a limited partner of La'Dadande Limited Partnership and President of La'Dadande Corp., and may be deemed to beneficially own these shares. Mr. Goldstein disclaims beneficial ownership of these shares except to the extent of his pecuniary interest therein.

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

(4) Includes 4,339,334 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 4,799,059 shares of Common Stock, or 57.31% 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").

(5) Includes 6,000 shares of Common Stock owned by a grandchild of Mr. Flum, the beneficial ownership of which is disclaimed by Mr. Flum. Also, includes 200,000 shares of Common Stock owned by Family Trusts established by Mr. Flum, the beneficial ownership of which is disclaimed by Mr. Flum.

The Company's equity compensation plans approved by stockholders are the 1998 Long-Term Incentive Plan, which expired May 11, 2009, and the 2009 Long-Term Incentive Plan. The 2009 Long-Term Incentive Plan provides for the grant of options and other awards up to an aggregate of 1,000,000 shares of common stock.

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, 2013.

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	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by stockholders	647,500	$ 2.22	798,000
Total	647,500	$ 2.22	798,000

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There were no such reportable relationships or related transactions in 2013.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The aggregate fees incurred by CohnReznick LLP for professional services rendered to the Company for the last two fiscal years are as follows:

	Fiscal Year Ended December 31,	
	2013	2012
Audit fees [1]	$92,500	$90,000
Audit related fees [2]	-	7,500
Tax fees [3]	14,991	22,700
All other fees	-	-
Total fees	$107,491	$120,200

(1) Consists of fees for services provided in connection with the audit of the Company's financial statements and review of the Company's quarterly financial statements.

(2) Consists of fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees."

(3) Consists of fees for preparation of Federal and state income tax returns, as well as assistance with an IRS audit and calculating an E&P estimate for 2013.

The engagement of CohnReznick LLP for the 2013 and 2012 fiscal years and the scope of audit-related services, including the audits 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.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements – contained in Item 8:

	Page
Report of Independent Registered Public Accounting Firm	22
Balance Sheets - December 31, 2013 and 2012	23
Statements of Income - Years Ended December 31, 2013 and 2012	24
Statements of Stockholders' Equity – Years Ended December 31, 2013 and 2012	25
Statements of Cash Flows - Years Ended December 31, 2013 and 2012	26
Notes to Financial Statements	27

(b) Exhibits:

2	-	Copy of the Asset Purchase Agreement dated December 29, 1998. (1)
3(i)	-	Copy of the Company's Amended and Restated Articles of Incorporation dated as of May 7, 1999. (3)
3(ii)	-	Copy of the Company's By-Laws as amended April 27, 1987 and May 11, 1999. (5)
10-C	-	Copy of Company's 1998 Long-Term Incentive Plan. (2)
10-D	-	Copy of Company's 2009 Long-Term Incentive Plan. (6)
14	-	CreditRiskMonitor.com, Inc. Code of Ethics for Principal Executive Officer and Senior Financial Officers. (4)
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.
101.INS	-	XBRL Instance Document
101.SCH	-	XBRL Taxonomy Extension Schema Document
101.CAL	-	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	-	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	-	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	-	XBRL Taxonomy Extension Presentation Linkbase Document

(1) 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.

(2) 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.

(3) Filed as an Exhibit to Registrant's Annual Report on Form 10-KSB for the fiscal year ending December 31, 1999 (File No. 1-08601) 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, 2003 (File No. 1-08601) 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, 2005 (File No. 1-08601) and incorporated herein by reference thereto.

(6) Filed as an Exhibit to Registrant's Definitive Statement on Schedule 14C filed October 22, 2010 (File No. 1-08601) and incorporated herein by reference thereto.

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CREDITRISKMONITOR.COM, INC.
(REGISTRANT)

Date: March 21, 2014	By: /s/	Jerome S. Flum Jerome S. Flum Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, 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 21, 2014	By: /s/	Jerome S. Flum Jerome S. Flum Chairman of the Board and Chief Executive Officer (Principal Executive Officer)
Date: March 21, 2014	By: /s/	Lawrence Fensterstock Lawrence Fensterstock Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 21, 2014	By: /s/	Andrew J. Melnick Andrew J. Melnick Director
Date: March 21, 2014	By: /s/	Jeffrey S. Geisenheimer Jeffrey S. Geisenheimer Director
Date: March 21, 2014	By: /s/	Joshua M. Flum Joshua M. Flum Director
Date: March 21, 2014	By: /s/	Richard J. James Richard J. James Director