

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

FORM S-8  
 REGISTRATION STATEMENT  
 UNDER  
 THE SECURITIES ACT OF 1933

INDIVIDUAL INVESTOR GROUP, INC.  
 (Exact name of registrant as specified in its charter)

|                               |                        |
|-------------------------------|------------------------|
| Delaware                      | 13-3487784             |
| State or Jurisdiction of      | (I.R.S. Employer       |
| Incorporation or Organization | Identification Number) |

125 BROAD STREET, 14TH FLOOR  
 NEW YORK, NEW YORK 10004  
 (Address of principal executive offices)

POPPER BENEFIT PLAN  
 PICARD BENEFIT PLANS  
 MORELAND BENEFIT PLAN  
 ALLEN BENEFIT PLAN  
 FLAVIN BENEFIT PLAN  
 (Full title of the Plans)

JONATHAN L. STEINBERG, Chairman  
 Individual Investor Group, Inc.  
 125 Broad Street, 14th Floor  
 New York, New York 10004  
 (212) 742-2277

(Name, address and telephone number, including area code, of agent for service)

with a copy to:

PETER M. ZIEMBA, ESQ.  
 Graubard Mollen & Miller  
 600 Third Avenue  
 New York, New York 10016-2097  
 Telephone: (212) 818-8800

CALCULATION OF REGISTRATION FEE

| Title of Securities<br>to be registered   | Amount to be<br>registered (1) | Proposed maximum<br>offering price<br>per share(2) | Proposed maximum<br>aggregate<br>offering price(2) | Amount of<br>registration fee |
|---|--------------------------------|--|--|-------------------------------|
| =====   | =====                          | =====  | =====  | =====                         |
|   | 250,000                        | \$1.1875   |  |                               |
|   | 62,500                         | \$1.1875   |  |                               |
| Common Stock issuable upon exercise of<br>options granted and outstanding under | 100,000                        | \$1.25   |  |                               |
| individual benefit plans ("Benefit Plans").                                     | 175,000                        | \$2.625  |  |                               |
|   | 43,750                         | \$2.625  |  |                               |
|   | 30,000                         | \$3.25   | \$1,167,812.50                                     | \$324.65                      |
| TOTAL.....  |                                |  |  | -----<br>\$324.65<br>=====    |

(1) The amount being registered represents the maximum number of shares of Common Stock that may be issued by the Company upon exercise of options under the Benefit Plans. Pursuant to Rule 416, there are also being registered additional shares of Common Stock as may become issuable pursuant to the anti-dilution provisions of each of such plans.

(2) Represents the exercise prices payable for the 661,250 shares that may be acquired under outstanding options granted pursuant to the Benefit Plans in accordance with Rule 457(h) promulgated under the Securities Act.

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 In accordance with the provisions of Rule 462 promulgated under the Securities Act of 1933, as amended, the Registration Statement will become effective upon filing with the Securities and Exchange Commission.  
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PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Item 1. Plan Information.\*

Item 2. Registrant Information and Employee Plan Annual Information. \*

\* Information required by Part I to be contained in the Section 10(a) prospectus is omitted from this Registration Statement in accordance with Rule 428 under the Securities Act of 1933 and the Note to Part I of Form S- 8.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents previously filed by the Company with the Securities and Exchange Commission (the "Commission") are incorporated by reference in this Registration Statement:

- (a) The Company's Annual Report on Form 10-K and Form 10-KA for the fiscal year ended December 31, 1998, filed with the Securities and Exchange Commission (the "Commission") pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Exchange Act");
- (b) The Company's Quarterly Reports on Form 10-Q for the periods ended March 31, 1999 and June 30, 1999, filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act;
- (c) The Company's Proxy Statement dated May 7, 1999; and
- (d) The description of the Company's common stock, par value \$.01 per share (the "Common Stock"), contained in the Company's 8-A Registration Statement (No. 1-10932) filed with the Commission pursuant to Section 12(b) of the Exchange Act, including any subsequent amendment(s) or report(s) filed for purpose of updating such description.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the respective date of filing of such documents. Any statement contained in a document incorporated by reference herein is modified or superseded for all purposes to the extent that a statement contained in this Registration Statement or in any other subsequently filed document which is incorporated by reference modifies or replaces such statement.

Item 4. Description of Securities.

The Common Stock of the Company is registered under Section 12(b) of the Exchange Act.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 145 of the General Corporation Law of the State of Delaware empowers a Delaware corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe that such person's conduct was unlawful. The

termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon plea of nolo contendere or its equivalent, does not, of itself, create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action in any of the capacities set forth above against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in and not opposed to the best interests of the corporation, except that indemnification is not permitted in respect of any claim, issue, or matter as to which such person is adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court deems proper. Section 145 further provides: that a Delaware corporation is required to indemnify a director, officer, employee, or agent against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with any action, suit, or proceeding or in defense of any claim, issue, or matter therein as to which such person has been successful on the merits or otherwise; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; that indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of such person's heirs, executors, and administrators; and empowers the corporation to purchase and maintain insurance on behalf of a director or officer against any such liability asserted against such person in any such capacity or arising out of such person's status as such whether or not the corporation would have the power to indemnify him against liability under Section 145. A Delaware corporation may provide indemnification only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct. Such determination is to be made (i) by the board of directors by a majority vote of a quorum consisting of directors who were not party to such action, suit, or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

Article VIII of the Amended and Restated Certificate of Incorporation of the Company and Article VIII of the Bylaws of the Company provides for indemnification of directors and officers of the Company to the fullest extent permitted by law, as now in effect or later amended. Article VIII of the Bylaws provides that expenses incurred by an officer or director in defending a civil or criminal action, suit, or proceeding may be paid by the Company in advance of final disposition upon receipt of an undertaking by or on behalf of such person to repay such amount if it ultimately is determined that such person is not entitled to be indemnified by the Company.

The Company may provide liability insurance for each director and officer for certain losses arising from claims or charges made against them while acting in their capacities as directors or officers of the Company. The Company currently maintains such liability insurance.

Article VII of the Company's Amended and Restated Certificate of Incorporation eliminates the personal liability of the directors of the Company to the fullest extent permitted by the provisions of Section 102 of the Delaware General Corporation Law, as the same may be amended and supplemented.

Additionally, the Company has entered into Indemnification Agreements with certain of its directors and officers whereby the Company has agreed to indemnify, and advance expenses to, each indemnitee to the fullest extent permitted by applicable law. The Indemnification Agreements will continue until and terminate upon the later of (i) ten years after the date that the indemnitee has ceased to serve as a director or officer of the Company or any entity which the indemnitee served at the request of the Company, or (ii) the final termination of all pending proceedings in respect of which the indemnitee is granted rights of indemnification or advancement of expenses or any proceeding commenced by the indemnitee.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits.

Exhibit

| No.  | Description  |
|------|--|
| 4.1  | Stock Option Agreement, dated September 14, 1998, for the purchase of 250,000 shares between Brette Popper and the Company             |
| 4.2  | Stock Option Agreement, dated September 14, 1998, for the purchase of 62,500 shares between Picard International, Ltd. and the Company |
| 4.3  | Stock Option Agreement, dated August 16, 1999, for the purchase of 43,750 shares between Picard International, Ltd. and the Company    |
| 4.4  | Stock Option Agreement, dated November 19, 1998, for the purchase of 100,000 shares between Jonathan Moreland and the Company          |
| 4.5  | Stock Option Agreement, dated August 16, 1999, for the purchase of 175,000 shares between David Allen and the Company                  |
| 4.6  | Stock Option Agreement, dated September 13, 1999, for the purchase of 30,000 shares between Bill Flavin and the Company                |
| 5.1  | Opinion of Graubard Mollen & Miller  |
| 23.1 | Consent of Deloitte & Touche LLP, independent auditors for the Company   |
| 23.2 | Consent of Ernst & Young LLP, independent auditors for WisdomTree Associates, L.P.   |
| 23.3 | Consent of Graubard Mollen & Miller (Included in Exhibit 5.1)  |

Item 9. Undertakings.

(a) The undersigned Company hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the Registration Statement is on Form S-3 or Form S-8, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Company hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing procedures, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the registration of the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on this 29th day of October, 1999.

INDIVIDUAL INVESTOR GROUP, INC.

By: /s/ Jonathan L. Steinberg

-----  
Jonathan L. Steinberg, Chairman of the Board

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jonathan L. Steinberg and Gregory E. Barton his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Registration Statement, including post-effective amendments, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact and agents, each acting alone, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature   | Title  | Date             |
|---|--|------------------|
| /s/ Jonathan L. Steinberg<br>-----<br>Jonathan L. Steinberg   | Chief Executive Officer and<br>Director (Principal Executive<br>Officer) | October 29, 1999 |
| /s/ David Allen<br>-----<br>David Allen                       | Chief Financial Officer  | October 29, 1999 |
| /s/ Henry G. Clark<br>-----<br>Henry G. Clark                 | Vice President - Finance<br>(Principal Accounting Officer)               | October 29, 1999 |
| /s/ S. Christopher Meigher<br>-----<br>S. Christopher Meigher | Director   | October 29, 1999 |
| /s/ Bruce L. Sokoloff<br>-----<br>Bruce L. Sokoloff           | Director   | October 29, 1999 |
| /s/ Peter M. Ziemba<br>-----<br>Peter M. Ziemba               | Director   | October 29, 1999 |

EXHIBIT INDEX

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## STOCK OPTION AGREEMENT

AGREEMENT dated as of the 14 day of September, 1998, by and between Individual Investor Group, Inc., a Delaware corporation ("Company"), and Brette Popper ("Employee").

WHEREAS, the Company and Employee have entered into an Employment Agreement dated September 11, 1998 pursuant to which Employee will be employed by the Company ("Employment Agreement");

WHEREAS, on September 14, 1998 ("Grant Date"), the Stock Option Committee of the Board of Directors of the Company authorized the grant to the Employee of an option ("Option") to purchase an aggregate of 250,000 shares of the authorized but unissued Common Stock of the Company, \$.01 par value ("Common Stock"), conditioned upon the Employee's acceptance thereof upon the terms and conditions set forth in this Agreement and the terms of the Employment Agreement; and

WHEREAS, the Employee desires to acquire the Option on the terms and conditions set forth in this Agreement;

## IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants the Employee the Option to purchase all or any part of an aggregate of 250,000 shares of Common Stock ("Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Employment Agreement.

2. Non-Incentive Stock Option. The Option represented hereby is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$1.1875 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option is exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase 62,500 of the Option Shares shall be exercisable on or after September 14, 1999, (ii) the right to purchase an additional 62,500 of the Option Shares shall be exercisable on and after September 14, 2000 (iii) the right to purchase an additional 62,500 of the Option Shares shall be exercisable on and after September 14, 2001 and (iv) the right to purchase an additional 62,500 of the Option Shares shall be exercisable on or after September 14, 2002. After a portion of the Option becomes exercisable, it shall remain exercisable, except as otherwise provided herein, until the close of business on September 14, 2008 ("Exercise Period").

## 5. Effect of Termination of Employment.

5.1. Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Employee under the will of the Employee, for a period of one year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately terminate upon death.

5.2. Termination Due to Disability. If Employee's employment by the Company terminates by reason of Disability (as such term is defined in the Employment Agreement), the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter

be exercised by the Employee for a period of one year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of the termination of employment shall immediately terminate upon the termination of employment.

## 5.3. Other Termination.

5.3.1. If Employee's employment is terminated by the Company for cause (as defined in Section 9(a) of the Employment Agreement), this Option, whether or not exercisable, shall immediately expire.

5.3.2. If Employee's employment is terminated by the Company without cause (as defined in Section 9(a) of the Employment Agreement), the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by the Employee for a period of one year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The

portion of the Option, if any, that was not exercisable as of the date of the termination of employment shall immediately terminate upon the termination of employment.

5.3.3. If Employee terminates her employment with the Company, this Option, whether or not exercisable, shall immediately expire.

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of the Employee for Federal income tax purposes with respect to the Option, the Employee shall notify the Company of the amount and, to the extent required, pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Employee from the Company.

7. Adjustments. In the event of any recapitalization, dividend (other than cash dividend), stock split, reverse stock split, or other change in capital structure of the Company affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Employee's proportionate interest in the Company and Employee's rights hereunder immediately prior to the reorganization, recapitalization, consolidation, dividend, stock split, reverse stock split or other change, provided that the number of Option Shares shall always be a whole number.

8. Acceleration of Vesting on Change of Control. Notwithstanding the provisions of Sections 4, in the event of a "change of control" (as defined below) while the Employee is employed by the Company, the vesting of this Option shall accelerate and all the Option Shares shall be purchasable by Employee simultaneous with such change of control. For the purposes of this Agreement, a change of control shall mean (i) the acquisition by any "person" (as defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than a stockholder of the Company that, as of the date of this Agreement, is the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act) of 10% or more of the outstanding voting securities of the Company, of more than 50% of the combined voting power of the then outstanding voting securities of the Company or (ii) the sale by the Company of all, or substantially all, of the assets of the Company to one or more purchasers, in one or a series of related transactions, where the transaction or transactions require approval pursuant to Delaware law by the stockholders of the Company.

9. Method of Exercise.

9.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

9.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

9.3. Payment of Purchase Price. The Employee shall make payments by wire transfer, certified or bank check, in each case payable to the order of the Company. Alternatively, the Employee may make arrangements satisfactory to the Company with a bank or a broker who is a member of the National Association of Securities Dealers, Inc. to sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business.

10. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Employee. No transfer of the Option by the Employee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

11. Company Representations. The Company hereby represents and warrants to the Employee that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to the Employee in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

12. Employee Representations. The Employee hereby represents and warrants to the Company that:

(a) she is acquiring the Option and shall acquire the Option Shares for her own account and not with a view towards the distribution thereof;

(b) she has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(c) she understands that she must bear the economic risk of the investment in the Option Shares, which cannot be sold by her unless they are registered under the Securities Act of 1933 ("1933 Act") or an exemption therefrom is available thereunder;

(d) she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(i) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 14, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

13. Restriction on Transfer of Option and Option Shares.

Anything in this Agreement to the contrary notwithstanding and in addition to the provisions of Section 10 of this Agreement, the Employee hereby agrees that she shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by her without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Employee has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

14. Registration Right. The Company agrees to file a

registration statement ("Registration Statement") on Form S-8 (or successor form) to register the Option Shares for issuance to Employee on or prior to the date the Option or any portion thereof first becomes exercisable. The Company will bear all expenses and pay all fees incurred in connection with the filing and modification or amendment of the Registration Statement, exclusive of underwriting discounts, and commissions payable in respect of the sale of the Common Stock and any counsel for the Employee. Moreover, if the Company fails to comply with the provisions of this Section 14, the Company shall, in addition to any other equitable or other relief available to the Employee, be liable for any and all incidental, special and consequential damages and damages due to loss of profits sustained by the Employee.

15. Miscellaneous.

15.1. Notices. Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given upon delivery if delivered in person or by overnight courier (e.g. Federal Express), or on the third business day following deposit in the United States mail, if sent by registered or certified mail, return receipt requested, addressed to the address of the party to receive notice set forth herein, or to such this address as a party shall designate by notice in writing given to the this party in accordance with the terms hereof, except that notices regarding changes in address shall be effective only upon receipt.

15.2. Stockholder Rights. The Employee shall not have any of the rights of a stockholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option. Nothing contained in this Agreement shall be deemed to confer upon Employee any right to continued employment with the Company or any subsidiary thereof, nor shall it interfere in any way with the right of the Company to terminate Employee in accordance with the provisions regarding such termination set forth in Employee's Employment Agreement with the Company, or if there exists no such agreement, to terminate Employee at will.

15.3. Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

15.4. Entire Agreement. This Agreement and the Employment Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended except by writing executed by the party to be charged.

15.5. Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

15.6. Governing Law. This Agreement shall be governed by and construed in accordance with the Internal laws of the State of New York without regard to principles of conflicts of law.

15.7. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

INDIVIDUAL INVESTOR GROUP, INC.

Address:

1633 Broadway, 38th Floor  
New York, New York 10019

By: /s/ Jonathan L. Steinberg

- - - - -

Jonathan L. Steinberg  
Chairman and Chief Executive Officer

EMPLOYEE:

Address:

522 West End Avenue  
Apartment 15A  
New York, New York 10024

/s/ Brette Popper

- - - - -

Brette Popper

FORM OF NOTICE OF EXERCISE OF OPTION

-----  
DATE

Individual Investor Group, Inc.  
1633 Broadway, 38th Floor  
New York, New York 10019

Attention: Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of September 14, 1998 ("Agreement") with Individual Investor Group, Inc. ("Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_; and/or
- confirmation of wire transfer in the amount of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

(i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 ("1933 Act") or an exemption therefrom is available thereunder;

(iv) I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Agreement and the Employment Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 14, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

-----  
(Signature)

-----  
(Address)

-----  
(Print Name)

-----  
(Address)

-----  
(Social Security Number)

## STOCK OPTION AGREEMENT

AGREEMENT dated as of the 14 day of September, 1998, by and between Individual Investor Group, Inc., a Delaware corporation ("Company"), and Picard International, Ltd. ("Picard").

WHEREAS, the Company and Brette Popper ("Popper") have entered into an Employment Agreement dated September 11, 1998 pursuant to which Popper will be employed by the Company ("Employment Agreement");

WHEREAS, Picard was the employment consultant in connection with the Company locating and hiring Popper which is entitled to a fee in respect thereof of which this option is a part;

WHEREAS, on September 14, 1998 ("Grant Date"), the Board of Directors of the Company authorized the grant to Picard of an option ("Option") to purchase an aggregate of 62,500 shares of the authorized but unissued Common Stock of the Company, \$.01 par value ("Common Stock"), conditioned upon Popper's acceptance of, and continued, employment upon the terms and conditions set forth in this Agreement and certain of the terms of the Employment Agreement; and

WHEREAS, Picard desires to acquire the Option on the terms and conditions set forth in this Agreement;

## IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants Picard the Option to purchase all or any part of an aggregate of 62,500 shares of Common Stock ("Option Shares") on the terms and conditions set forth herein and subject to certain provisions of the Employment Agreement.

2. Non-Incentive Stock Option. The Option represented hereby is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$1.1875 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option is exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase 15,625 of the Option Shares shall be exercisable on or after September 14, 1999, (ii) the right to purchase an additional 15,625 of the Option Shares shall be exercisable on and after September 14, 2000, (iii) the right to purchase an additional 15,625 of the Option Shares shall be exercisable on and after September 14, 2001, and (iv) the right to purchase an additional 15,625 of the Option Shares shall be exercisable on or after September 14, 2002. After a portion of the Option becomes exercisable, it shall remain exercisable, except as otherwise provided herein, until the close of business on September 14, 2008 ("Exercise Period").

## 5. Effect of Termination of Employment of Popper.

5.1. Termination Due to Death. If Popper's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by Picard, for a period of one year from the date of such death of Popper or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death of Popper shall immediately terminate upon death.

5.2. Termination Due to Disability. If Popper's employment by the Company terminates by reason of Disability (as such term is defined in the Employment Agreement), the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by Picard for a period of one year from the date of the termination of

the employment of Popper or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of the termination of employment of Popper shall immediately terminate upon the termination of employment.

## 5.3. Other Termination.

5.3.1. If Popper's employment is terminated by the Company for cause (as defined in Section 9(a) of the Employment Agreement), this Option, whether or not exercisable, shall immediately expire.

5.3.2. If Popper's employment is terminated by the Company without cause (as defined in Section 9(a) of the

Employment Agreement), the portion of the Option, if any, that was exercisable as of the date of termination of employment of Popper may thereafter be exercised by Picard for a period of one year from the date of the termination of employment of Popper or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of the termination of employment of Popper shall immediately terminate upon the termination of employment.

5.3.3. If Popper terminates her employment with the Company, this Option, whether or not exercisable, shall immediately expire.

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of Picard for Federal income tax purposes with respect to the Option, Picard shall notify the Company of the amount and, to the extent required, pay to the Company, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Picard from the Company.

7. Adjustments. In the event of any recapitalization, dividend (other than cash dividend), stock split, reverse stock split, or other change in capital structure of the Company affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of Picard's proportionate interest in the Company and Picard's rights hereunder immediately prior to the reorganization, recapitalization, consolidation, dividend, stock split, reverse stock split or other change, provided that the number of Option Shares shall always be a whole number.

8. Acceleration of Vesting on Change of Control. Notwithstanding the provisions of Sections 4, in the event of a "change of control" (as defined below) while Popper is employed by the Company, the vesting of this Option shall accelerate and all the Option Shares shall be purchasable by Picard simultaneous with such change of control. For the purposes of this Agreement, a change of control shall mean (i) the acquisition by any "person" (as defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than a stockholder of the Company which is the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act) of 10% or more of the outstanding voting securities of the Company as of the date of this Agreement, of more than 50% of the combined voting power of the then outstanding voting securities of the Company or (ii) the sale by the Company of all, or substantially all, of the assets of the Company to one or more purchasers, in one or a series of related transactions, where the transaction or transactions require approval pursuant to Delaware law by the stockholders of the Company.

9. Method of Exercise.

9.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

9.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to Picard as soon as practicable after payment therefor.

9.3. Payment of Purchase Price. Picard shall make payments by wire transfer, certified or bank check, in each case payable to the order of the Company. Alternatively, Picard may make arrangements satisfactory to the Company with a bank or a broker who is a member of the National Association of Securities Dealers, Inc. to sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the

number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business.

10. Nonassignability. The Option shall not be assignable or transferable, except with the written approval of the Company. No transfer of the Option by Picard shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

11. Company Representations. The Company hereby represents and warrants to Picard that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to Picard in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

12. Picard's Representations. Picard hereby represents and warrants to the Company that:

(a) it is acquiring the Option and shall acquire the Option Shares for its own account and not with a view towards the distribution thereof;

(b) it has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(c) it understands that it must bear the economic risk of the investment in the Option Shares, which cannot be sold by it unless they are registered under the Securities Act of 1933 ("1933 Act") or an exemption therefrom is available thereunder and that there is no right by it to have the Option Shares registered by the Company under the Act;

(d) it has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) it is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(i) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 14, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

13. Restriction on Transfer of Option and Option Shares.

Anything in this Agreement to the contrary notwithstanding and in addition to the provisions of Section 10 of this Agreement, Picard hereby agrees that it shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by it without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) Picard has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

14. Miscellaneous.

14.1. Notices. Any notices or other communications required or permitted hereunder shall be in writing and shall be deemed given upon delivery if delivered in person or by overnight courier (e.g. Federal Express), or on the third business day following deposit in the United States mail, if sent by registered or certified mail, return receipt requested, addressed to the address of the party to receive notice set forth herein, or to such this address as a party shall designate by notice in writing given to the this party in accordance with the terms hereof, except that notices regarding changes in address shall be effective only upon receipt.

14.2. Stockholder Rights. Picard shall not have any of the rights of a stockholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option.

14.3. Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

14.4. Entire Agreement. This Agreement and where applicable, the Employment Agreement constitute the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended except by writing executed by the party to be charged.

14.5. Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, permitted assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, permitted assigns and representatives any rights, remedies, obligations or liabilities.

14.6. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without regard to principles of conflicts of law.

14.7. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

INDIVIDUAL INVESTOR GROUP, INC.

Address:

1633 Broadway, 38th Floor  
New York, New York 10019

By: /s/ Jonathan L. Steinberg

-----

Jonathan L. Steinberg  
Chairman and Chief Executive Officer

PICARD INTERNATIONAL, LTD.:

Address:

125 East 38th Street  
New York, New York 10016

By: /s/ Daniel A. Picard

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Name: Daniel A. Picard  
Title:

## FORM OF NOTICE OF EXERCISE OF OPTION

-----  
DATE

Individual Investor Group, Inc.  
1633 Broadway, 38th Floor  
New York, New York 10019

Attention: Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of September 14, 1998 ("Agreement") with Individual Investor Group, Inc. ("Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_; and/or
- confirmation of wire transfer in the amount of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

(i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 ("1933 Act") or an exemption therefrom is available thereunder and that I have no right to require the Company to register the Option Shares under the Act;

(iv) I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Agreement and the Employment Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 14, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

-----  
(Signature)

-----  
(Address)

-----  
(Print Name)

-----  
(Address)

-----  
(Social Security Number)

## STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (the "Agreement") is entered into as of August 16, 1999, by and between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation with its principal place of business at 125 Broad Street, 14th Floor, New York, New York 10004 (the "Company"), and Picard International, Ltd., with its principal place of business at 125 East 38th Street, New York, New York 10016 ("Picard").

WHEREAS, in connection with the employment by the Company of David H. Allen (the "Employee"), the Company agreed to issue the Employee an option to purchase an aggregate of 175,000 shares of the Company's Common Stock, on the terms and conditions set forth in the Stock Option Agreement dated as of August 16, 1999 between the Company and the Employee (the "Employee Stock Option Agreement"); and

WHEREAS, in connection with the Company's employment of the Employee, the Company agreed to issue Picard an option to purchase an aggregate of 43,750 shares of the Company's Common Stock, on substantially identical terms and conditions to those set forth in the Employee Stock Option Agreement; and

WHEREAS, on August 16, 1999 (the "Grant Date"), the Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") authorized the grant to Picard of an option (the "Option") to purchase an aggregate of 43,750 shares of the authorized but unissued Common Stock of the Company, \$.01 par value (the "Common Stock"), conditioned upon Picard's acceptance of the grant of the Option upon the terms and conditions set forth in this Agreement; and

WHEREAS, Picard desires to acquire the Option upon the terms and conditions set forth in this Agreement;

## IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants Picard the Option to purchase all or any part of an aggregate of 43,750 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein.

2. Non-Qualified Stock Option. The Option represented hereby shall be a "non-qualified stock option," and is not intended to be an Option

which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$2.625 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option shall be exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase 10,938 of the Option Shares shall be exercisable on or after August 16, 2000 and (ii) the right to purchase one thirty-sixth of the 32,812 share balance of the Option Shares shall be exercisable on or after on the 16th calendar day of each month thereafter. After a portion of the Option becomes exercisable, such portion shall remain exercisable, except as otherwise provided herein, until the close of business on August 15, 2009 ("Exercise Period").

## 5. Effect of Termination of Employee' Employment.

5.1. Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by Picard, for a period of one (1) year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire upon death.

5.2. Termination Due to Disability. If Employee's employment by the Company terminates by reason of disability, the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by Picard for a period of one (1) year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

## 5.3. Other Termination.

(a) If Employee's employment is terminated by the Company or the Employee for any reason other than (i) death or (ii) Disability or (iii) for cause by the Company, then the portion of the Option, if any, that was exercisable as of the date of termination of employment

may thereafter be exercised by Picard for a period of thirty (30) days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, that was not

exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

(b) In the event the Employee's employment is terminated for cause, the Company may require Picard to return to the Company the economic value of any Option Shares purchased hereunder by Picard within the six (6) month period prior to the date of such termination of employment. In such event, Picard hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value of the Option Shares on the date of such termination of employment (or the sales price of such Shares if the Option Shares were sold during such six (6) month period) and the Exercise Price of such Shares. For purposes of this Agreement, the "Fair Market Value" of the Option Shares on a given date (the "Date of Determination") shall mean (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the Date of Determination, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the Date of Determination for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

5.4. "Employment". The Employee shall be considered to be employed by the Company pursuant to this Section 5 if the Employee is an officer, director or full-time employee of the Company (or of any parent, subsidiary or affiliate of the Company) or if the Committee determines in its sole and absolute discretion that the Employee is rendering substantial services to the Company as a part-time employee, consultant or contractor of the Company (or of any parent, subsidiary or affiliate of the Company). The Committee shall have the sole and absolute discretion to determine whether the Employee has ceased to be employed by the Company and the effective date on which such employment terminated.

5.5. No Right to Employment. Nothing in this Agreement shall confer on the Employee any right to continue in the employ of, or other relationship with, the Company (or with any parent, subsidiary or affiliate of the Company) or limit in any way the right of the Company (or of any parent, subsidiary or affiliate of the Company) to terminate the Employee's employment or other relationship with the Company (or with any parent, subsidiary or affiliate of the Company) at any time, with or without cause.

5.6. Competing With the Company. In the event that, within eighteen (18) months after the date of termination of Employee's employment with the Company, Employee accepts employment with any competitor of, or otherwise competes with, the Company, the Committee, in its sole discretion, may require Picard to return to the Company the economic value of any Option Shares purchased hereunder by Picard within the six (6) month period prior to the date of termination or after the date of termination. In such event, Picard agrees to remit the economic value to the Company in accordance with Section 5.3(b).

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of Picard for Federal income tax purposes with respect to the Option, Picard shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. Notwithstanding anything in this Agreement to the contrary, the obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Picard from the Company.

7. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of Picard's proportionate interest in the Company and Picard's rights hereunder, provided that the number of Option Shares shall always be a whole number.

7A. Acceleration of Vesting on Change of Control. Notwithstanding the provisions of Sections 4, in the event of a "change of control" (as defined below) while the Employee is employed by the Company, the vesting of this Option shall accelerate and all the Option Shares shall be purchasable by Picard simultaneous with such change of control. For the purposes of this Agreement, a change of control shall mean (x) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction (but excluding any transfers between any persons who are under common control), or (y) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

8. Method of Exercise.

8.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to Picard as soon as practicable after payment therefor.

8.3. Payment of Purchase Price. Picard shall make pay for the Option Shares by any one or more of the following methods set forth in this Section 8.3.

8.3.1. Cash Payment. Picard shall make cash payments by wire transfer, certified check or bank check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. Payment through Bank or Broker. Picard may make arrangements satisfactory to the Company with a bank or a broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

8.3.3. Cashless Payment. Picard may, in its sole discretion, use shares of Common Stock of the Company that were owned by Picard for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such

shares), or that were obtained by Picard in the open public market, to pay the purchase price for the Option Shares by delivery of one or more stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

8.3.4. Payment of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1., 8.3.2 and 8.3.3.

8.3.5. Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, Picard hereby grants the Company a security interest in the Option Shares as follows: in the event that Picard owes the Company any sum (including without limitation amounts owed pursuant to a loan made by the Company to the Employee), and such sum is past due (the "Past Due Amount"), the Company shall have a security interest in the Option Shares. Picard hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Past Due Amount, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Past Due Amount, and the denominator of which is the Fair Market Value of the Company's Common Stock (as set forth in Section 5.3(b)) as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Past Due Amount.

10. Market Standoff Agreement. Picard agrees that, in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Picard will not sell or otherwise dispose of any Option Shares (including without limitation sale of Option Shares in connection with the exercise method set forth in Section 8.3.2.) or any other securities of the Company without the prior written consent of the Company or such underwriters,

as the case may be, for such period of time from the effective date of such registration as the Company or the underwriters may specify for the Company's employee shareholders generally. Picard understands and agrees that, in order to ensure compliance with the market standoff agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent.

11. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Picard herein is an ISO, and if Picard sells or otherwise disposes of any of the Option Shares acquired pursuant to a whole or partial exercise the Option prior to the later of (a) the second (2nd) anniversary of the Grant Date, or (b) the first (1st) anniversary of the date of exercise of such Option Shares, Picard shall immediately notify the Company in writing of such sale or disposition. Picard acknowledges and agrees that Picard may be subject to income and other tax withholding by the Company on the compensation income recognized by Picard from any such sale or disposition, by payment in cash (or in shares of Common Stock, to the extent permissible under Section 8.3.4.) or out of the current wages or other earnings payable to Employee. Picard hereby authorizes his/her broker(s) to provide the Company, promptly at the Company's request, with any information concerning the Option Shares, now or previously in Picard's account(s) with such broker(s), as the Company may request. Picard agrees that this authorization may not be revoked or modified in any manner except pursuant to a writing signed by both Picard and the Company.

12. Nonassignability. The Option shall not be assignable or transferable.

13. Required Holding Period. This Option and any Common Stock acquired upon its exercise may not be sold, assigned or otherwise transferred prior to the six (6) month anniversary of the Grant Date.

14. Company Representations. The Company hereby represents and warrants to the Employee that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to the Employee in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

15. Picard Representations. Picard hereby represents and warrants to the Company that:

(a) it is acquiring the Option and shall acquire the Option Shares for its own account and not with a view towards the distribution thereof;

(b) it has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last twenty-four (24) months and all reports issued by the Company to its stockholders within the last twenty-four (24) months;

(c) it understands that it must bear the economic risk of the investment in the Option Shares, which cannot be sold by it unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act except as provided in Section 16A below;

(d) it has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) it is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(f) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of August 16, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

16. Restriction on Transfer of Stock Option Agreement and Option Shares. Notwithstanding anything in this Agreement to the contrary, and

in addition to the provisions of Section 12 of this Agreement, Picard hereby agrees that it shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by it without registration under the 1933 Act, or in the event that they are not so registered, unless (a) an exemption from the 1933 Act registration requirements is available thereunder, and (b) Picard has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

16A. Registration Right. The Company agrees to file a registration statement ("Registration Statement") on Form S-8 (or successor form) to register the Option Shares for issuance to Picard on or prior to the date the Option or any portion thereof first becomes exercisable. The Company will bear all expenses and pay all fees incurred in connection with the filing and modification or amendment of the Registration Statement, exclusive of underwriting discounts, and commissions payable in respect of the sale of the Common Stock and any counsel for Picard. Moreover, if the Company fails to comply with the provisions of this Section 16A, the Company shall, in addition to any other equitable or other relief available to Picard, be liable for any and all incidental, special and consequential damages and damages due to loss of profits sustained by Picard.

17. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Picard or the Company to the Committee for review. The resolution of such a dispute by the Board or Committee shall be final and binding on the Company and on Picard.

18. Miscellaneous.

18.1. Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or by private courier (e.g., Federal Express), or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered in person or by private courier, or on the third (3rd) business day following deposit in the United States mail as set forth above.

18.2. [Intentionally omitted.]

18.3. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Option Agreement

shall be binding upon Picard and Picard's legal representatives, successors and assigns.

18.4. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior undertakings and agreements, oral or written, with respect to the subject matter hereof. The Agreement may not be contradicted by evidence of any prior or contemporaneous agreement. To the extent that the policies and procedures of the Company apply to Picard and are inconsistent with the terms of the Agreement, the provisions of the Agreement shall control.

18.5. Amendments; Waivers. The Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the parties (in the case of the Company, such instrument must be signed by the President or Chief Executive Officer of the Company to be effective). No failure to exercise and no delay in exercising any right, remedy, or power under the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under the Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity. All rights and remedies, whether conferred by the Agreement, by any other instrument or by law, shall be cumulative, and may be exercised singularly or concurrently.

18.6. Severability; Enforcement. If any provision of this Agreement is held invalid, illegal or unenforceable in any respect (an "Impaired Provision"), (a) such Impaired Provision shall be interpreted in such a manner as to preserve, to the maximum extent possible, the intent of the parties, (b) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and (c) such decision shall not affect the validity, legality or enforceability of such Impaired Provision under other circumstances. The parties agree to negotiate in good faith and agree upon a provision to substitute for the Impaired Provision in the circumstances in which the Impaired Provision is invalid, illegal or unenforceable.

18.7. Attorneys' Fees. In the event of any arbitration or litigation between the parties arising under or related to this Agreement (a "Covered Dispute"), the substantially prevailing party in the Covered Dispute (the "Prevailing Party") shall be entitled to receive from the other party the Prevailing Party's reasonable attorneys' fees and costs, including, without limitation, the cost at the hourly charges routinely charged therefor by the persons providing the services, reasonable fees and/or allocated costs of staff (in-house) counsel, and fees and expenses of experts retained by counsel in connection with such arbitration or litigation and with any and all appeals or petitions therefrom, in addition to any other relief to which the Prevailing Party may be entitled. A party to a Covered Dispute shall be the Prevailing Party in such Covered Dispute if the claims against such party are dismissed at any stage in the arbitration or litigation.

18.8. Governing Law; Jurisdiction. The Agreement shall be governed by and construed in accordance with the law of the State of New York, without reference to that body of law concerning choice of law or conflicts of law, except that the General Corporation Law of the State of Delaware ("GCL") shall apply to all matters governed by the GCL, including without limitation matters concerning the validity of grants of stock options and actions of the Company's board of directors or any committee thereof. The parties agree that, subject to the agreement to arbitrate disputes set forth in Section 18.12, the sole and exclusive judicial venues for any dispute, difference, cause of action or legal action of any kind that any party, or any officer, director, employee, agent or permitted successor or assign of any party may bring against any other party, or against any officer, director, employee, agent or permitted successor or assign of any party, related to this Agreement (a "Proceeding"), shall be (a) the United States District Court for the Southern District of New York, if such court has statutory jurisdiction over the Proceeding and (b) the Supreme Court of the State of New York in the County of New York (collectively, the "New York Courts"). Each of the parties hereby expressly (i) consents to the personal jurisdiction of each of the New York Courts with respect to any Proceeding; (ii) agrees that service of process in any Proceeding may be effected upon such party in the manner set forth in Section 18.1 (as well as in any other manner prescribed by law); and (iii) waives any objection, whether on the grounds of venue, residence or domicile or on the ground that the Proceeding has been brought in an inconvenient forum, to any Proceeding brought in either of the New York Courts. Notwithstanding the foregoing, nothing in this paragraph alters the parties' agreement to arbitrate disputes as set forth in Section 18.12.

18.9. No Duty to Disclose. Picard acknowledges and agrees that, except for the information provided to Picard by the Company pursuant to Section 15(b) and 15(d) prior to execution of this Agreement, neither the Company nor any of the Company's officers, directors, shareholders, employees, agents or representatives has any duty or obligation to disclose to Picard any information whatsoever, including but not limited to information concerning the Company that might if made public affect the value of the Option Shares. Such information includes without limitation any information concerning the Company's actual or potential financial performance, actual or potential material contracts to which the Company is or may become a party, or actual or potential material transactions that involve or may involve the Company, including but not limited to plans to effect a merger or to acquire or dispose of a material amount of assets. Picard acknowledges and understands that it (a) might exercise its Option (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may decrease after the public dissemination of such information, or (b) might exercise its Option (or a portion thereof) and sell, pledge or encumber the Option Shares (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may increase after the public dissemination of such information; and Picard acknowledges and agrees that it will not bring or participate in any claim whatsoever against the

Company or against any of the Company's officers, directors, shareholders, employees, agents or representatives related to the failure to have disclosed such information prior to Picard's exercise of the Option and/or sale, pledge or encumbrance of the Option Shares.

18.10. Rights of Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

18.11 Headings. The Section headings used herein are for convenience only and do not define, limit or construe the content of such sections. All references in this Agreement to Section numbers refer to Sections of this Agreement, unless otherwise indicated.

18.12. Agreement to Arbitrate. Picard and the Company recognize that differences may arise between them during or following the Employee's employment with the Company, and that those differences may or may not be related to the grant of the Option herein or to the Employee's employment. Picard understands and agrees that by entering into this Agreement, Picard anticipates the benefits of a speedy, impartial dispute-resolution procedure of any such differences. As used in this Section 18.12 and its subparts, the "Company" shall also refer to all benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates, and all successors and assigns of any of them.

(a) Arbitrable Claims. (i) ALL DISPUTES BETWEEN PICARD (AND ITS PERMITTED SUCCESSORS AND ASSIGNS) AND THE COMPANY (AND ITS AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS AND PERMITTED SUCCESSORS AND ASSIGNS) RELATING IN ANY MANNER WHATSOEVER TO THIS AGREEMENT OR TO EMPLOYEE'S EMPLOYMENT OR TO THE TERMINATION THEREOF (COLLECTIVELY, "ARBITRABLE CLAIMS") SHALL BE RESOLVED EXCLUSIVELY BY BINDING ARBITRATION. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation (including but not limited to claims alleging unlawful harassment or discrimination in violation of Title VII and/or Title IX of the U.S. Code, of the Age Discrimination in Employment Act, of the Americans with Disabilities Act, of state statute, or otherwise), excepting only claims under applicable workers' compensation law and unemployment insurance claims. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Except as provided in Section 18.12(a)(ii), the Arbitrator

(as defined below) shall decide whether a claim is an Arbitrable Claim. THE PARTIES HEREBY WAIVE ANY RIGHTS THAT THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS.

(ii) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, HOWEVER, THE COMPANY MAY ENFORCE IN COURT, WITHOUT PRIOR RESORT TO ARBITRATION, ANY CLAIM CONCERNING ACTUAL OR THREATENED UNFAIR COMPETITION AND/OR THE ACTUAL OR THREATENED USE AND/OR UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL OR PROPRIETARY INFORMATION OF THE COMPANY. The court shall determine whether a claim concerns actual or threatened unfair competition and/or the actual or threatened use and/or unauthorized disclosure of confidential or proprietary information of the Company.

(b) Arbitration Procedure.

(i) American Arbitration Association Rules; Initiation of Arbitration; Location of Arbitration. Arbitration of Arbitrable Claims shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA Rules"), except as provided otherwise in this Agreement. Arbitration shall be initiated by providing written notice to the other party with a statement of the claim(s) asserted, the facts upon which the claim(s) are based, and the remedy sought. This notice shall be provided to the other party within six (6) months of the acts or omissions complained of. Any claim not initiated within this limitations period shall be null and void, and the Company and Picard waive all rights under statutes of limitation of different duration. The arbitration shall take place in New York, New York.

(ii) Selection of Arbitrator. All disputes involving Arbitrable Claims shall be decided by a single arbitrator (the "Arbitrator"), who shall be selected as follows. The American Arbitration Association ("AAA") shall give each party a list of eleven (11) arbitrators drawn from its panel of employment arbitrators (the "Name List"). Each party may strike up to six (6) names on the Name List it deems unacceptable, and shall notify the other party of the names it has stricken, within fourteen (14) calendar days of the date the AAA gave notice of the Name List. If only one common name on the Name List remains unstricken by the parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the Name Lists unstricken by parties, Picard shall strike one of the remaining names and notify the Company, within seven (7) calendar days of notification of the list of unstricken names. If, after Picard strikes a name as set forth in the preceding

sentence, there is still two or more unstricken names, the Company and Picard shall alternately strike names (with the Company having the next strike) and notify the other party of the stricken name within seven (7) calendar days, until only one remains. If no common name on the initial the Name List remains unstricken by the parties, the AAA shall furnish an additional list or lists, and the parties shall proceed as set forth above, until an Arbitrator is selected.

(iii) Conduct of the Arbitration.

(A) Discovery. To help prepare for the arbitration, Picard and the Company shall be entitled, at their own expense, to learn about the facts of a claim before the arbitration begins. Each party shall have the right to take the deposition of one (1) individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. Additional discovery may be had only where the Arbitrator so orders, upon a showing of substantial need. At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the arbitration.

(B) Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to award equitable relief, damages, costs and fees as provided by the law for the particular claim(s) asserted. The arbitrator shall not have the power to award remedies or relief that a New York court could not have awarded. The Federal Rules of Evidence shall apply. The burden of proof shall be allocated as provided by applicable law. Except as provided in Section 18(a)(ii), the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of the Agreement, including but not limited to any claim that all or any part of any of the Agreement is void or voidable and any assertion that a dispute between Picard and the Company is not an Arbitrable Claim. The arbitration shall be final and binding upon the parties.

(C) Costs. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of the proceedings. If the Arbitrator orders a stenographic record, the parties shall split the cost. Except as otherwise provided in this Section 18.12 and in Section 18.7, Picard and the Company shall equally share the fees and costs of the arbitration and the Arbitrator.

(c) Confidentiality. All proceedings and documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceeding, their counsel, witnesses and experts, the Arbitrator, and, if involved, the court and court staff. All documents filed with the Arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subparagraph concerning confidentiality.

(d) Enforceability. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as provided above, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 18.12.

INDIVIDUAL INVESTOR GROUP, INC.

By: \_\_\_\_\_  
Jonathan L. Steinberg  
Chief Executive Officer

Acceptance

Picard hereby acknowledges that: it has received a copy of this Agreement; it has had the opportunity to consult legal counsel in regard to this Agreement, and has availed itself of that opportunity to the extent it wishes to do so (it understand the Company's attorneys represent the Company and not Picard, and it has not relied on any advice from the Company's attorneys); it has read and understand this Agreement; II IS FULLY AWARE OF LEGAL EFFECT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE EFFECT OF SECTION 18.12 HEREOF CONCERNING ARBITRATION; and it has entered into this Agreement freely and voluntarily and based on its own judgment and not on any representations or promises other than those contained in this Agreement. Picard accepts this Option subject to all the terms and conditions of this Agreement.

Picard acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Option Shares and that

Picard should consult a tax adviser prior to such exercise or disposition.

PICARD INTERNATIONAL, LTD.

By: \_\_\_\_\_

Daniel Picard

Title: \_\_\_\_\_

## FORM OF NOTICE OF EXERCISE OF OPTION

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 DATE

Individual Investor Group, Inc.  
 125 Broad Street, 14th Floor  
 New York, New York 10004

Attention: Stock Option Committee of the Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of August 16, 1999 ("Agreement") with Individual Investor Group, Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- ( ) a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_;
- ( ) confirmation of wire transfer in the amount of \$\_\_\_\_\_ and/or
- ( ) certificate for \_\_\_\_\_ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

(i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last twenty-four (24) months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of the Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of August 16, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

|                       |                                   |
|-----------------------|-----------------------------------|
| -----<br>(Signature)  | -----<br>(Address)                |
| -----<br>(Print Name) | -----<br>(Address)                |
|                       | -----<br>(Social Security Number) |

## STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (the "Agreement") is entered into as of the 19th day of November, 1998, by and between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation (the "Company"), and Jonathan Moreland (the "Employee").

WHEREAS, on November 19, 1998 (the "Grant Date"), the Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") authorized the grant to the Employee of an option (the "Option") to purchase an aggregate of 100,000 shares of the authorized but unissued Common Stock of the Company, \$.01 par value (the "Common Stock"), conditioned upon the Employee's (a) execution and delivery to the Company of an option exchange agreement (the "Option Exchange Agreement"), (b) surrender to the Company for cancellation a prior option grant as set forth in the Option Exchange Agreement (the "Prior Grant") and (c) acceptance of the grant of the Option upon the terms and conditions set forth in this Agreement; and

WHEREAS the Company and the Employee are parties to a certain Employment Agreement dated as of November 9, 1998 (the "Employment Agreement"); and

WHEREAS, the Employee (a) has executed and delivered to the Company the Option Exchange Agreement, (b) has surrendered to the Company for cancellation the Prior Grant and (c) desires to acquire the Option upon the terms and conditions set forth in this Agreement;

## IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants the Employee the Option to purchase all or any part of an aggregate of 100,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein.

2. Non-Qualified Stock Option. The Option represented hereby shall be a "non-qualified stock option," and is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$1.25 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option shall be exercisable as to 33,333 shares on November 9, 1999, and as to an additional 33,334 shares on November 9, 2000, and as to an additional 33,333 shares on November 9, 2001. After a portion of the Option becomes exercisable, such portion shall remain exercisable, except as otherwise provided herein, until the close of business on November 9, 2008 ("Exercise Period").

## 5. Effect of Termination of Employment.

5.1. Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Employee under the will of the Employee, for a period of one (1) year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire upon death.

5.2. Termination Due to Disability. If Employee's employment by the Company terminates by reason of Disability (as such term is defined in the Employment Agreement), the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by the Employee for a period of one (1) year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

## 5.3. Other Termination.

5.3.1 If Employee's employment is terminated by the Company "for cause" (as defined in Section 8 of the Employment Agreement), this option, whether exercisable or not, shall immediately expire.

5.3.2 If Employee's employment is terminated by the Company without cause, the Option shall immediately become exercisable in full and may thereafter be exercised by the Employee for a period of one (1) year from the date of termination of employment or until the

expiration of the Exercise Period, whichever period is shorter.

5.3.3 If Employee terminates his employment with the Company, this Option, whether or not exercisable, shall immediately expire.

5.3.4 In the event the Employee's employment is terminated for cause, the Company may require the Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six (6) month period prior to the date of such termination of employment. In such event, the Employee hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value of the Option Shares on the date of such termination of employment (or the sales price of such Shares if the Option Shares were sold during such six (6) month period) and the Exercise Price of such Shares. For purposes of this Agreement, the "Fair Market Value" of the Option Shares on a given date (the "Date of Determination") shall mean (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the Date of Determination, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the Date of Determination for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

5.4. "Employment". The Employee shall be considered to be employed by the Company pursuant to this Section 5 if the Employee is an officer, director or full-time employee of the Company (or of any parent, subsidiary or affiliate of the Company) or if the Committee determines in its sole and absolute discretion that the Employee is rendering substantial services to the Company as a part-time employee, consultant or contractor of the Company (or of any parent, subsidiary or affiliate of the Company). The Committee shall have the sole and absolute discretion to determine whether the Employee has ceased to be employed by the Company and the effective date on which such employment terminated.

5.5. No Right to Employment. Nothing in this Agreement shall confer on the Employee any right to continue in the employ of, or other relationship with, the Company (or with any parent, subsidiary or affiliate of the Company) or limit in any way the right of the Company (or of any parent, subsidiary or affiliate of the Company) to terminate the Employee's employment or other relationship with the Company (or with any parent, subsidiary or affiliate of the Company) at any time, with or without cause.

5.6. Competing With the Company. In the event that, within eighteen (18) months after the date of termination of Employee's employment with the Company, Employee accepts employment with any competitor of, or otherwise competes with, the Company, the Committee, in its sole discretion, may require Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six (6) month period prior to the date of termination or after the date of termination. In such event, Employee agrees to remit the economic value to the Company in accordance with Section 5.3(b).

5A. Acceleration of Vesting on Change in Control.

Notwithstanding the provisions of Section 5, in the event of a "change of control" (as defined below) while the Employee is employed by the Company, the vesting of this Option shall accelerate and all the Option Shares shall be purchasable by Employee simultaneous with such change of control. For the purposes of this Agreement, a change of control shall mean (i) the acquisition by any "person" (as defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than a stockholder of the Company that, as of the date of this Agreement, is the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act) of ten percent (10%) or more of the outstanding voting securities of the Company, of more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Company or (ii) the sale by the Company of all, or substantially all, of the assets of the Company to one or more purchasers, in one or a series of related transactions, where the transaction or transactions require approval pursuant to Delaware law by the stockholders of the Company.

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of the Employee for Federal income tax purposes with respect to the Option, the Employee shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. Notwithstanding anything in this Agreement to the contrary, the obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Employee from the Company.

7. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Employee's proportionate interest in the Company and Employee's rights hereunder, provided that the number of Option Shares shall always be a whole number.

8. Method of Exercise.

8.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

8.3. Payment of Purchase Price. The Employee shall make pay for the Option Shares by any one or more of the following methods set forth in this Section 8.3.

8.3.1. Cash Payment. The Employee shall make cash payments by wire transfer, certified check or bank check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. Payment through Bank or Broker. The Employee may make arrangements satisfactory to the Company with a bank or a broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

8.3.3. Cashless Payment. The Employee may, in his or her sole discretion, use shares of Common Stock of the Company that were owned by the Employee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares), or that were obtained by the Employee in the open public market, to pay the purchase price for the Option Shares by delivery of one or more stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

8.3.4. Payment of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1., 8.3.2 and 8.3.3.

8.3.5. Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, the Employee hereby grants the Company a security interest in the Option Shares as follows: in the event that the Employee owes the Company any sum (including without limitation amounts owed pursuant to a loan made by the Company to the Employee), and such sum is past due (the "Past Due Amount"), the

Company shall have a security interest in the Option Shares. The Employee hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Past Due Amount, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Past Due Amount, and the denominator of which is the Fair Market Value of the Company's Common Stock (as set forth in Section 5.3(b)) as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Past Due Amount.

10. Market Standoff Agreement. The Employee agrees that, in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, the Employee will not sell or otherwise dispose of any Option Shares (including without limitation sale of Option Shares in connection with the exercise method set forth in Section 8.3.2.) or any other securities of the Company without the prior written consent of the Company or such underwriters, as the case may be, for such period of time from the effective date of such registration as the Company or the underwriters may specify for the Company's employee shareholders generally. The Employee understands and agrees that, in order to ensure compliance with the market standoff agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent.

11. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to the Employee herein is an ISO, and if the Employee sells or otherwise disposes of any of the Option Shares acquired pursuant to a whole or partial exercise the Option prior to the later of (a) the second (2nd) anniversary of the Grant Date, or (b) the first (1st) anniversary of the date of exercise of such Option Shares, the Employee shall immediately notify the Company in writing of such sale or disposition. The Employee acknowledges and agrees that the Employee may be subject to income and other tax withholding by the Company on the compensation income recognized by the Employee from any such sale or disposition, by payment in cash (or in shares of Common Stock, to the extent permissible under Section 8.3.4.) or out of the current wages or other earnings payable to Employee. The Employee hereby authorizes his/her broker(s) to provide the Company, promptly at the Company's request, with any information concerning the Option Shares, now or previously in Employee's account(s) with such broker(s), as the Company may request. The Employee agrees that this authorization may not be revoked or modified in any manner except pursuant to a writing signed by both the Employee and the Company.

12. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Employee. No transfer of the Option by the Employee by will or by the laws of descent and distribution shall be effective to bind the

Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

13. Required Holding Period. This Option and any Common Stock acquired upon its exercise may not be sold, assigned or otherwise transferred prior to the six (6) month anniversary of the Grant Date.

14. Company Representations. The Company hereby represents and warrants to the Employee that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to the Employee in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

15. Employee Representations. The Employee hereby represents and warrants to the Company that:

(a) he or she is acquiring the Option and shall acquire the Option Shares for his or her own account and not with a view towards the distribution thereof;

(b) he or she has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last twenty-four (24) months and all reports issued by the Company to its stockholders within the last twenty-four (24) months;

(c) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him or her unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(d) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) he or she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(f) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of November 19, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

16. Restriction on Transfer of Stock Option Agreement and Option Shares. Notwithstanding anything in this Agreement to the contrary, and in addition to the provisions of Section 12 of this Agreement, the Employee hereby agrees that he or she shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him or her without registration under the 1933 Act, or in the event that they are not so registered, unless (a) an exemption from the 1933 Act registration requirements is available thereunder, and (b) the Employee has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

16A. Registration Right. The Company agrees to file a registration statement ("Registration Statement") on Form S-8 (or successor form) to register the Option Shares for issuance to Employee on or prior to the date the Option or any portion thereof first becomes exercisable. The Company will bear all expenses and pay all fees incurred in connection with the filing and modification or amendment of the Registration Statement, exclusive of underwriting discounts, and commissions payable in respect of the sale of the Common Stock and any counsel for the Employee. Moreover, if the Company fails to comply with the provisions of this Section 14, the Company shall, in addition to any other equitable or other relief available to the Employee, be liable for any and all incidental, special and consequential damages and damages due to loss of profits sustained by the Employee.

17. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Employee or the Company to the Committee for review. The resolution of such a dispute by the Board or Committee shall be final and binding on the Company and on the Employee.

18. Miscellaneous.

18.1. Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or by private courier (e.g., Federal Express), or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered in person or by private courier, or on the third (3rd) business day following deposit in the United States mail as set forth above.

18.2. [Intentionally omitted.]

18.3. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Option Agreement shall be binding upon the Employee and the Employee's heirs, executors, administrators, legal representatives, successors and assigns.

18.4. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior undertakings and agreements, oral or written, with respect to the subject matter hereof. The Agreement may not be contradicted by evidence of any prior or contemporaneous agreement. To the extent that the policies and procedures of the Company apply to the Employee and are inconsistent with the terms of the Agreement, the provisions of the Agreement shall control.

18.5. Amendments; Waivers. The Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the parties (in the case of the Company, such instrument must be signed by the President or Chief Executive Officer of the Company to be effective). No failure to exercise and no delay in exercising any right, remedy, or power under the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under the Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity. All rights and remedies, whether conferred by the Agreement, by any other instrument or by law, shall be cumulative, and may be exercised singularly or concurrently.

18.6. Severability; Enforcement. If any provision of this Agreement is held invalid, illegal or unenforceable in any respect (an "Impaired Provision"), (a) such Impaired Provision shall be interpreted in such a manner as to preserve, to the maximum extent possible, the intent of the parties, (b) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and (c) such decision shall not affect the validity, legality or enforceability of such Impaired Provision under other circumstances. The parties agree to negotiate in good faith and agree upon a provision to substitute for the Impaired Provision in the circumstances in which the Impaired Provision is invalid, illegal or unenforceable.

18.7. Attorneys' Fees. In the event of any arbitration or litigation between the parties arising under or related to this Agreement (a "Covered Dispute"), the substantially prevailing party in the Covered Dispute (the "Prevailing Party") shall be entitled to receive from the other party the Prevailing Party's reasonable attorneys' fees and costs, including, without limitation, the cost at the hourly charges routinely charged therefor by the persons providing the services, reasonable fees and/or allocated costs of staff (in-house) counsel, and fees and expenses of experts retained by counsel in connection with such arbitration or litigation and with any and all appeals or petitions therefrom, in addition to any other relief to which the Prevailing Party may be entitled. A party to a Covered Dispute shall be the Prevailing Party in such Covered Dispute if the claims against such party are dismissed at any stage in the arbitration or litigation.

18.8. Governing Law; Jurisdiction. The Agreement shall be governed by and construed in accordance with the law of the State of New York, without reference to that body of law concerning choice of law or conflicts of law, except that the General Corporation Law of the State of Delaware ("GCL") shall apply to all matters governed by the GCL, including without limitation matters concerning the validity of grants of stock options and actions of the Company's board of directors or any committee thereof. The parties agree that, subject to the agreement to arbitrate disputes set forth in Section 18.12, the sole and exclusive judicial venues for any dispute, difference, cause of action or legal action of any kind that any party, or any officer, director, employee, agent or permitted successor or assign of any party may bring against any other party, or against any officer, director, employee, agent or permitted successor or assign of any party, related to this Agreement (a "Proceeding"), shall be (a) the United States District Court for the Southern District of New York, if such court has statutory jurisdiction over the Proceeding and (b) the Supreme Court of the State of New York in the County of New York (collectively, the "New York Courts"). Each of the parties hereby expressly (i) consents to the personal jurisdiction of each of the New York Courts with respect to any Proceeding; (ii) agrees that service of process in any Proceeding may be effected upon such party in the manner set forth in Section 18.1 (as well as in any other manner prescribed by law); and (iii) waives any objection, whether on the grounds of venue, residence or domicile or on the ground that the Proceeding has been brought in an inconvenient forum, to any Proceeding brought in either of the New York Courts. Notwithstanding the foregoing, nothing in this paragraph alters the parties' agreement to arbitrate disputes as set forth in Section 18.12.

18.9. No Duty to Disclose. The Employee acknowledges and agrees that, except for the information provided to the Employee by the Company pursuant to Section 15(b) and 15(d) prior to execution of this Agreement, neither the Company nor any of the Company's officers, directors, shareholders, employees, agents or representatives has any duty or obligation to disclose to the Employee any information whatsoever, including but not limited to information concerning the Company that might if made public affect the value of the Option Shares. Such information includes without limitation any information concerning the Company's actual or potential financial performance, actual or potential material contracts to which the Company is or may become a party, or actual or potential material transactions that involve or may involve the Company, including but not limited to plans to effect a merger or to acquire or dispose of a material amount of assets. The Employee acknowledges and understands that he or she (a) might exercise his or her Option (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may decrease after the public dissemination of such information, or (b) might exercise his or her Option (or a portion thereof) and sell, pledge or encumber the Option Shares (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may increase after the public dissemination of such information; and the Employee acknowledges and agrees that he or she will not bring or participate in any claim whatsoever against the Company or against any of the Company's officers, directors, shareholders, employees, agents or representatives related to the failure to have disclosed such information prior to the Employee's exercise of the Option and/or sale, pledge or encumbrance of the Option Shares.

18.10. Rights of Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

18.11 Headings. The Section headings used herein are for convenience only and do not define, limit or construe the content of such sections. All references in this Agreement to Section numbers refer to Sections of this Agreement, unless otherwise indicated.

18.12. Agreement to Arbitrate. The Employee and the Company recognize that differences may arise between them during or following the Employee's employment with the Company, and that those differences may or may not be related to the grant of the Option herein or to the Employee's employment. The Employee understands and agrees that by entering into this Agreement, the Employee anticipates the benefits of a speedy, impartial dispute-resolution procedure of any such differences. As used in this Section 18.12 and its subparts, the "Company" shall also refer to all benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates, and all successors and assigns of any of them.

(a) Arbitrable Claims. (i) ALL DISPUTES BETWEEN THE EMPLOYEE (AND HIS OR HER PERMITTED SUCCESSORS AND ASSIGNS) AND THE COMPANY (AND ITS AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS AND PERMITTED SUCCESSORS AND ASSIGNS) RELATING IN ANY MANNER WHATSOEVER TO EMPLOYEE'S EMPLOYMENT OR TO THE TERMINATION THEREOF, INCLUDING WITHOUT LIMITATION ALL DISPUTES ARISING UNDER THIS AGREEMENT (COLLECTIVELY, "ARBITRABLE CLAIMS") SHALL BE RESOLVED EXCLUSIVELY BY BINDING ARBITRATION. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation (including but not limited to claims alleging unlawful harassment or discrimination in violation of Title VII and/or Title IX of the U.S. Code, of the Age Discrimination in Employment Act, of the Americans with Disabilities Act, of state statute, or otherwise), excepting only claims under applicable workers' compensation law and unemployment insurance claims. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Except as provided in Section 18.12(a)(ii), the Arbitrator (as defined below) shall decide whether a claim is an Arbitrable Claim. THE PARTIES HEREBY WAIVE ANY RIGHTS THAT THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS.

(ii) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, HOWEVER, THE COMPANY MAY ENFORCE IN COURT, WITHOUT PRIOR RESORT TO ARBITRATION, ANY CLAIM CONCERNING ACTUAL OR THREATENED UNFAIR COMPETITION AND/OR THE ACTUAL OR THREATENED USE AND/OR UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL OR

PROPRIETARY INFORMATION OF THE COMPANY. The court shall determine whether a claim concerns actual or threatened unfair competition and/or the actual or threatened use and/or unauthorized disclosure of confidential or proprietary information of the Company.

(b) Arbitration Procedure.

(i) American Arbitration Association Rules; Initiation of Arbitration; Location of Arbitration. Arbitration of Arbitrable Claims shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA Rules"), except as provided otherwise in this Agreement. Arbitration shall be initiated by providing written notice to the other party with a statement of the claim(s) asserted, the facts upon which the claim(s) are based, and the remedy sought. This notice shall be provided to the other party within six (6) months of the acts or omissions complained of. Any claim not initiated within this limitations period shall be null and void, and the Company and the Employee waive all rights under statutes of limitation of different duration. The arbitration shall take place in New York, New York.

(ii) Selection of Arbitrator. All disputes involving Arbitrable Claims shall be decided by a single arbitrator (the "Arbitrator"), who shall be selected as follows. The American Arbitration Association ("AAA") shall give each party a list of eleven (11) arbitrators drawn from its panel of employment arbitrators (the "Name List"). Each party may strike up to six (6) names on the Name List it deems unacceptable, and shall notify the other party of the names it has stricken, within fourteen (14) calendar days of the date the AAA gave notice of the Name List. If only one common name on the Name List remains unstricken by the parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the Name Lists unstricken by parties, Employee shall strike one of the remaining names and notify the Company, within seven (7) calendar days of notification of the list of unstricken names. If, after Employee strikes a name as set forth in the preceding sentence, there is still two or more unstricken names, the Company and the Employee shall alternately strike names (with the Company having the next strike) and notify the other party of the stricken name within seven (7) calendar days, until only one remains. If no common name on the initial the Name List remains unstricken by the parties, the AAA shall furnish an additional list or lists, and the parties shall proceed as set forth above, until an Arbitrator is selected.

(iii) Conduct of the Arbitration.

(A) Discovery. To help prepare for the arbitration, the Employee and the Company shall be entitled, at their own expense, to learn about the facts of a claim before the arbitration begins. Each party shall have the right to take the deposition of one (1) individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. Additional discovery may be had only where the Arbitrator so orders, upon a showing of substantial need. At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the arbitration.

(B) Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems

necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to award equitable relief, damages, costs and fees as provided by the law for the particular claim(s) asserted. The arbitrator shall not have the power to award remedies or relief that a New York court could not have awarded. The Federal Rules of Evidence shall apply. The burden of proof shall be allocated as provided by applicable law. Except as provided in Section 18(a)(ii), the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of the Agreement, including but not limited to any claim that all or any part of any of the Agreement is void or voidable and any assertion that a dispute between the Employee and the Company is not an Arbitrable Claim. The arbitration shall be final and binding upon the parties.

(C) Costs. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of the proceedings. If the Arbitrator orders a stenographic record, the parties shall split the cost. Except as otherwise provided in this Section 18.12 and in Section 18.7, the Employee and the Company shall equally share the fees and costs of the arbitration and the Arbitrator.

(c) Confidentiality. All proceedings and documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceeding, their counsel, witnesses and experts, the Arbitrator, and, if involved, the court and court staff. All documents filed with the Arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subparagraph concerning confidentiality.

(d) Enforceability. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as provided above, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to

any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 18.12.

INDIVIDUAL INVESTOR GROUP, INC.  
1633 Broadway, 38th Floor  
New York, New York 10019

By: \_\_\_\_\_  
Jonathan L. Steinberg  
Chief Executive Officer

Acceptance

The Employee hereby acknowledges: I have received a copy of this Agreement; I have had the opportunity to consult legal counsel in regard to this Agreement, and have availed myself of that opportunity to the extent I wish to do so (I understand the Company's attorneys represent the Company and not myself, and I have not relied on any advice from the Company's attorneys); I have read and understand this Agreement; I AM FULLY AWARE OF LEGAL EFFECT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE EFFECT OF SECTION 18.12 HEREOF CONCERNING ARBITRATION; and I have entered into this Agreement freely and voluntarily and based on my own judgment and not on any representations or promises other than those contained in this Agreement. The Employee accepts this Option subject to all the terms and conditions of this Agreement.

The Employee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Option Shares and that the Employee should consult a tax adviser prior to such exercise or disposition.

\_\_\_\_\_  
Date

\_\_\_\_\_  
The Employee

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

## FORM OF NOTICE OF EXERCISE OF OPTION

\_\_\_\_\_  
DATE

Individual Investor Group, Inc.  
1633 Broadway, 38th Floor  
New York, New York 10019

Attention: Stock Option Committee of the Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of November 19, 1998 ("Agreement") with Individual Investor Group, Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- ( ) a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_;
- ( ) confirmation of wire transfer in the amount of \$\_\_\_\_\_ and/or
- ( ) certificate for any Arbitrable Claim. The \_\_\_\_\_ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

(i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last twenty-four (24) months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of the Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of November 19, 1998, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

-----  
(Signature)

-----  
(Address)

-----  
(Print Name)

-----  
(Address)

-----  
(Social Security Number)

## STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (the "Agreement") is entered into as of August 16, 1999, by and between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation with its principal place of business at 125 Broad Street, 14th Floor, New York, New York 10004 (the "Company"), and David H. Allen, an individual residing at \_\_\_\_\_ (the "Employee").

WHEREAS, on August 16, 1999 (the "Grant Date"), the Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") authorized the grant to the Employee of an option (the "Option") to purchase an aggregate of 175,000 shares of the authorized but unissued Common Stock of the Company, \$.01 par value (the "Common Stock"), conditioned upon the Employee's acceptance of the grant of the Option upon the terms and conditions set forth in this Agreement; and

WHEREAS, the Employee desires to acquire the Option upon the terms and conditions set forth in this Agreement;

IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants the Employee the Option to purchase all or any part of an aggregate of 175,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein.

2. Non-Qualified Stock Option. The Option represented hereby shall be a "non-qualified stock option," and is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$2.625 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option shall be exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase 43,750 of the Option Shares shall be exercisable on or after August 16, 2000 and (ii) the right to purchase one thirty-sixth of the 131,250 share balance of the Option Shares shall be exercisable on or after on the 16th calendar day of each month thereafter. After a portion of the Option becomes exercisable, such portion shall remain exercisable, except as otherwise provided herein, until the close of business on August 15, 2009 ("Exercise Period").

5. Effect of Termination of Employment.

5.1. Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Employee under the will of the Employee, for a period of one (1) year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire upon death.

5.2. Termination Due to Disability. If Employee's employment by the Company terminates by reason of disability, the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by the Employee for a period of one (1) year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

5.3. Other Termination.

(a) If Employee's employment is terminated by the Company or the Employee for any reason other than (i) death or (ii) Disability or (iii) for cause by the Company, then the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by the Employee for a period of thirty (30) days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

(b) In the event the Employee's

employment is terminated for cause, the Company may require the Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six (6) month period prior to the date of such termination of employment. In such event, the Employee hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value of the Option Shares on the date of such termination of employment (or the sales price of such Shares if the Option Shares were sold

during such six (6) month period) and the Exercise Price of such Shares. For purposes of this Agreement, the "Fair Market Value" of the Option Shares on a given date (the "Date of Determination") shall mean (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the Date of Determination, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the Date of Determination for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

5.4. "Employment". The Employee shall be considered to be employed by the Company pursuant to this Section 5 if the Employee is an officer, director or full-time employee of the Company (or of any parent, subsidiary or affiliate of the Company) or if the Committee determines in its sole and absolute discretion that the Employee is rendering substantial services to the Company as a part-time employee, consultant or contractor of the Company (or of any parent, subsidiary or affiliate of the Company). The Committee shall have the sole and absolute discretion to determine whether the Employee has ceased to be employed by the Company and the effective date on which such employment terminated.

5.5. No Right to Employment. Nothing in this Agreement shall confer on the Employee any right to continue in the employ of, or other relationship with, the Company (or with any parent, subsidiary or affiliate of the Company) or limit in any way the right of the Company (or of any parent, subsidiary or affiliate of the Company) to terminate the Employee's employment or other relationship with the Company (or with any parent, subsidiary or affiliate of the Company) at any time, with or without cause.

5.6. Competing With the Company. In the event that, within eighteen (18) months after the date of termination of Employee's employment with the Company, Employee accepts employment with any competitor of, or otherwise competes with, the Company, the Committee, in its sole discretion, may require Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six (6) month period prior to the date of termination or after the date of termination. In such event, Employee agrees to remit the economic value to the Company in accordance with Section 5.3(b).

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of the Employee for Federal income tax purposes with respect to the Option, the Employee shall pay to the

Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. Notwithstanding anything in this Agreement to the contrary, the obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Employee from the Company.

7. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Employee's proportionate interest in the Company and Employee's rights hereunder, provided that the number of Option Shares shall always be a whole number.

7A. Acceleration of Vesting on Change of Control. Notwithstanding the provisions of Sections 4, in the event of a "change of control" (as defined below) while the Employee is employed by the Company, the vesting of this Option shall accelerate and all the Option Shares shall be purchasable by Employee simultaneous with such change of control. For the purposes of this Agreement, a change of control shall mean (x) a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction (but excluding any transfers between any persons who are under common control), or (y) the sale, transfer or other disposition of all or substantially all of the Company's assets in complete liquidation or dissolution of the Company.

8. Method of Exercise.

8.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

8.3. Payment of Purchase Price. The Employee shall make pay for the Option Shares by any one or more of the following methods set forth in this Section 8.3.

8.3.1. Cash Payment. The Employee shall make cash payments by wire transfer, certified check or bank check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. Payment through Bank or Broker. The Employee may make arrangements satisfactory to the Company with a bank or a broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

8.3.3. Cashless Payment. The Employee may, in his or her sole discretion, use shares of Common Stock of the Company that were owned by the Employee for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares), or that were obtained by the Employee in the open public market, to pay the purchase price for the Option Shares by delivery of one or more stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

8.3.4. Payment of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1., 8.3.2 and 8.3.3.

8.3.5. Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, the Employee hereby grants the Company a security interest in the Option Shares as follows: in the event that the Employee owes the Company any sum (including without limitation amounts owed pursuant to a loan made by the Company to the Employee), and such sum is past due (the "Past Due Amount"), the Company shall have a security interest in the Option Shares. The Employee hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Past Due Amount, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Past Due Amount, and the denominator of

which is the Fair Market Value of the Company's Common Stock (as set forth in Section 5.3(b)) as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Past Due Amount.

10. Market Standoff Agreement. The Employee agrees that, in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, the Employee will not sell or otherwise dispose of any Option Shares (including without limitation sale of Option Shares in connection with the exercise method set forth in Section 8.3.2.) or any other securities of the Company without the prior written consent of the Company or such underwriters, as the case may be, for such period of time from the effective date of such registration as the Company or the underwriters may specify for the Company's employee shareholders generally. The Employee understands and agrees that, in order to ensure compliance with the market standoff agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent.

11. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to the Employee herein is an ISO, and if the Employee sells or otherwise disposes of any of the Option Shares acquired pursuant to a whole or partial exercise the Option prior to the later of (a) the second (2nd) anniversary of the Grant Date, or (b) the first (1st) anniversary of the date of exercise of such Option Shares, the Employee shall immediately notify the Company in writing of such sale or disposition. The Employee acknowledges and agrees that the Employee may be subject to income and other tax withholding by the Company on the compensation income recognized by the Employee from any such sale or disposition, by payment in cash (or in shares of Common Stock, to the extent permissible under Section 8.3.4.) or out of the current wages or other earnings payable to Employee. The Employee hereby authorizes his/her broker(s) to provide the Company, promptly at the Company's request, with any information concerning the Option Shares, now or previously in Employee's account(s) with such broker(s), as the Company may request. The Employee agrees that this authorization may not be revoked or modified in any manner except pursuant to a writing signed by both the Employee and the Company.

12. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Employee. No transfer of the Option by the Employee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

13. Required Holding Period. This Option and any Common Stock acquired upon its exercise may not be sold, assigned or otherwise transferred prior to the six (6) month anniversary of the Grant Date.

14. Company Representations. The Company hereby represents and warrants to the Employee that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to the Employee in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

15. Employee Representations. The Employee hereby represents and warrants to the Company that:

(a) he or she is acquiring the Option and shall acquire the Option Shares for his or her own account and not with a view towards the distribution thereof;

(b) he or she has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last twenty-four (24) months and all reports issued by the Company to its stockholders within the last twenty-four (24) months;

(c) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him or her unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act except as provided in Section 16A below;

(d) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) he or she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(f) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of August 16, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

16. Restriction on Transfer of Stock Option Agreement and Option Shares. Notwithstanding anything in this Agreement to the contrary, and in addition to the provisions of Section 12 of this Agreement, the Employee

hereby agrees that he or she shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him or her without registration under the 1933 Act, or in the event that they are not so registered, unless (a) an exemption from the 1933 Act registration requirements is available thereunder, and (b) the Employee has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

16A. Registration Right. The Company agrees to file a registration statement ("Registration Statement") on Form S-8 (or successor form) to register the Option Shares for issuance to Employee on or prior to the date the Option or any portion thereof first becomes exercisable. The Company will bear all expenses and pay all fees incurred in connection with the filing and modification or amendment of the Registration Statement, exclusive of underwriting discounts, and commissions payable in respect of the sale of the Common Stock and any counsel for the Employee. Moreover, if the Company fails to comply with the provisions of this Section 16A, the Company shall, in addition to any other equitable or other relief available to the Employee, be liable for any and all incidental, special and consequential damages and damages due to loss of profits sustained by the Employee.

17. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by the Employee or the Company to the Committee for review. The resolution of such a dispute by the Board or Committee shall be final and binding on the Company and on the Employee.

18. Miscellaneous.

18.1. Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or by private courier (e.g., Federal Express), or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered in person or by private courier, or on the third (3rd) business day following deposit in the United States mail as set forth above.

18.2. [Intentionally omitted.]

18.3. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Option Agreement shall be binding upon the Employee and the Employee's heirs, executors, administrators, legal representatives, successors and assigns.

18.4. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior undertakings and agreements, oral or written, with respect to the subject matter hereof. The Agreement may not be contradicted by evidence of any prior or

contemporaneous agreement. To the extent that the policies and procedures of the Company apply to the Employee and are inconsistent with the terms of the Agreement, the provisions of the Agreement shall control.

18.5. Amendments; Waivers. The Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the parties (in the case of the Company, such instrument must be signed by the President or Chief Executive Officer of the Company to be effective). No failure to exercise and no delay in exercising any right, remedy, or power under the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under the Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity. All rights and remedies, whether conferred by the Agreement, by any other instrument or by law, shall be cumulative, and may be exercised singularly or concurrently.

18.6. Severability; Enforcement. If any provision of this Agreement is held invalid, illegal or unenforceable in any respect (an "Impaired Provision"), (a) such Impaired Provision shall be interpreted in such a manner as to preserve, to the maximum extent possible, the intent of the parties, (b) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and (c) such decision shall not affect the validity, legality or enforceability of such Impaired Provision under other circumstances. The parties agree to negotiate in good faith and agree upon a provision to substitute for the Impaired Provision in the circumstances in which the Impaired Provision is invalid, illegal or unenforceable.

18.7. Attorneys' Fees. In the event of any arbitration or litigation between the parties arising under or related to this Agreement (a "Covered Dispute"), the substantially prevailing party in the Covered Dispute (the "Prevailing Party") shall be entitled to receive from the other party the Prevailing Party's reasonable attorneys' fees and costs, including, without limitation, the cost at the hourly charges routinely charged therefor by the persons providing the services, reasonable fees and/or allocated costs of staff (in-house) counsel, and fees and expenses of experts retained by counsel in connection with such arbitration or litigation and with any and all appeals or petitions therefrom, in addition to any other relief to which the Prevailing Party may be entitled. A party to a Covered Dispute shall be the Prevailing Party in such Covered Dispute if the claims against such party are dismissed at any stage in the arbitration or litigation.

18.8. Governing Law; Jurisdiction. The Agreement shall be governed by and construed in accordance with the law of the State of New York, without reference to that body of law concerning choice of law or conflicts of law, except that the General Corporation Law of the State of Delaware ("GCL") shall apply to all matters governed by the GCL, including without limitation matters concerning the validity of grants of stock options and actions of the Company's board of directors or any committee thereof. The parties agree that, subject to the agreement to arbitrate disputes set forth in Section 18.12, the sole and exclusive judicial venues for any dispute, difference, cause of action or legal action of any kind that any party, or any officer, director, employee, agent or permitted successor or assign of any party may bring against any other party, or against any officer, director, employee, agent or permitted successor or assign of any party, related to this Agreement (a "Proceeding"), shall be (a) the United States District Court for the Southern

District of New York, if such court has statutory jurisdiction over the Proceeding and (b) the Supreme Court of the State of New York in the County of New York (collectively, the "New York Courts"). Each of the parties hereby expressly (i) consents to the personal jurisdiction of each of the New York Courts with respect to any Proceeding; (ii) agrees that service of process in any Proceeding may be effected upon such party in the manner set forth in Section 18.1 (as well as in any other manner prescribed by law); and (iii) waives any objection, whether on the grounds of venue, residence or domicile or on the ground that the Proceeding has been brought in an inconvenient forum, to any Proceeding brought in either of the New York Courts. Notwithstanding the foregoing, nothing in this paragraph alters the parties' agreement to arbitrate disputes as set forth in Section 18.12.

18.9. No Duty to Disclose. The Employee acknowledges and agrees that, except for the information provided to the Employee by the Company pursuant to Section 15(b) and 15(d) prior to execution of this Agreement, neither the Company nor any of the Company's officers, directors, shareholders, employees, agents or representatives has any duty or obligation to disclose to the Employee any information whatsoever, including but not limited to information concerning the Company that might if made public affect the value of the Option Shares. Such information includes without limitation any information concerning the Company's actual or potential financial performance, actual or potential material contracts to which the Company is or may become a party, or actual or potential material transactions that involve or may involve the Company, including but not limited to plans to effect a merger or to acquire or dispose of a material amount of assets. The Employee acknowledges and understands that he or she (a) might exercise his or her Option (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may decrease after the public dissemination of such information, or (b) might exercise his or her Option (or a portion thereof) and sell, pledge or encumber the Option Shares (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may increase after the public dissemination of such information; and the Employee acknowledges and agrees that he or she will not bring or participate in any claim whatsoever against the Company or against any of the Company's officers, directors, shareholders, employees, agents or representatives related to the failure to have disclosed such information prior to the Employee's exercise of the Option and/or sale, pledge or encumbrance of the Option Shares.

18.10. Rights of Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

18.11 Headings. The Section headings used herein are for convenience only and do not define, limit or construe the content of such sections. All references in this Agreement to Section numbers refer to Sections of this Agreement, unless otherwise indicated.

18.12. Agreement to Arbitrate. The Employee and the Company recognize that differences may arise between them during or following the Employee's employment with the Company, and that those differences may or may not be related to the grant of the Option herein or to the Employee's

employment. The Employee understands and agrees that by entering into this Agreement, the Employee anticipates the benefits of a speedy, impartial dispute-resolution procedure of any such differences. As used in this Section 18.12 and its subparts, the "Company" shall also refer to all benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates, and all successors and assigns of any of them.

(a) Arbitrable Claims. (i) ALL DISPUTES BETWEEN THE EMPLOYEE (AND HIS OR HER PERMITTED SUCCESSORS AND ASSIGNS) AND THE COMPANY (AND ITS AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS AND PERMITTED SUCCESSORS AND ASSIGNS) RELATING IN ANY MANNER WHATSOEVER TO EMPLOYEE'S EMPLOYMENT OR TO THE TERMINATION THEREOF, INCLUDING WITHOUT LIMITATION ALL DISPUTES ARISING UNDER THIS AGREEMENT (COLLECTIVELY, "ARBITRABLE CLAIMS") SHALL BE RESOLVED EXCLUSIVELY BY BINDING ARBITRATION. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation (including but not limited to claims alleging unlawful harassment or discrimination in violation of Title VII and/or Title IX of the U.S. Code, of the Age Discrimination in Employment Act, of the Americans with Disabilities Act, of state statute, or otherwise), excepting only claims under applicable workers' compensation law and unemployment insurance claims. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Except as provided in Section 18.12(a)(ii), the Arbitrator (as defined below) shall decide whether a claim is an Arbitrable Claim. THE PARTIES HEREBY WAIVE ANY RIGHTS THAT THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS.

(ii) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, HOWEVER, THE COMPANY MAY ENFORCE IN COURT, WITHOUT PRIOR RESORT TO ARBITRATION, ANY CLAIM CONCERNING ACTUAL OR THREATENED UNFAIR COMPETITION AND/OR THE ACTUAL OR THREATENED USE AND/OR UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL OR PROPRIETARY INFORMATION OF THE COMPANY. The court shall determine whether a claim concerns actual or threatened unfair competition and/or the actual or threatened use and/or unauthorized disclosure of confidential or proprietary information of the Company.

(b) Arbitration Procedure.

(i) American Arbitration Association Rules; Initiation of Arbitration; Location of Arbitration. Arbitration of Arbitrable Claims shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA Rules"), except as provided otherwise in this Agreement. Arbitration shall be initiated by providing written notice to the other party with a statement of the claim(s) asserted, the facts upon which the claim(s) are based, and the remedy sought. This notice shall be provided to the other party within six (6) months of the acts or omissions complained of. Any claim not initiated within this limitations period shall be null and void, and the Company and the Employee waive all rights under statutes of limitation of different duration. The arbitration shall take place in New York, New York.

(ii) Selection of Arbitrator. All disputes involving Arbitrable Claims shall be decided by a single arbitrator (the "Arbitrator"), who shall be selected as follows. The American Arbitration Association ("AAA") shall give each party a list of eleven (11) arbitrators drawn from its panel of employment arbitrators (the "Name List"). Each party may strike up to six (6) names on the Name List it deems unacceptable, and shall notify the other party of the names it has stricken, within fourteen (14) calendar days of the date the AAA gave notice of the Name List. If only one common name on the Name List remains unstricken by the parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the Name Lists unstricken by parties, Employee shall strike one of the remaining names and notify the Company, within seven (7) calendar days of notification of the list of unstricken names. If, after Employee strikes a name as set forth in the preceding sentence, there is still two or more unstricken names, the Company and the Employee shall alternately strike names (with the Company having the next strike) and notify the other party of the stricken name within seven (7) calendar days, until only one remains. If no common name on the initial the Name List remains unstricken by the parties, the AAA shall furnish an additional list or lists, and the parties shall proceed as set forth above, until an Arbitrator is selected.

(iii) Conduct of the Arbitration.

(A) Discovery. To help prepare for the arbitration, the Employee and the Company shall be entitled, at their own expense, to learn about the facts of a claim before the arbitration begins. Each party shall have the right to take the deposition of one (1) individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. Additional discovery may be had only where the Arbitrator so orders, upon a showing of substantial need. At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the arbitration.

(B) Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to award equitable relief, damages, costs and fees as provided by the law for the particular claim(s) asserted. The arbitrator shall not have the power to award remedies or relief that a New York court could not have awarded. The Federal Rules of Evidence shall apply. The burden of proof shall be allocated as provided by applicable law. Except as provided in Section 18(a)(ii), the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of the Agreement, including but not limited to any claim that all or any part of any of the Agreement is void or voidable and any assertion that a dispute between the Employee and the Company is not an Arbitrable Claim. The arbitration shall be final and binding upon the parties.

(C) Costs. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of the proceedings. If the Arbitrator orders a stenographic record, the parties shall split the cost. Except as otherwise provided in this Section 18.12 and in Section 18.7, the Employee and the Company shall equally share the fees and costs of the arbitration and the Arbitrator.

(c) Confidentiality. All proceedings and documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceeding, their counsel, witnesses and experts, the Arbitrator, and, if involved, the court and court staff. All documents filed with the Arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subparagraph concerning confidentiality.

(d) Enforceability. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as provided above, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 18.12.

INDIVIDUAL INVESTOR GROUP, INC.  
125 Broad Street, 14th Floor  
New York, New York 10004

By: \_\_\_\_\_  
Jonathan L. Steinberg  
Chief Executive Officer

#### Acceptance

The Employee hereby acknowledges: I have received a copy of this Agreement; I have had the opportunity to consult legal counsel in regard to this Agreement, and have availed myself of that opportunity to the extent I wish to do so (I understand the Company's attorneys represent the Company and not myself, and I have not relied on any advice from the Company's attorneys); I have read and understand this Agreement; I AM FULLY AWARE OF LEGAL EFFECT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE EFFECT OF SECTION 18.12 HEREOF CONCERNING ARBITRATION; and I have entered into this Agreement freely and voluntarily and based on my own judgment and not on any representations or promises other than those contained in this Agreement. The Employee accepts this Option subject to all the terms and conditions of this Agreement.

The Employee acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Option Shares and that the Employee should consult a tax adviser prior to such exercise or disposition.

\_\_\_\_\_  
Date

\_\_\_\_\_  
The Employee

Print Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

## FORM OF NOTICE OF EXERCISE OF OPTION

\_\_\_\_\_  
DATE

Individual Investor Group, Inc.  
125 Broad Street, 14th Floor  
New York, New York 10004

Attention: Stock Option Committee of the Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of August 16, 1999 ("Agreement") with Individual Investor Group, Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- ( ) a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_;
- ( ) confirmation of wire transfer in the amount of \$\_\_\_\_\_ and/or
- ( ) certificate for \_\_\_\_\_ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

(i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last twenty-four (24) months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of the Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of August 16, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

-----  
(Signature)

-----  
(Address)

-----  
(Print Name)

-----  
(Address)

-----  
(Social Security Number)

## STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (the "Agreement") is entered into as of September 13, 1999, by and between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation with its principal place of business at 125 Broad Street, 14th Floor, New York, New York 10004 (the "Company"), and Bill Flavin, an individual with a place of business at 1735 East Big Beaver Road, Troy, Michigan 48083 ("Flavin").

WHEREAS, Flavin, FLAVIN ASSOCIATES, INCORPORATED, a Michigan corporation ("FAI") and the Company are parties to an agreement dated as of September 13, 1999, related to the compensation to be paid by the Company to FAI in consideration for FAI acting as a sales representative of the Company; and

WHEREAS, as of September 13, 1999 (the "Grant Date"), the Stock Option Committee (the "Committee") of the Board of Directors of the Company (the "Board") authorized the grant to Flavin of an option (the "Option") to purchase an aggregate of 30,000 shares of the authorized but unissued Common Stock of the Company, \$.01 par value (the "Common Stock"), conditioned upon Flavin's acceptance of the grant of the Option upon the terms and conditions set forth in this Agreement; and

WHEREAS, Flavin desires to acquire the Option upon the terms and conditions set forth in this Agreement;

## IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants Flavin the Option to purchase all or any part of an aggregate of 30,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein.

2. Non-Qualified Stock Option. The Option represented hereby shall be a "non-qualified stock option," and is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option is \$3.25 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option shall be exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase 10,000 of the Option Shares shall be exercisable on or after September 13, 2000, (ii) the right to purchase 10,000 of the Option Shares shall be exercisable on or after September 13, 2001, and (iii) the right to purchase 10,000 of the Option Shares shall be exercisable on or after September 13, 2002. After a portion of the Option becomes exercisable, such portion shall remain exercisable, except as otherwise provided herein, until the close of business on September 12, 2009 ("Exercise Period").

## 5. Effect of Termination of Employment.

5.1. Termination Due to Death. If the employment of FAI as a sales representative of the Company terminates by reason of death of the FAI employee(s) responsible for the Company's account, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by Flavin or the legal representative of his estate or by the legatee of Flavin under the will of Flavin, for a period of one (1) year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire upon death.

5.2. Termination Due to Disability. If the employment of FAI as a sales representative of the Company terminates by reason of disability of the Flavin employee(s) responsible for the Company's account, the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by Flavin for a period of one (1) year from the date of the termination of employment or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

## 5.3. Other Termination.

(a) If the employment of FAI as a sales representative of the Company is terminated by the Company or Flavin for any reason other than (i) death or (ii) disability or (iii) for cause by the Company, then the portion of the Option, if any, that was exercisable as of the date of termination of employment may thereafter be exercised by Flavin for a

period of thirty (30) days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, that was not exercisable as of the date of such termination of employment shall immediately expire on the date of such termination of employment.

(b) In the event the employment of FAI as a sales representative of the Company is terminated for cause, the Company may require Flavin to return to the Company the economic value of any Option Shares purchased hereunder by Flavin within the six (6) month period prior to the date of such termination of employment. In such event, Flavin hereby agrees to remit to the Company, in cash, an amount equal to the difference between the

Fair Market Value of the Option Shares on the date of such termination of employment (or the sales price of such Shares if the Option Shares were sold during such six (6) month period) and the Exercise Price of such Shares. For purposes of this Agreement, the "Fair Market Value" of the Option Shares on a given date (the "Date of Determination") shall mean (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the Date of Determination, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the Date of Determination for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Committee shall determine, in good faith.

5.4. "Employment". FAI shall be considered to be employed by the Company pursuant to this Section 5 if FAI is retained as a sales representative by the Company (or of any parent, subsidiary or affiliate of the Company) or if the Committee determines in its sole and absolute discretion that FAI is otherwise rendering substantial services to the Company as a part-time employee, consultant or contractor of the Company (or of any parent, subsidiary or affiliate of the Company). The Committee shall have the sole and absolute discretion to determine whether FAI has ceased to be employed by the Company and the effective date on which such employment terminated.

5.5. No Right to Employment. Nothing in this Agreement shall confer on FAI any right to continue in the employ of, or other relationship with, the Company (or with any parent, subsidiary or affiliate of the Company) or limit in any way the right of the Company (or of any parent, subsidiary or affiliate of the Company) to terminate FAI's employment or other relationship with the Company (or with any parent, subsidiary or affiliate of the Company) at any time, with or without cause.

5.6. Competing With the Company. In the event that, within eighteen (18) months after the date of termination of FAI's employment with the Company, FAI (or any of the FAI employees responsible for the Company's account accepts employment with any competitor of, or otherwise competes with, the Company, the Committee, in its sole discretion, may require Flavin to return to the Company the economic value of any Option Shares purchased hereunder by Flavin within the six (6) month period prior to the date of termination or after the date of termination. In such event, Flavin agrees to remit the economic value to the Company in accordance with Section 5.3(b).

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of Flavin for Federal income tax purposes with respect to the Option, Flavin shall pay to the Company, or

make arrangements satisfactory to the Company regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. Notwithstanding anything in this Agreement to the contrary, the obligations of the Company pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Flavin from the Company.

7. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of Flavin's proportionate interest in the Company and Flavin's rights hereunder, provided that the number of Option Shares shall always be a whole number.

8. Method of Exercise.

8.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to Flavin as soon as practicable after payment therefor.

8.3. Payment of Purchase Price. Flavin shall make pay for the Option Shares by any one or more of the following methods set forth in this Section 8.3.

8.3.1. Cash Payment. Flavin shall make cash payments by wire transfer, certified check or bank check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. Payment through Bank or Broker. Flavin may make arrangements satisfactory to the Company with a bank or a broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or

(b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

8.3.3. Cashless Payment. Flavin may, in his or her sole discretion, use shares of Common Stock of the Company that were owned by Flavin for more than six (6) months (and which have been paid for within the meaning of SEC Rule 144 and, if such shares were purchased from the Company by use of a promissory note, such note has been fully paid with respect to such shares), or that were obtained by Flavin in the open public market, to pay the purchase price for the Option Shares by delivery of one or more stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

8.3.4. Payment of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1., 8.3.2 and 8.3.3.

8.3.5. Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, Flavin hereby grants the Company a security interest in the Option Shares as follows: in the event that Flavin owes the Company any sum (including without limitation amounts owed pursuant to a loan made by the Company to Flavin), and such sum is past due (the "Past Due Amount"), the Company shall have a security interest in the Option Shares. Flavin hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Past Due Amount, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Past Due Amount, and the denominator of which is the Fair Market Value of the Company's Common Stock (as set forth in Section 5.3(b)) as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Past Due Amount.

10. Market Standoff Agreement. Flavin agrees that, in connection with any registration of the Company's securities, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Flavin will not sell or otherwise dispose of any Option Shares (including without limitation sale of Option Shares in connection with the exercise method set forth in Section 8.3.2.) or any other securities of the Company without the prior written consent of the Company or such underwriters, as the case may be, for such period of time from the effective date of

such registration as the Company or the underwriters may specify for the Company's employee shareholders generally. Flavin understands and agrees that, in order to ensure compliance with the market standoff agreement, the Company may issue appropriate "stop-transfer" instructions to its transfer agent.

11. Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Flavin herein is an ISO, and if Flavin sells or otherwise disposes of any of the Option Shares acquired pursuant to a whole or partial exercise the Option prior to the later of (a) the second (2nd) anniversary of the Grant Date, or (b) the first (1st) anniversary of the date of exercise of such Option Shares, Flavin shall immediately notify the Company in writing of such sale or disposition. Flavin acknowledges and agrees that Flavin may be subject to income and other tax withholding by the Company on the compensation income recognized by Flavin from any such sale or disposition, by payment in cash (or in shares of Common Stock, to the extent permissible under Section 8.3.4.) or out of the current wages or other earnings payable to Flavin. Flavin hereby authorizes his/her broker(s) to provide the Company, promptly at the Company's request, with any information concerning the Option Shares, now or previously in Flavin's account(s) with such broker(s), as the Company may request. Flavin agrees that this authorization may not be revoked or modified in any manner except pursuant to a writing signed by both Flavin and the Company.

12. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of Flavin. No transfer of the Option by Flavin by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

13. Required Holding Period. This Option and any Common Stock acquired upon its exercise may not be sold, assigned or otherwise transferred prior to the six (6) month anniversary of the Grant Date.

14. Company Representations. The Company hereby represents and warrants to Flavin that:

(a) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(b) the Option Shares, when issued and delivered by the Company to Flavin in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

15. Flavin Representations. Flavin hereby represents and warrants to the Company that:

(a) he or she is acquiring the Option and shall acquire the Option Shares for his or her own account and not with a view towards the distribution thereof;

(b) he or she has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last twenty-four (24) months and all reports issued by the Company to its stockholders within the last twenty-four (24) months;

(c) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him or her unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act except as provided in Section 16A below;

(d) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (b) above;

(e) he or she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(f) The certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 13, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

16. Restriction on Transfer of Stock Option Agreement and Option Shares. Notwithstanding anything in this Agreement to the contrary, and in addition to the provisions of Section 12 of this Agreement, Flavin hereby agrees that he or she shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him or her without registration under the 1933 Act, or in the event that they are not so registered, unless (a) an exemption from the 1933 Act registration requirements is available thereunder, and (b) Flavin has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

16A. Registration Right. The Company agrees to file a registration statement ("Registration Statement") on Form S-8 (or successor form) to register the Option Shares for issuance to Flavin on or prior to the date the Option or any portion thereof first becomes exercisable. The Company will bear all expenses and pay all fees incurred in connection with

the filing and modification or amendment of the Registration Statement, exclusive of underwriting discounts, and commissions payable in respect of the sale of the Common Stock and any counsel for Flavin. Moreover, if the Company fails to comply with the provisions of this Section 16A, the Company shall, in addition to any other equitable or other relief available to Flavin, be liable for any and all incidental, special and consequential damages and damages due to loss of profits sustained by Flavin.

17. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Flavin or the Company to the Committee for review. The resolution of such a dispute by the Board or Committee shall be final and binding on the Company and on Flavin.

18. Miscellaneous.

18.1. Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or by private courier (e.g., Federal Express), or sent by registered or certified mail, return receipt requested, postage prepaid, to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered in person or by private courier, or on the third (3rd) business day following deposit in the United States mail as set forth above.

18.2. [Intentionally omitted.]

18.3. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Option Agreement shall be binding upon Flavin and Flavin's heirs, executors, administrators, legal representatives, successors and assigns.

18.4. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior undertakings and agreements, oral or written, with respect to the subject matter hereof. The Agreement may not be contradicted by evidence of any prior or contemporaneous agreement. To the extent that the policies and procedures of the Company apply to Flavin and are inconsistent with the terms of the Agreement, the provisions of the Agreement shall control.

18.5. Amendments; Waivers. The Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the parties (in the case of the Company, such instrument must be signed by the President or Chief Executive Officer of the Company to be effective). No failure to exercise and no delay in exercising any right, remedy, or power under the Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power under the Agreement preclude any other or further exercise thereof, or the exercise of any other right, remedy, or power provided herein or by law or in equity. All rights and remedies, whether conferred by the Agreement, by any other instrument or by law,

shall be cumulative, and may be exercised singularly or concurrently.

18.6. Severability; Enforcement. If any provision of this Agreement is held invalid, illegal or unenforceable in any respect (an "Impaired Provision"), (a) such Impaired Provision shall be interpreted in such a manner as to preserve, to the maximum extent possible, the intent of the parties, (b) the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, and (c) such decision shall not affect the validity, legality or enforceability of such Impaired Provision under other circumstances. The parties agree to negotiate in good faith and agree upon a provision to substitute for the Impaired Provision in the circumstances in which the Impaired Provision is invalid, illegal or unenforceable.

18.7. Attorneys' Fees. In the event of any arbitration or litigation between the parties arising under or related to this Agreement (a "Covered Dispute"), the substantially prevailing party in the Covered Dispute (the "Prevailing Party") shall be entitled to receive from the other party the Prevailing Party's reasonable attorneys' fees and costs, including, without limitation, the cost at the hourly charges routinely charged therefor by the persons providing the services, reasonable fees and/or allocated costs of staff (in-house) counsel, and fees and expenses of experts retained by counsel in connection with such arbitration or litigation and with any and all appeals or petitions therefrom, in addition to any other relief to which the Prevailing Party may be entitled. A party to a Covered Dispute shall be the Prevailing Party in such Covered Dispute if the claims against such party are dismissed at any stage in the arbitration or litigation.

18.8. Governing Law; Jurisdiction. The Agreement shall be governed by and construed in accordance with the law of the State of New York, without reference to that body of law concerning choice of law or conflicts of law, except that the General Corporation Law of the State of Delaware ("GCL") shall apply to all matters governed by the GCL, including without limitation matters concerning the validity of grants of stock options and actions of the Company's board of directors or any committee thereof. The parties agree that, subject to the agreement to arbitrate disputes set forth in Section 18.12, the sole and exclusive judicial venues for any dispute, difference, cause of action or legal action of any kind that any party, or any officer, director, employee, agent or permitted successor or assign of any party may bring against any other party, or against any officer, director, employee, agent or permitted successor or assign of any party, related to this Agreement (a "Proceeding"), shall be (a) the United States District Court for the Southern District of New York, if such court has statutory jurisdiction over the Proceeding and (b) the Supreme Court of the State of New York in the County of New York (collectively, the "New York Courts"). Each of the parties hereby expressly (i) consents to the personal jurisdiction of each of the New York Courts with respect to any Proceeding; (ii) agrees that service of process in any Proceeding may be effected upon such party in the manner set forth in Section 18.1 (as well as in any other manner prescribed by law); and (iii) waives any objection, whether on the grounds of venue, residence or domicile or on the ground that the Proceeding has been brought in an inconvenient forum, to any Proceeding brought in either of the New York Courts. Notwithstanding the foregoing, nothing in this paragraph alters the parties' agreement to arbitrate disputes as set forth in Section 18.12.

18.9. No Duty to Disclose. Flavin acknowledges and agrees that, except for the information provided to Flavin by the Company pursuant to Section 15(b) and 15(d) prior to execution of this Agreement, neither the Company nor any of the Company's officers, directors, shareholders, employees, agents or representatives has any duty or obligation to disclose to Flavin any information whatsoever, including but not limited to information concerning the Company that might if made public affect the value of the Option Shares. Such information includes without limitation any information concerning the Company's actual or potential financial performance, actual or potential material contracts to which the Company is or may become a party, or actual or potential material transactions that involve or may involve the Company, including but not limited to plans to effect a merger or to acquire or dispose of a material amount of assets. Flavin acknowledges and understands that he or she (a) might exercise his or her Option (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may decrease after the public dissemination of such information, or (b) might exercise his or her Option (or a portion thereof) and sell, pledge or encumber the Option Shares (or a portion thereof) prior to the public dissemination of such information, and that the value of the Option Shares may increase after the public dissemination of such information; and Flavin acknowledges and agrees that he or she will not bring or participate in any claim whatsoever against the Company or against any of the Company's officers, directors, shareholders, employees, agents or representatives related to the failure to have disclosed such information prior to Flavin's exercise of the Option and/or sale, pledge or encumbrance of the Option Shares.

18.10. Rights of Third Parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

18.11 Headings. The Section headings used herein are for convenience only and do not define, limit or construe the content of such sections. All references in this Agreement to Section numbers refer to Sections of this Agreement, unless otherwise indicated.

18.12. Agreement to Arbitrate. Flavin and the Company recognize that differences may arise between them during or following the employment of FAI as a sales representative of the Company, and that those differences may or may not be related to the grant of the Option herein or to such employment of FAI. Flavin understands and agrees that by entering into this Agreement, Flavin anticipates the benefits of a speedy, impartial dispute-resolution procedure of any such differences. As used in this Section 18.12 and its subparts, the "Company" shall also refer to all benefit plans, the benefit plans' sponsors, fiduciaries, administrators, affiliates, and all successors and assigns of any of them.

(a) Arbitrable Claims. (i) ALL DISPUTES BETWEEN FLAVIN (AND ITS AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS AND PERMITTED SUCCESSORS AND ASSIGNS) AND THE COMPANY (AND ITS AFFILIATES, SHAREHOLDERS, DIRECTORS, OFFICERS, AGENTS AND PERMITTED SUCCESSORS AND ASSIGNS) RELATING IN ANY MANNER WHATSOEVER TO FAI'S EMPLOYMENT AS A SALES REPRESENTATIVE OF THE COMPANY OR TO THE TERMINATION THEREOF, INCLUDING WITHOUT LIMITATION ALL DISPUTES

ARISING UNDER THIS AGREEMENT (COLLECTIVELY, "ARBITRABLE CLAIMS") SHALL BE RESOLVED EXCLUSIVELY BY BINDING ARBITRATION. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation (including but not limited to claims alleging unlawful harassment or discrimination in violation of Title VII and/or Title IX of the U.S. Code, of the Age Discrimination in Employment Act, of the Americans with Disabilities Act, of state statute, or otherwise), excepting only claims under applicable workers' compensation law and unemployment insurance claims. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims. Except as provided in Section 18.12(a)(ii), the Arbitrator (as defined below) shall decide whether a claim is an Arbitrable Claim. THE PARTIES HEREBY WAIVE ANY RIGHTS THAT THEY MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS.

(ii) NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, HOWEVER, THE COMPANY MAY ENFORCE IN COURT, WITHOUT PRIOR RESORT TO ARBITRATION, ANY CLAIM CONCERNING ACTUAL OR THREATENED UNFAIR COMPETITION AND/OR THE ACTUAL OR THREATENED USE AND/OR UNAUTHORIZED DISCLOSURE OF CONFIDENTIAL OR PROPRIETARY INFORMATION OF THE COMPANY. The court shall determine whether a claim concerns actual or threatened unfair competition and/or the actual or threatened use and/or unauthorized disclosure of confidential or proprietary information of the Company.

(b) Arbitration Procedure.

(i) American Arbitration Association Rules; Initiation of Arbitration; Location of Arbitration. Arbitration of Arbitrable Claims shall be in accordance with the Employment Dispute Resolution Rules of the American Arbitration Association ("AAA Rules"), except as provided otherwise in this Agreement. Arbitration shall be initiated by providing written notice to the other party with a statement of the claim(s) asserted, the facts upon which the claim(s) are based, and the remedy sought. This notice shall be provided to the other party within six (6) months of the acts or omissions complained of. Any claim not initiated within this limitations period shall be null and void, and the Company and Flavin waive all rights under statutes of limitation of different duration. The arbitration shall take place in New York, New York.

(ii) Selection of Arbitrator. All disputes involving Arbitrable Claims shall be decided by a single arbitrator (the "Arbitrator"), who shall be selected as follows. The American Arbitration Association ("AAA") shall give each party a list of eleven (11) arbitrators drawn from its panel of employment arbitrators (the "Name List"). Each party may strike up to six (6) names on the Name List it deems unacceptable, and shall notify the other party of the names it has stricken, within fourteen (14) calendar days of the date the AAA gave notice of the Name List. If only one common name on the Name List remains unstricken by the parties, that individual shall be designated as the Arbitrator. If more than one common name remains on the Name Lists unstricken by parties, Flavin shall strike one of the remaining names and notify the Company, within seven (7) calendar days of notification of the list of unstricken names. If, after Flavin strikes a name as set forth in the preceding sentence, there is

still two or more unstricken names, the Company and Flavin shall alternately strike names (with the Company having the next strike) and notify the other party of the stricken name within seven (7) calendar days, until only one remains. If no common name on the initial the Name List remains unstricken by the parties, the AAA shall furnish an additional list or lists, and the parties shall proceed as set forth above, until an Arbitrator is selected.

(iii) Conduct of the Arbitration.

(A) Discovery. To help prepare for the arbitration, Flavin and the Company shall be entitled, at their own expense, to learn about the facts of a claim before the arbitration begins. Each party shall have the right to take the deposition of one (1) individual and any expert witness designated by another party. Each party also shall have the right to make requests for production of documents to any party. Additional discovery may be had only where the Arbitrator so orders, upon a showing of substantial need. At least thirty (30) days before the arbitration, the parties must exchange lists of witnesses, including any expert witnesses, and copies of all exhibits intended to be used at the arbitration.

(B) Authority. The Arbitrator shall have jurisdiction to hear and rule on pre-hearing disputes and is authorized to hold pre-hearing conferences by telephone or in person as the Arbitrator deems necessary. The Arbitrator shall have the authority to entertain a motion to dismiss and/or a motion for summary judgment by any party and shall apply the standards governing such motions under the Federal Rules of Civil Procedure. The Arbitrator shall apply the substantive law (and the law of remedies, if applicable) of the state in which the claim arose, or federal law, or both, as applicable to the claim(s) asserted. The Arbitrator shall have the authority to award equitable relief, damages, costs and fees as provided by the law for the particular claim(s) asserted. The arbitrator shall not have the power to award remedies or relief that a New York court could not have awarded. The Federal Rules of Evidence shall apply. The burden of proof shall be allocated as provided by applicable law. Except as provided in Section 18(a)(ii), the Arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of the Agreement, including but not limited to any claim that all or any part of any of the Agreement is void or voidable and any assertion that a dispute between Flavin and the Company is not an Arbitrable Claim. The arbitration shall be final and binding upon the parties.

(C) Costs. Either party, at its expense, may arrange for and pay the cost of a court reporter to provide a stenographic record of the proceedings. If the Arbitrator orders a stenographic record, the parties shall split the cost. Except as otherwise provided in this Section 18.12 and in Section 18.7, Flavin and the Company shall equally share the fees and costs of the arbitration and the Arbitrator.

(c) Confidentiality. All proceedings and documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceeding, their counsel, witnesses and experts, the Arbitrator, and, if involved, the court and court staff. All documents filed with the Arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the

provisions of this subparagraph concerning confidentiality.

(d) Enforceability. Either party may bring an action in any court of competent jurisdiction to compel arbitration under this Agreement and to enforce an arbitration award. Except as provided above, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 18.12.

INDIVIDUAL INVESTOR GROUP, INC.  
125 Broad Street, 14th Floor  
New York, New York 10004

By: \_\_\_\_\_  
Jonathan L. Steinberg  
Chief Executive Officer

Acceptance

Flavin hereby acknowledges: I have received a copy of this Agreement; I have had the opportunity to consult legal counsel in regard to this Agreement, and have availed myself of that opportunity to the extent I wish to do so (I understand the Company's attorneys represent the Company and not myself, and I have not relied on any advice from the Company's attorneys); I have read and understand this Agreement; I AM FULLY AWARE OF LEGAL EFFECT OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION THE EFFECT OF SECTION 18.12 HEREOF CONCERNING ARBITRATION; and I have entered into this Agreement freely and voluntarily and based on my own judgment and not on any representations or promises other than those contained in this Agreement. Flavin accepts this Option subject to all the terms and conditions of this Agreement.

Flavin acknowledges that there may be adverse tax consequences upon exercise of this Option or disposition of the Option Shares and that Flavin should consult a tax adviser prior to such exercise or disposition.

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Bill Flavin

## FORM OF NOTICE OF EXERCISE OF OPTION

\_\_\_\_\_  
DATE

Individual Investor Group, Inc.  
125 Broad Street, 14th Floor  
New York, New York 10004

Attention: Stock Option Committee of the Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of September 13, 1999 ("Agreement") with Individual Investor Group, Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.01 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

- ( ) a [personal check] [certified check] [bank check] payable to the order of "Individual Investor Group, Inc." in the sum of \$\_\_\_\_\_;
- ( ) confirmation of wire transfer in the amount of \$\_\_\_\_\_ and/or
- ( ) certificate for \_\_\_\_\_ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$\_\_\_\_\_.

I hereby represent, warrant to, and agree with, the Company that:

- (i) I have acquired the Option and shall acquire the Option Shares for my own account and not with a view towards the distribution thereof;
- (ii) I have received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last twenty-four (24) months and all reports issued by the Company to its stockholders;
- (iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;
- (iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;
- (v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;
- (vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of the Agreement; and

(vii) the certificates evidencing the Option Shares may bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 13, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

-----  
(Signature)

-----  
(Address)

-----  
(Print Name)

-----  
(Address)

-----  
(Social Security Number) Flavin

Graubard Mollen & Miller  
600 Third Avenue  
New York, New York 10016-2097

October 29, 1999

Individual Investor Group, Inc.  
125 Broad Street  
14th Floor  
New York, New York 10004

Dear Sirs:

Reference is made to the Registration Statement on Form S-8 ("Registration Statement") filed by Individual Investor Group, Inc. ("Company"), a Delaware corporation, under the Securities Act of 1933, as amended ("Act"), with respect to an aggregate of 661,250 shares of common stock, par value \$.01 per share ("Common Stock"), to be offered by the Company under certain individual stock option plans represented by separate written agreements ("Plans").

We have examined such documents and considered such legal matters as we have deemed necessary and relevant as the basis for the opinion set forth below. With respect to such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as reproduced or certified copies, and the authenticity of the originals of those latter documents. As to questions of fact material to this opinion, we have, to the extent deemed appropriate, relied upon certain representations of certain officers and employees of the Company.

Based upon the foregoing, it is our opinion that the Common Stock to be issued by the Company under the Plans, when sold in accordance with the terms of the Plans and the individual instruments governing their issuance, will be legally issued, fully paid and nonassessable, although they may be subject to contractual restrictions established by the applicable Plans or instrument.

In giving this opinion, we have assumed that all certificates for the Company's shares of Common Stock, prior to their issuance, will be duly executed on behalf of the Company by the Company's transfer agent and registered by the Company's registrar, if necessary, and will conform, except as to denominations, to specimens which we have examined.

We hereby consent to the use of this opinion as an exhibit to the Registration Statement, to the use of our name as your counsel and to all references made to us in the Registration Statement and in the Prospectus forming a part thereof. In giving this consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act, or the rules and regulations promulgated thereunder.

Very truly yours,

/s/ Graubard Mollen & Miller  
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GRAUBARD MOLLEN & MILLER

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Registration Statement of Individual Investor Group, Inc. on Form S-8 of our report dated March 12, 1999, appearing in the Annual Report on Form 10-K of Individual Investor Group, Inc. for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP  
New York, New York  
October 29, 1999

Independent Auditors' Consent

WisdomTree Associates, L.P.

We consent to the incorporation by reference therein of our report dated February 27, 1998, with respect to the financial statements of WisdomTree Associates, L.P. incorporated by reference in the Annual Report (Form 10-K) of Individual Investor Group, Inc. for the year ended December 31, 1998, in the Registration Statement (Form S-3) pertaining to certain individual benefit plans of Individual Investor Group, Inc. filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP  
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Ernst & Young LLP

New York, New York  
October 29, 1999