

U.S. Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 1999

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10932

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

Delaware 13-3487784  
(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

125 Broad Street, 14th Floor, New York, New York 10004  
(Address of principal executive offices)

(212) 742-2277  
(Registrant's telephone number)

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

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: As of July 30, 1999, registrant had outstanding 9,146,998 shares of Common Stock, \$.01 par value per share.

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

INDEX

Part I Financial Information	Page
Item 1. Financial Statements	----
Consolidated Condensed Balance Sheets (Unaudited) as of June 30, 1999 and December 31, 1998	3
Consolidated Condensed Statements of Operations (Unaudited) for the three and six months ended June 30, 1999 and 1998	4
Consolidated Condensed Statements of Cash Flows (Unaudited) for the six months ended June 30, 1999 and 1998	5
Notes to Consolidated Condensed Financial Statements (Unaudited)	6-10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation	11-20
Part II Other Information	
Item 2. Changes in Securities	21
Item 4. Submission of Matters to a Vote of Security Holders	21
Item 5. Other Information	22
Item 6. Exhibits and Reports on Form 8-K	23
Signatures	24

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS  
(UNAUDITED)

ASSETS	June 30, 1999	December 31, 1998
	-----	-----
Current assets:		
Cash and cash equivalents	\$2,332,163	\$4,752,587
Investments (Note 2)	7,506,376	877,231
Accounts receivable (net of allowances of \$378,479 in 1999 and \$391,328 in 1998)	2,920,807	2,356,126
Investment in discontinued operations (Note 3)	142,534	282,383
Prepaid expenses and other current assets	860,499	512,641
Total current assets	----- 13,762,379	----- 8,780,968
Investment (Note 2)	2,638,356	-
Deferred subscription expense	359,746	576,237
Property and equipment - net	1,806,430	586,007
Security deposits	372,735	469,627
Other assets	249,513	374,404
Total assets	----- \$19,189,159 =====	----- \$10,787,243 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,547,398	\$2,191,765
Accrued expenses	674,458	519,887
Deferred advertising revenue	1,433,371	138,097
Total current liabilities	----- 4,655,227	----- 2,849,749
Deferred advertising revenue	1,583,013	-
Deferred subscription revenue	2,246,072	2,246,422
Total liabilities	----- 8,484,312	----- 5,096,171
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized 2,000,000 shares, 10,000 issued and outstanding in 1999 and 1998	100	100
Common stock, \$.01 par value, authorized 40,000,000 shares, 9,119,665 issued and outstanding in 1999; authorized 18,000,000 shares, 8,490,851 issued and outstanding in 1998	91,197	84,909
Additional paid-in capital	29,833,913	27,595,151
Accumulated deficit	(25,517,453)	(21,922,595)
Accumulated other comprehensive gain (loss)	6,297,090	(66,493)
Total stockholders' equity	----- 10,704,847	----- 5,691,072
Total liabilities and stockholders' equity	----- \$19,189,159 =====	----- \$10,787,243 =====

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenues:				
Print Publications	\$3,385,090	\$3,310,144	\$7,133,937	\$7,034,696
Online Services	318,547	351,386	571,516	580,807
Total revenues	3,703,637	3,661,530	7,705,453	7,615,503
Operating expenses:				
Editorial, production and distribution	2,684,104	2,968,414	5,439,822	5,868,888
Promotion and selling	1,824,526	1,606,059	3,676,002	3,248,728
General and administrative	1,359,985	1,743,493	2,532,476	2,893,153
Depreciation and amortization	151,575	78,268	248,405	151,579
Total operating expenses	6,020,190	6,396,234	11,896,705	12,162,348
Operating loss from continuing operations	(2,316,553)	(2,734,704)	(4,191,252)	(4,546,845)
Interest and other income	39,827	13,708	596,394	43,663
Net loss from continuing operations	(2,276,726)	(2,720,996)	(3,594,858)	(4,503,182)
Discontinued operations (Note 3)				
Loss from discontinued operations	-	(258,619)	-	(636,079)
Net loss	(\$2,276,726)	(\$2,979,615)	(\$3,594,858)	(\$5,139,261)
Basic and dilutive loss per common share:				
Continuing operations	(\$0.25)	(\$0.37)	(\$0.40)	(\$0.62)
Discontinued operations	\$0.00	(\$0.04)	\$0.00	(\$0.09)
Net loss per share	(\$0.25)	(\$0.41)	(\$0.40)	(\$0.71)
Average number of common shares used in computing basic and dilutive loss per common share	9,016,759	7,286,385	8,902,315	7,245,021

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Six Months Ended June 30,	
	----- 1999 -----	----- 1998 -----
Net loss	(\$3,594,858)	(\$5,139,261)
Less:		
Loss from discontinued operations	-	(636,079)
Loss from continuing operations	(3,594,858)	(4,503,182)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	248,405	151,579
Stock option and warrant transactions	160,862	-
Loss on sale of equipment	-	1,258
Gain on sale of investments	(503,215)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(564,681)	461,594
Prepaid expenses and other current assets	(378,361)	10,667
Deferred subscription expense	216,491	(53,858)
Security deposits	96,892	-
Increase (decrease) in:		
Accounts payable and accrued expenses	510,204	855,973
Deferred advertising revenue	239,931	9,370
Deferred subscription revenue	(350)	(203,523)
Net cash used in operating activities	(3,568,680)	(3,270,122)
Cash flows from investing activities:		
Purchase of property and equipment	(1,457,346)	(65,684)
Proceeds from sale of equipment	-	1,051
Proceeds from sale of investments	990,729	-
Increase in investments	(753,076)	-
Net cash provided by discontinued operations	139,849	122,175
Net cash (used in) provided by investing activities	(1,079,844)	57,542
Cash flows from financing activities:		
Proceeds from exercise of stock options	2,228,100	398,152
Proceeds from issuance of common stock	-	5,000,000
Net cash provided by financing activities	2,228,100	5,398,152
Net (decrease) increase in cash and cash equivalents	(2,420,424)	2,185,572
Cash and cash equivalents, beginning of period	4,752,587	3,533,622
Cash and cash equivalents, end of period	\$2,332,163 =====	\$5,719,194 =====

Supplemental schedule of noncash investing and financing activities:

The Company acquired 19.9% of the then-outstanding shares of common stock of VentureHighway.com Inc. The purchase price is payable in the form of advertising for VentureHighway in the Company's magazines and websites during the next 30 months. The purchase price had a stated value of \$3.2 million, and is recorded on the Company's June 30, 1999 balance sheet at a fair value of \$2.6 million (See Note 2).

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998  
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated condensed financial statements include the accounts of Individual Investor Group, Inc. and its subsidiaries (collectively, the "Company"). Such financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes as required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 1998 on Form 10-K.

2. INVESTMENTS

Investments included in Current Assets

Investments are in equity securities and are carried at fair market value. The aggregate fair value of such investments was \$7,506,376 and \$877,231 at June 30, 1999 and December 31, 1998, respectively. Gross unrealized holding gains were \$6,452,303 and \$86,477 at June 30, 1999 and December 31, 1998, respectively. Gross unrealized holding losses were \$155,213 and \$152,970 at June 30, 1999 and December 31, 1998, respectively. Unrealized gains and losses are shown as accumulated other comprehensive gain (loss), which is a component of stockholders' equity (see Note 6).

The Company currently owns 175,000 shares of Wit Capital Group, Inc. Class C Common Stock. Wit Capital is an online investment banking and brokerage firm. The Company's stake in Wit Capital was acquired in 1997 as 250,000 shares of Series A Preferred Stock valued at \$250,000, and was converted into 175,000 shares of Class C Common Stock due to a 7-for-10 reverse split of Class C Common Stock and the completion of Wit Capital's IPO on June 4, 1999. The investment is recorded on the Company's June 30, 1999 balance sheet at \$5,950,000 based upon the June 30, 1999 closing price of Wit Capital Common Stock on the Nasdaq National Market. The Company may not transfer or dispose of the Class C Common Stock (or any interest in such shares) until 180 days from the completion of the IPO (i.e., until December 1, 1999), at which point it will automatically convert into Common Stock and will not be subject to any lock-up. The Company could realize a significant gain with respect to this investment, although there can be no assurance that the Company ultimately will realize any value with respect to its shares of Wit Capital. As of August 9, 1999, the value of the Company's investment in Wit Capital has declined to \$3,171,875.

On June 2, 1999, the Company and Kirlin Holding Corp. ("Kirlin") entered into a Securities Purchase Agreement ("Securities Purchase Agreement") pursuant to which the Company acquired 300,000 shares ("Investor Shares") of common stock of Kirlin for \$750,000, representing 4.9% of the then-outstanding shares of Kirlin's common stock (the share amount has been restated to reflect a 2-for-1 stock split effected July 30, 1999). The purchase price was paid from the Company's working capital. Kirlin contributed all the proceeds of this sale to the capital of its subsidiary, VentureHighway.com Inc. ("VentureHighway"), in which the Company has a 19.9% stake. Kirlin filed a registration statement registering the resale of the Investor Shares under the Securities Act of 1933 and is obligated to use its best efforts to cause the registration statement to become effective as soon as practicable thereafter. The investment in Kirlin is recorded on the Company's June 30, 1999 balance sheet at \$1,471,950 based upon the June 30, 1999 closing price of Kirlin's common stock on the Nasdaq Small-Cap Market. The Company could realize a significant gain with respect to this investment, although there can be no assurance that the Company ultimately will realize any value with respect to its shares of Kirlin. As of August 9, 1999, the value of the Company's investment in Kirlin has increased to \$2,062,500.

Kirlin (Nasdaq: KILN) is a holding company engaged in securities brokerage, securities trading and merchant banking activities through its primary operating subsidiary, Kirlin Securities, Inc. Kirlin Securities is a full service, retail oriented brokerage firm and is a member of the NASD.

Other Investment

On June 2, 1999, the Company, Kirlin and VentureHighway (at the time a wholly-owned subsidiary of Kirlin), entered into an

agreement ("Agreement") pursuant to which the Company acquired 2,484 newly issued shares of common stock of VentureHighway, representing 19.9% of the then-outstanding shares of common stock (the other 80.1% of which continue to be held by Kirlin). The purchase price is payable in the form of advertising for VentureHighway in the Company's magazines and websites during the next 30 months. The purchase price had a stated value of \$3.2 million, and is recorded on the Company's June 30, 1999 balance sheet at a fair value of \$2.6 million.

VentureHighway owns and operates VentureHighway.com, a branded website designed to serve as an interactive portal for the matching of companies seeking funding with qualified investors seeking to fund such companies, and the facilitation of private placements and public offerings of securities of companies. There currently is no public market for VentureHighway securities, and there is no assurance that the Company will realize any value with respect to its investment in VentureHighway.

### 3. DISCONTINUED OPERATIONS

On April 30, 1998 the Company's Board of Directors decided to discontinue the Company's investment management services business. As a result, the operating results relating to investment management services have been segregated from continuing operations and reported as a separate line item on the consolidated condensed statements of operations.

The investment management services business was principally conducted by a wholly-owned subsidiary of the Company, WisdomTree Capital Management, Inc. ("WTCM"). WTCM served as general partner of (and is an investor in) a domestic private investment fund. The Company is also a limited partner in the fund. As a result of the Board's decision to discontinue the investment management services business, WTCM is dissolving the domestic investment fund, liquidating its investments and distributing the net assets to all investors as promptly as possible.

In 1998, the Company recorded provisions to accrue for its share of any net operating losses of the domestic fund and related costs that are expected to occur until the fund liquidates its investments. The Company believes that adequate provision has been made for any remaining net operating losses and related material costs associated with these discontinued operations.

The Company, through WTCM and another wholly-owned subsidiary, also provided investment management services to an offshore private investment fund. On May 21, 1998 the sole voting shareholder of the offshore fund, in consultation with WTCM, resolved to wind up the fund and appointed a liquidator to distribute the assets of the fund to its investors in accordance with Cayman Islands law. Substantially all of the fund assets were distributed in cash to its investors by December 31, 1998. The Company has no investment in the offshore fund.

In January 1999, the domestic investment fund distributed cash to its partners totaling \$1,189,510, of which \$139,849 was received by the Company and was used to reduce its net investment in discontinued operations. At June 30, 1999, the domestic investment fund had remaining net assets of approximately \$1,446,848. The Company's net investment in discontinued operations of \$142,534 at June 30, 1999, represents its share of the net assets of the domestic investment fund, less any costs associated with discontinuing the investment management services business.

### 4. STOCK OPTIONS

During the three and six months ended June 30, 1999, the Company granted 40,100 and 97,600 options, respectively, to purchase the Company's Common Stock; 228,701 and 628,814 options, respectively, were exercised (providing proceeds of \$668,774 and \$2,228,099, respectively); and 30,100 and 45,433 options were canceled, respectively. Of the total options granted, 67,600 were granted under the Company's stock option plans, 30,000 shares were granted outside of the plans, and all expire at various dates through June 2009.

### 5. LOSS PER COMMON SHARE

Net loss per basic and dilutive common share for the three and six month periods ended June 30, 1999 and 1998 were computed using the weighted average number of common shares outstanding during each period. The exercise of stock options and warrants were not assumed in the computation of loss per common share, as the effect would have been antidilutive.

### 6. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," requires the disclosure of comprehensive income (loss), defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income (loss).

Comprehensive income (loss) for the three and six months ended June 30, 1999 and 1998, respectively, is presented in the following table:

	Three Months Ended June 30, 1999	1998	Six Months Ended June 30, 1999	1998
Net loss	\$ (2,276,726)	\$ (2,979,615)	\$ (3,594,858)	\$ (5,139,261)
Other comprehensive gain:				
Net unrealized gain on investments (see Note 2)	6,334,239	-	6,363,583	-
Total comprehensive income (loss)	\$ 4,057,513	\$ (2,979,615)	\$ 2,768,725	\$ (5,139,261)

## 7. SEGMENT INFORMATION

In 1998, the Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which changes the way the Company reports information about its operating segments. Accordingly, the prior year's information has been restated to be consistent with the current year presentation. The Company's business segments are focused on providing research and analysis of investment information to individuals and investment professionals through two operating segments: Print Publications and Online Services. The Company's Print Publications operations publishes and markets Individual Investor magazine, a personal finance and investment magazine, Ticker, a magazine for investment professionals, and Individual Investor's Special Situations Report, a financial investment newsletter. The Company's Online Services operations include Individual Investor Online ([www.individualinvestor.com](http://www.individualinvestor.com)) and InsiderTrader.com ([www.insidertrader.com](http://www.insidertrader.com)). Substantially all of the Company's operations are within the United States.

The table below presents summarized operating data for the Company's two business segments, consistent with the way such data is utilized by Company management in evaluating operating results. The accounting policies utilized in the table below are the same as those described in Note 1 of the Notes to Condensed Consolidated Financial Statements, as well as the consolidated financial statements and footnotes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Operating contribution represents the difference between operating revenues less operating expenses (before general and administrative ("G&A") and depreciation and amortization expenses).

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenues:				
Print Publications	\$3,385,090	\$3,310,144	\$7,133,937	\$7,034,696
Online Services	318,547	351,386	571,516	580,807
	\$3,703,637	\$3,661,530	\$7,705,453	\$7,615,503
Operating contribution (before G&A and depreciation and amortization expenses):				
Print Publications	(\$92,636)	(\$369,053)	(\$215,904)	(\$497,119)
Online Services	(712,357)	(543,890)	(1,194,467)	(1,004,994)
	(804,993)	(912,943)	(1,410,371)	(1,502,113)
G&A and depreciation and amortization expenses	(1,511,560)	(1,821,761)	(2,780,881)	(3,044,732)
Interest and other income	39,827	13,708	596,394	43,663
Net loss from continuing operations	(\$2,276,726)	(\$2,720,996)	(\$3,594,858)	(\$4,503,182)

Net property and equipment as of June 30, 1999 increased approximately \$1.2 million as compared to December 31, 1998 (primarily leasehold improvements and furniture connected with the relocation of the Company's corporate office in March 1999). The capital expenditures allocable to Print Publications, Online Services and corporate are approximately \$0.7 million, \$0.3 million, and \$0.2 million, respectively. Additionally, investments as of June 30, 1999 increased approximately \$9.3 million as compared to December 31, 1998. This was primarily due to an increase in the unrealized gain on Wit Capital (approximately \$5.6 million), as well as investments in Kirlin Holding Corp. and VentureHighway.com Inc. (see Note 2). There were no other material changes from year-end 1998 in total assets, in the basis of segmentation, or in the basis of measurement of segment profit or loss.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Important Notice Concerning "Forward-looking Statements" in this Report

1. "Forward-looking Statements." Certain parts of this Report describe

historical information (such as operating results for the three and six months ended June 30, 1999 and June 30, 1998, respectively), and the Company believes the descriptions to be accurate. In contrast to describing the past, various sentences of this Report indicate that the Company believes certain results are likely to occur after June 30, 1999. These sentences typically use words or phrases like "believes," "expects," "anticipates," "estimates," "will continue" and similar expressions. Statements using those words or similar expressions are intended to identify "forward-looking statements" as that term is used in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, projections of operating results for periods after June 30, 1999, concerning either a specific segment of the Company's business or the Company as a whole. For example, projections concerning the following are forward-looking statements: net revenues, operating expenses, net income or loss, contribution to overhead, number of subscribers, subscription revenues, revenues per advertising page, number of advertising pages, production expense per copy, page views, revenues per page view, marketing expenses, sales expenses, and general and administrative expenses. Any statement in this Report that does not describe a historical fact is deemed to be a forward-looking statement.

2. Actual Results May Be Different than Projections. Due to a variety of risks and uncertainties, actual results, however, may be materially different from the results projected in the forward-looking statements. These risks and uncertainties include those set forth in Item 2 (entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations") of Part I hereof, in Exhibit 99 hereof and elsewhere in this Report, and in Item 1 (entitled "Business") of Part I and in Item 7 (entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations") of Part II of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, filed with the Securities and Exchange Commission.

3. The Company Has No Duty to Update Projections. The forward-looking statements in this Report are current only on the date this Report is filed. After the filing of this Report, the Company's expectations of likely results may change, and the Company might come to believe that certain forward-looking statements in this Report are no longer accurate. The Company shall not have any obligation, however, to release publicly any corrections or revisions to any forward-looking statements contained in this Report, even if the Company believes the forward-looking statements are no longer accurate.

Three and Six Months Ended June 30, 1999 as Compared to the Three and Six Months Ended June 30, 1998

#### Net Loss from Continuing Operations

The Company's net loss from continuing operations for the three and six months ended June 30, 1999 decreased 16% and 20%, to \$2,276,726 and \$3,594,858, respectively, as compared to \$2,720,996 and \$4,503,182, respectively, in 1998. The decrease is primarily due to reduced general and administrative expenses as well as realized gains on the sale of investments that occurred in the first quarter of 1999.

Print Publications operations provided a negative operating contribution (before deducting general and administrative ("G&A") and depreciation and amortization expenses) of \$92,636 and \$215,904 for the three and six months ended June 30, 1999, respectively, an improvement of 75% and 57%, respectively, from the prior year's negative operating contribution of \$369,053 and \$497,119, respectively. Individual Investor magazine provided a negative operating contribution (before deducting general and administrative ("G&A") and depreciation and amortization expenses) of \$79,458 and \$269,416 for the three and six months ended June 30, 1999, respectively, as compared to a negative operating contribution of \$252,700 and \$301,684, respectively, in 1998, an improvement of 69% and 11%, respectively. The change in operating contribution is primarily due to a decrease in production and distribution expenses, offset in part by a decrease in revenues. Ticker (sm) magazine provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of \$14,954 and a positive operating contribution (before deducting G&A and depreciation and amortization expenses) of \$27,249 for the three and six months ended June 30, 1999, respectively, as compared to a negative operating contribution of \$121,982 and \$219,379, respectively, in 1998. The change in operating contribution is primarily attributable to increased advertising revenues, offset in part by increased promotion and selling costs associated with the increase in revenues. Ticker is expected to provide a positive contribution to overhead going forward. Special Situations Report provided a positive operating contribution (before deducting G&A and depreciation and amortization expenses) of \$1,776 and \$26,263 for the three and six months ended June 30, 1999, respectively, as compared to a positive operating contribution of \$5,629 and \$23,944, respectively, in 1998. The Company currently anticipates that the Print Publishing operations as a whole will be providing a positive contribution to overhead before year-end.

Online Services operations provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of \$712,357 and \$1,194,467 for the three and six months ended June 30, 1999, respectively, as compared to a negative operating contribution of \$543,890 and \$1,004,994, respectively, in 1998. The change in operating contribution is primarily attributable to lower advertising revenues for the Company's website, Individual Investor Online ([www.individualinvestor.com](http://www.individualinvestor.com)), together with increased editorial and research costs, offset in part by lower production and development expenses. Advertising revenues for Individual Investor Online are expected to increase significantly in the third quarter of 1999, as compared to the second quarter of 1999.

#### Operating Revenues

Total revenues from continuing operations for the three and six months ended June 30, 1999 increased 1% and 1% to \$3,703,637 and \$7,705,453, respectively, as compared to \$3,661,530 and \$7,615,503, respectively, in 1998. Revenues for the Print Publications operations for the three and six months

ended June 30, 1999 increased 2% and 1%, to \$3,385,090 and \$7,133,937, respectively, as compared to \$3,310,144 and \$7,034,696, respectively, in 1998. Revenues for the Online Services operations for the three and six months ended June 30, 1999 decreased 9% and 2%, to \$318,547 and \$571,516, respectively, as compared to \$351,386, and \$580,807, respectively, in 1998.

Print Publications advertising revenues for the three and six months ended June 30, 1999 increased 11% and 5%, to \$2,266,808 and \$4,833,715, respectively, as compared to \$2,047,147 and \$4,610,990, respectively, in 1998. Ticker advertising revenues for the three and six months ended June 30, 1999 increased 33% and 54%, to \$713,718 and \$1,516,236, respectively, as compared to \$537,974 and \$986,905, respectively, in 1998. This increase relates primarily to an increase in advertising pages for the three and six months ended June 30, 1999 of approximately 26% and 42%, as well as an increase in the advertising net rate per page of 6.5% and 4.9%, respectively, when compared to 1998. Individual Investor advertising revenues for the three and six months ended June 30, 1999 increased 3% and decreased 8%, respectively, to \$1,553,090 and \$3,317,479, respectively, as compared to \$1,509,173 and \$3,624,085, respectively, in 1998. The three month increase for Individual Investor relates primarily to a higher advertising net rate per page of approximately 13%, partially offset by a reduction in advertising pages of approximately 10%, when compared to 1998. The six month decrease relates primarily to a reduction in advertising pages of approximately 17%, offset in part by an increase in the advertising net rate per page of approximately 13%, when compared to 1998.

Print Publications circulation revenues for the three and six months ended June 30, 1999 decreased 9% and 4%, to \$837,013 and \$1,694,567, respectively, as compared to \$918,905 and \$1,769,861, respectively, in 1998. The decrease is primarily attributable to a reduction in Individual Investor subscription revenues, partially offset by an increase in newsstand sell-through. Subscription revenues for the three and six months ended June 30, 1999 decreased 15% and 9%, to \$544,582 and \$1,115,066, respectively, as compared to \$640,145 and \$1,224,166, respectively, in 1998. The decrease resulted from the Company's use of subscription-generation sources that provide for continuing numbers of subscribers with low marketing expenses but little or no subscription revenue. The Company believes that subscription revenues has stabilized at this level. Newsstand revenues for the three and six months ended June 30, 1999 increased 25% and 20%, to \$218,853 and \$419,484, respectively, as compared to \$174,780 and \$348,298, respectively, in 1998.

Print Publications list rental and other revenues for the three and six months ended June 30, 1999 decreased 18% and 7%, to \$281,269 and \$605,655, respectively, as compared to \$344,092 and \$653,845, respectively, in 1998. List rental revenue for the three and six months ended June 30, 1999 decreased 4% and increased 17%, to \$220,479 and \$457,353, respectively, as compared to \$228,758 and \$389,526, respectively, in 1998. Other revenues for the three and six months ended June 30, 1999 decreased 47% and 44%, to \$60,790 and \$148,302, respectively, as compared to \$115,334 and \$264,319, respectively, in 1998. The decrease in other revenues is primarily attributable to reduced demand for reprints of Individual Investor magazine.

Online Services advertising revenues for the three and six months ended June 30, 1999 decreased 24% and 20%, to \$267,989 and \$463,276, respectively, as compared to \$351,386 and \$580,807, respectively, in 1998. The decrease in advertising revenues is attributable to a decline in advertising sponsorship sales by the Company's independent sales agent, along with lower rates earned on advertising impressions for Individual Investor Online ([www.individualinvestor.com](http://www.individualinvestor.com)), offset in part by advertising revenue earned by InsiderTrader.com. As a result of the decrease in advertising sponsorships for Individual Investor Online, in April 1999 the Company reorganized and strengthened its sales efforts and is now selling sponsorship advertisements directly as opposed to through a sales agent. Traffic to the Company's web sites for the three months ended June 30, 1999 increased 30% to an average of approximately 5.3 million page views per month, as compared to an average of approximately 4.0 million page views per month during the three months ended March 31, 1999. The Company expects that Online Services advertising revenues should trend higher in the future (with sequential fluctuations), and expects that gross margins associated with such revenues will increase in light of reduced dependence upon outside sales agents.

Online Services subscription revenues for the three and six months ended June 30, 1999 were \$32,320 and \$72,472, respectively, as compared to \$0 and \$0, respectively, in 1998. The increase in subscription revenues is attributable to InsiderTrader.com ([www.insidertrader.com](http://www.insidertrader.com)), which the Company purchased in November 1998. The Company anticipates launching other subscription-based web sites this year, which should increase Online Services subscription revenues.

#### Operating Expenses

Total operating expenses from continuing operations for the three and six months ended June 30, 1999 decreased 6% and 2% to \$6,020,190 and \$11,896,705, respectively, as compared to \$6,396,234 and \$12,162,348, respectively, in 1998.

Editorial, production and distribution expenses for the three and six months ended June 30, 1999 decreased 10% and 7% to \$2,684,104 and \$5,439,822, respectively, as compared to \$2,968,414 and \$5,868,888, respectively, in 1998. Print Publications editorial, production and distribution expenses for the three and six months ended June 30, 1999 decreased 13% and 10% to \$2,098,588 and \$4,312,712, respectively, as compared to \$2,410,420 and \$4,798,222, respectively, in 1998. The decrease relates primarily to Individual Investor magazine, which had fewer pages and less copies printed, along with lower paper costs and reduced manufacturing expenses resulting from a renegotiated agreement with the Company's printer. Online Services production and editorial expenses for the three and six months ended June 30, 1999 increased 5% and 5% to \$585,516 and \$1,127,110, respectively, as compared to \$557,994 and \$1,070,666, respectively, in 1998. The increase is primarily related to higher editorial and research costs, offset in part by lower production and development expenses for the Company's primary website, Individual Investor Online

(www.individualinvestor.com), together with production and research costs for InsiderTrader.com, which the Company purchased in November 1998.

Promotion and selling expenses for the three and six months ended June 30, 1999 increased 14% and 13% to \$1,824,526 and \$3,676,002, respectively, as compared to \$1,606,059 and \$3,248,728 respectively, in 1998. Print Publications promotion and selling expenses for the three and six months ended June 30, 1999 increased 9% and 11% to \$1,379,138 and \$3,037,129, respectively, as compared to \$1,268,777 and \$2,733,593, respectively, in 1998. The increase is primarily due to higher advertising salaries as a result of hiring additional in-house sales personnel, as well as increased marketing and promotion expenses, partially offset by reduced sales commissions. Online Services promotion and selling expenses for the three and six months ended June 30, 1999 increased 32% and 24% to \$445,388 and \$638,873, respectively, as compared to \$337,282 and \$515,135, respectively, in 1998. The increase is primarily attributable to increased marketing and promotion expenses, increased newspaper advertising and increased recruiting fees, partially offset by reduced advertising sales commissions and reduced barter advertising expenses.

General and administrative expenses for the three and six months ended June 30, 1999 decreased 22% and 12% to \$1,359,985 and \$2,532,476, respectively, as compared to \$1,743,493 and \$2,893,153, respectively, in 1998. The decrease primarily results from unusually high 1998 expenses (severance, legal fees and executive search fees) relating to changes in senior management and key advertising sales personnel, offset in part by moving costs and increased rent expense in the 1999 periods related to the relocation of the Company's corporate office in March 1999.

Depreciation and amortization expense for the three and six months ended June 30, 1999 increased 94% and 64% to \$151,575 and \$248,405, respectively, as compared to \$78,268 and \$151,579, respectively, in 1998. The increase is primarily attributable to additional depreciation for computer equipment purchased for the Company's Online Services operations as well as the amortization of leasehold improvements related to the new corporate office.

#### Interest and Other Income

Interest and other income for the three and six months ended June 30, 1999 increased to \$39,827 and \$596,394, respectively, as compared to \$13,708 and \$43,663, respectively, in 1998. The increase is primarily attributable to realized gains of \$503,215 from the sale of investments in the first quarter of 1999.

#### Discontinued Operations

On April 30, 1998, the Company's Board of Directors decided to discontinue the Company's investment management services business. As a result of the Board's decision, WisdomTree Capital Management, Inc. ("WTCM") is dissolving the domestic and offshore investment funds, liquidating fund investments and distributing the net assets to all investors as promptly as possible. Accordingly, the operating results related to investment management services have been segregated from continuing operations and reported as a separate line item on the statement of operations.

Net loss from discontinued operations for the three and six months ended June 30, 1999 was \$0 and \$0, respectively, as compared to a net loss of \$258,619 and \$636,079 for 1998. No additional loss amounts were recorded by the Company for the three and six months ended June 30, 1999 for discontinued operations because the Company believes that any remaining net operating losses and related material costs associated with these discontinued operations have been adequately provided for by provisions established in 1998.

The Company's net investment in discontinued operations of \$142,534 at June 30, 1999 represents its share of the net assets of the domestic investment fund, less any costs associated with discontinuing the investment management services business.

#### Net Loss

The Company's net loss for the three and six months ended June 30, 1999 decreased 24% and 30% to \$2,276,726 and \$3,594,858, respectively, as compared to \$2,979,615 and \$5,139,261, respectively, in 1998. No income taxes were provided in 1999 or 1998 due to the net loss. The basic and dilutive net loss per weighted average common share for the three and six months ended June 30, 1999 was \$0.25 and \$0.40, respectively, as compared to \$0.41 and \$0.71, respectively, in 1998.

#### Liquidity and Capital Resources

During the six months ended June 30, 1999, the Company received \$2,228,100 from exercises of stock options, \$990,729 from sales of investments, and \$139,849 from the liquidation of the domestic fund. These inflows help to fund the Company's net cash used in operating activities of \$3,568,680 during the period. The Company also incurred approximately \$1.5 million of capital expenditures during the six months ended June 30, 1999 (primarily leasehold improvements and furniture connected with the relocation of its corporate office). Additionally, the Company used its working capital to fund a \$750,000 acquisition of common stock of Kirlin Holding Corp.

As of June 30, 1999, the Company had working capital of \$9,107,152, which included cash and cash equivalents totaling \$2,332,163 and investments of \$7,506,376 which should be available during the second half of 1999, subject to market fluctuations and liquidity, to provide working capital to fund the Company's operations. As of August 9, 1999, the value of these investments declined to \$5,304,451.

The Company currently owns 175,000 shares of Wit Capital Group, Inc. Class C Common Stock. Wit Capital is an online investment banking and brokerage firm. The Company's stake in Wit Capital was acquired in 1997 as 250,000 shares of Series A Preferred Stock valued at \$250,000, and was converted into 175,000

shares of Class C Common Stock due to a 7-for-10 reverse split of Class C Common Stock and the completion of Wit Capital's IPO on June 4, 1999. The investment is recorded on the Company's June 30, 1999 balance sheet at \$5,950,000 based upon the June 30, 1999 closing price of Wit Capital Common Stock on the Nasdaq National Market. The Company may not transfer or dispose of the Class C Common Stock (or any interest in such shares) until 180 days from the completion of the IPO (i.e., until December 1, 1999), at which point it will automatically convert into Common Stock and will not be subject to any lock-up. The Company could realize a significant gain with respect to this investment, although there can be no assurance that the Company ultimately will realize any value with respect to its shares of Wit Capital. As of August 9, 1999, the value of the Company's investment in Wit Capital has declined to \$3,171,875.

On June 2, 1999, the Company and Kirlin Holding Corp ("Kirlin") entered into a Securities Purchase Agreement ("Securities Purchase Agreement") pursuant to which the Company acquired 300,000 shares ("Investor Shares") of common stock of Kirlin for \$750,000, representing 4.9% of the then-outstanding shares of Kirlin's common stock (the share amount has been restated to reflect a 2-for-1 stock split effected July 30, 1999). The purchase price was paid from the Company's working capital. Kirlin contributed all the proceeds of this sale to the capital of its subsidiary, VentureHighway.com ("VentureHighway"), in which the Company has a 19.9% stake. Kirlin filed a registration statement registering the resale of the Investor Shares under the Securities Act of 1933 and is obligated to use its best efforts to cause the registration statement to become effective as soon as practicable thereafter. The investment in Kirlin is recorded on the Company's June 30, 1999 balance sheet at \$1,471,950 based upon the June 30, 1999 closing price of Kirlin's common stock on the Nasdaq Small-Cap Market. The Company could realize a significant gain with respect to this investment, although there can be no assurance that the Company ultimately will realize any value with respect to its shares of Kirlin. As of August 9, 1999, the value of the Company's investment in Kirlin has increased to \$2,062,500.

Kirlin (Nasdaq: KILN) is a holding company engaged in securities brokerage, securities trading and merchant banking activities through its primary operating subsidiary, Kirlin Securities, Inc. Kirlin Securities is a full service, retail oriented brokerage firm and is a member of the NASD.

On June 2, 1999, the Company, Kirlin and VentureHighway (at the time a wholly-owned subsidiary of Kirlin), entered into an agreement ("Agreement") pursuant to which the Company acquired 2,484 newly-issued shares of common stock of VentureHighway, representing 19.9% of the then-outstanding shares of common stock (the other 80.1% of which continue to be held by Kirlin). The purchase price is payable in the form of advertising for VentureHighway in the Company's magazines and websites during the next 30 months. The purchase price had a stated value of \$3.2 million, and is recorded on the Company's June 30, 1999 balance sheet at a fair value of \$2.6 million.

VentureHighway owns and operates VentureHighway.com, a branded website designed to serve as an interactive portal for the matching of companies seeking funding with qualified investors seeking to fund such companies, and the facilitation of private placements and public offerings of securities of companies. There currently is no public market for VentureHighway securities, and there is no assurance that the Company will realize any value with respect to its investment in VentureHighway.

The Company's current levels of revenues are not sufficient to cover its expenses. Under its current business plan, the Company intends to control its operating expenses while continuing to invest in its existing products. The Company anticipates losses to continue through 1999, although the Company anticipates that losses from continuing operations in 1999 will be significantly less than in 1998. Profitability may be achieved in future periods only if the Company can substantially increase its revenues while controlling increases in expenses. There can be no assurance that revenues will be substantially increased, or that the increases in expenses can be controlled adequately to enable the Company to attain profitability.

Management continues to expect that revenues will grow in 1999 as the Company implements changes made by a new management team. Print Publications advertising sales are expected to increase due to the addition of new key sales personnel, anticipated publication of a 13th issue of Ticker, and the effect of the increased awareness in the marketplace due in part to selected public relations and advertising efforts. There can be no assurance, however, that advertising sales will increase because higher advertising rates may not be accepted by advertisers, advertising pages may continue to decline for Individual Investor, circulation may drop at either or both Individual Investor and Ticker, and the advertising mix may change. Although the Company has recently added key advertising sales personnel, no assurance can be given that these changes will result in advertising revenue increases. The Company also believes that a stock market correction or "bear" market would adversely affect its ability to sell advertising, particularly to the financial advertiser categories.

The Company plans to continue investing in its Online Services because it believes that this line of business offers the greatest opportunity for generating substantial revenues and shareholder value over the longer term. The Company expects to realize higher revenues from operations of its flagship online service, Individual Investor Online, primarily due to the anticipated traffic growth to the site, which is expected to generate higher levels of sponsorship and banner revenues. Additionally, the Company expects to recognize at least \$1.1 million of online revenues over the next four quarters as a result of its agreement with VentureHighway.com. There can be no assurance, however, that such traffic growth will be realized, or that, even if realized, such traffic growth will result in higher revenues or shareholder value. The Company also expects to launch additional subscription-based online products during 1999. There can be no assurance, however, that such products in fact will be launched, or that if launched, such products will be successful.

Based on the Company's business plan, the Company believes that its working capital and its investments will be sufficient to fund its operations and capital requirements at least through 1999. In the event that the Company

cannot obtain sufficient liquidity with respect to the Company's investments, the Company may need to obtain debt or equity financing during the fourth quarter of 1999 (during which quarter the Company's shares of Wit Capital should become freely tradable). Thereafter, the Company may need to raise additional capital in order to sustain operations unless the Company achieves profitability through the generation of revenues beyond those currently anticipated. The Company is currently exploring its ability to obtain additional financing. No assurance can be given as to the availability of additional financing or, if available, the terms upon which it may be obtained. Any such additional financing may result in dilution of an investor's equity investment in the Company. Failure to obtain additional financing on favorable terms, or at all, could have a substantial adverse effect on the Company's future ability to conduct operations.

#### Year 2000

The Company has evaluated the potential impact of the situation commonly referred to as the "Year 2000 Issue". The Year 2000 Issue concerns the inability of information systems, whether due to computer hardware or software, to properly recognize and process date sensitive information relating to the year 2000 and beyond. Many of the world's computer systems currently record years in a two-digit format. Such computer systems may be unable to properly interpret dates beyond the year 1999, which could lead to business disruptions in the U.S and internationally. The potential costs and uncertainties associated with the Year 2000 Issue will depend on a number of factors, including software, hardware and the nature of the industry in which a company operates. The Year 2000 Issue could have a material adverse effect on the Company's results of operations and ability to conduct business.

To attempt to ensure that the Company's computer systems (including computer hardware and computer software) are "Year 2000 Ready" (that is, are not disrupted by the Year 2000 Issue), the Company developed a plan to assess, and remediate where necessary, any Year 2000 Issue with respect to the Company's computer systems, and appointed certain employees to administer such plan. The plan contains four phases: first, identifying all computer hardware and software being used by the Company; second, determining whether such hardware and software is Year 2000 Ready; third, remediating any Year 2000 Issue with respect to any particular piece of hardware or software; and fourth, performing a final audit and test. The Company has completed the first two phases, and has completed the third phase with respect to hardware issues. The Company has made significant progress toward completing the third phase with respect to software issues, and currently expects to complete the third and fourth phases before October 1999.

As of June 30, 1999, the Company has incurred direct costs of approximately \$20,000 relating to the development and implementation of its Year 2000 Plan. The Company currently believes that total direct costs associated with making the Company's systems Year 2000 Ready should not exceed \$30,000 and that such costs, together with any lost revenue associated with making the Company's systems Year 2000 Ready, should not have a material adverse effect on the Company's operating results or financial condition. The Company does not believe that the diversion of employee resources required to address the Year 2000 Issue will have a material effect on the Company's operating results or financial condition. The Company does not have in place a contingency plan of action in the event that it is not able to make its computer systems Year 2000 Ready, but will consider on an ongoing basis whether a contingency plan should be developed.

The dates on which the Company believes it will complete its Year 2000 readiness phases, and the costs associated with such efforts, are based on the Company's current best estimates. However, there can be no guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, making the Company's systems Year 2000 Ready. Specific factors that might cause differences between the estimates and actual results include, but are not limited to, the availability and cost of personnel trained in these areas, the ability to locate and correct all relevant computer code and hardware devices (such as microcontrollers), timely responses to and corrections by third parties and suppliers, the ability to implement interfaces between the new systems and the systems not being replaced, and similar uncertainties. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third parties and the interconnection of global businesses, the Company cannot ensure its ability to timely and cost-effectively resolve problems associated with the Year 2000 Issue, and a failure to do so could materially adversely affect the Company's operations and business, and expose it to third party liability.

The Company also faces risks and uncertainties to the extent that the third party suppliers of products, services and systems on which the Company relies or customers do not have business systems or products that are Year 2000 Ready. The Company has initiated communications with all of its significant suppliers to determine the extent to which the Company's systems and products are vulnerable to those third parties' failure to remediate their own systems' Year 2000 Issues. The Company has received assurances from certain of its suppliers stating that such suppliers' systems are or will timely be Year 2000 Ready, but there is no guarantee that the systems or products of these or other companies on which the Company relies will be timely, if at all, made Year 2000 Ready, and such a failure by such companies could have a material adverse effect on the Company's systems and products. No one customer has accounted for more than 10% of the Company's revenues in the past year, and the Company has not initiated contact with its customers concerning the status of their Year 2000 readiness. There is no guarantee that the systems of the Company's customers will be made Year 2000 Ready, and a failure by a number of the Company's customers to become Year 2000 Ready could have a material adverse effect on the Company's revenues and cash flows. The Company is in the process of identifying what actions may be needed to mitigate vulnerability to problems related to enterprises with which the Company interacts, but does not currently have in place a contingency plan of action in the event that the failure by one or more third parties to make their computer systems Year 2000 Ready causes adverse effects to be suffered by the Company. The Company will consider on an ongoing

basis the extent to which a contingency plan should be developed.

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 2. Changes in Securities

Sales of Unregistered Securities

Date of sale	Title of security	Number sold	Consideration received and description of underwriting or other discounts to market price afforded to purchasers	Exemption from registration claimed	If option, warrant or convertible security, terms of exercise or conversion
4/99 - 6/99	Options to purchase common stock granted to employees	37,700	Exercise price would be received upon exercise	Section 4(2)	Vesting over a period of four years from date of grant, subject to certain conditions of continued service; exercisable for a period lasting ten years from date of grant at exercise prices ranging from \$4.50 to \$8.125 per share.
4/99 - 6/99	Common stock granted to consultant	2,400	Public relations advisory services	Section 4(2)	Shares held by the Company in escrow and delivered in equal monthly amounts from June 1999 to May 2000, provided agreement is not terminated. Shares held in escrow and not yet delivered subject to repurchase at nominal amount in event of termination.

ITEM 4. Submission of Matters to a Vote of Security Holders

On June 22, 1999, the Company held the annual meeting of stockholders for the purpose of electing one director of the Company, S. Christopher Meigher III, for a term of three years, and to consider and vote upon a proposal to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock to 40,000,000. The shares of Common Stock voted on the matters were as follows: 8,106,531 shares were cast in favor and 173,837 shares were withheld for the election of the director, and 8,027,910 shares were cast in favor, 242,848 shares were against and 9,610 shares were abstained for the increase to the number of authorized shares of Common Stock.

ITEM 5. Other Information

In July 1997 certain former limited partners of WisdomTree Associates, L.P. ("WTA"), a domestic private investment fund of which WisdomTree Capital Management, Inc., a wholly-owned subsidiary of the Company, is the general partner, initiated an action in the Supreme Court of the State of New York, County of New York, captioned Richard Tarlow and Sandra Tarlow v. WisdomTree Associates, L.P., Bob Schmidt and Jonathan Steinberg, Index No. 113819/97. Defendants moved to dismiss the action based on plaintiffs' failure to file a complaint, and the action was dismissed without prejudice in October 1997. In October 1998, plaintiffs moved to vacate the default judgment. Defendants opposed the motion. On April 20, 1999, the court denied plaintiffs' motion with respect to Messrs. Schmidt and Steinberg, but granted the motion with respect to WTA and plaintiffs were permitted to and did file and serve a complaint solely against this defendant. Plaintiffs allege that WTA did not timely process plaintiffs' request for redemption of their interest in WTA, which delay allegedly caused plaintiffs to suffer approximately \$470,000 in damages. WTA has moved to dismiss the complaint as to all causes of action other than the breach of contract claim. The parties are awaiting the Court's ruling on the motion, and WTA intends to continue conducting a vigorous defense. Due to the inherent uncertainty of litigation, the Company is not able to reasonably estimate the potential losses, if any, that may be incurred in relation to this litigation.

In April 1999 a stockholder of the Company initiated an action in the Court of Chancery of the State of Delaware, New Castle County, captioned Michele S. Criden v. Jonathan L. Steinberg, Bruce L. Sokoloff, Peter M. Ziemba and S. Christopher Meigher III (C.A. No. 17082). The Company is named as a nominal defendant in the action. Plaintiff alleged that the four individual defendants, who comprise the entire Board of Directors of the Company, took improper action (i) on November 19, 1998, in determining to amend the terms of options previously granted to Jonathan Steinberg to reduce their exercise prices (which ranged from \$4.9375 to \$7.50) to \$1.25 (11% higher than the last sale price on the trading date immediately preceding the date of such amendment), and (ii) on December 23, 1998, in determining to grant replacement options to each of Messrs. Sokoloff, Ziemba and Meigher, conditioned upon cancellation of their existing options, which replacement options had an exercise price of \$2.00 per share (the last sale price of the Common Stock on the trading date immediately

preceding the date of the new grant), which was less than the exercise price of options previously granted to them (which exercise prices ranged from \$4.375 to \$10.50). Plaintiff claimed that such actions constituted corporate waste and a diversion of corporate assets for improper and unnecessary purposes and that the directors breached their fiduciary duties, including their duty of loyalty, to the Company and its stockholders. Plaintiff demanded judgment (i) enjoining the four directors from exercising any options at the reduced exercise price, (ii) declaring a constructive trust of any proceeds resulting from the directors' exercise of such options, (iii) damages, on behalf of the Company, for losses and damages suffered and to be suffered in connection with the option repricings, including interest thereon, and (iv) awarding plaintiffs the costs of this action, including reasonable attorney's fees. In June 1999, defendants moved to dismiss the complaint. Plaintiff indicated that she would not oppose the motion, but rather would file an amended complaint. In August 1999, plaintiff filed an amended complaint. The Board of Directors believed at the time, and continues to believe, that the actions taken on November 19, 1998 and December 23, 1998, were proper.

ITEM 6. Exhibits and Reports on Form 8-K  
Exhibits

Exhibit NO.	Description	Method of Filing
3.1	Certificate of Amendment of Amended and Restated Certificate of Incorporation dated June 22, 1999	Filed herewith
3.2	Amended and Restated Certificate of Incorporation of Registrant, as amended, through June 22, 1999	Filed herewith
3.3	By-Laws of Registrant amended through April 27, 1999	Filed herewith
4.1	Specimen Certificate for Common Stock of Registrant	Incorporated by reference to Exhibit 4.1 to the Form S-18
10.1	Form of Warrant dated December 16, 1998	Filed herewith
10.2	Letter dated as of April 28, 1999 between Registrant, Great American Life Insurance Company and Great American Insurance Company	Filed herewith
27	Financial Data Schedule June 30, 1999	Filed only with the electronic submission of Form 10-Q in accordance with the EDGAR requirement
99	Certain Risk Factors	Filed herewith

(a) Reports on Form 8-K

During the Quarter Ended June 30, 1999, the Company filed a Current Report on Form 8-K dated June 2, 1999, reporting under Item 2 the acquisition of 19.9% of the then-outstanding shares of common stock of VentureHighway.com Inc., as well as 150,000 shares (pre-split) of common stock of Kirlin Holding Corp.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 13, 1999

INDIVIDUAL INVESTOR GROUP, INC. (Registrant)

By: /s/ Jonathan L. Steinberg  
Jonathan L. Steinberg, Chief Executive Officer and Director

By: /s/ Henry G. Clark  
Henry G. Clark, Vice President Finance  
(Principal Financial and Accounting Officer)

CERTIFICATE OF AMENDMENT  
OF  
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
INDIVIDUAL INVESTOR GROUP, INC.

Pursuant to the General Corporation Law of the State of Delaware ("GCL"), it is hereby certified that:

1. The present name of the corporation (hereinafter called the "corporation") is Individual Investor Group, Inc. The name under which the corporation was incorporated was Financial Data Systems, Inc. The date of filing the original certificate of incorporation of the corporation with the Secretary of State of the State of Delaware was September 19, 1985.

2. The certificate of incorporation of the corporation is hereby amended by deleting the first paragraph of Article Fourth and in its stead substituting the following:

The total number of shares of all classes of stock that the Corporation shall have authority to issue is forty-two million (42,000,000) shares, of which forty million (40,000,000) shares will be shares of Common Stock, with a par value of one cent (\$.01) per share, and two million (2,000,000) shares shall be shares of Preferred Stock, with a par value of one cent (\$.01) per share.

3. Except as otherwise amended hereby, the provisions of the certificate of incorporation of the corporation are in full force and effect.

4. The amendment to the certificate of incorporation has been duly adopted in accordance with the provisions of Section 242 of the GCL, by resolution of the Board of Directors of the corporation and by affirmative vote of the holders of a majority of the outstanding stock entitled to vote thereon at a meeting of stockholders.

IN WITNESS WHEREOF, the undersigned have signed this Certificate of Amendment on this 22nd day of June 1999.

/s/ Jonathan L. Steinberg  
Jonathan L. Steinberg, Chief Executive Officer

ATTEST:

/s/ Henry G. Clark  
Henry G. Clark, Secretary

AMENDED AND RESTATED  
 CERTIFICATE OF INCORPORATION  
 OF  
 INDIVIDUAL INVESTOR GROUP, INC.  
 (as amended through June 22, 1999)

ARTICLE I

The name of the Corporation is "INDIVIDUAL INVESTOR GROUP, INC."

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV

The total number of shares of all classes of stock that the Corporation shall have authority to issue is forty-two million (42,000,000) shares, of which forty million (40,000,000) shares shall be shares of Common Stock, with a par value of one cent (\$.01) per share, and two million (2,000,000) shares shall be shares of Preferred Stock, with a par value of one cent (\$.01) per share.

The Board of Directors of the Corporation hereby expressly is granted authority to authorize, in accordance with Section 151(a) of the General Corporation Law of the State of Delaware, from time to time the issuance of one or more series of Preferred Stock and with respect to any such series to fix by resolution or resolutions the numbers, powers, designations, preferences, and relative, participating, optional, or other special rights of such series, and the qualifications, limitations, or restrictions thereof, including but without limiting the generality of the foregoing, the following:

- (1) entitling the holders thereof to cumulative, non-cumulative, or partially cumulative dividends, or to no dividends;
- (2) entitling the holders thereof to receive dividends payable on a parity with, junior to, or in preference to, the dividends payable on any other class or series of capital stock of the Corporation;
- (3) entitling the holders thereof to rights upon the liquidation of, or upon any distribution of the assets of, the Corporation, on a parity with, junior to, or in preference to, the rights of any other class or series of capital stock of the Corporation;
- (4) providing for the conversion, at the option of the holder or of the Corporation or both, of the shares of Preferred Stock into shares of any other class or classes of capital stock of the Corporation or any serie of the same or any other class or classes or into property of the Corporation or into the securities or properties of any other corporation or person, or providing for no conversion;
- (5) providing for the redemption, as a whole or in part, of the shares of Preferred Stock at the option of the Corporation, in cash, bonds, or other property, at such price or prices, within such period or periods, and under such conditions as the Board of Directors shall so provide, including provision for the creation of a sinking fund for the redemption thereof, or providing for no redemption; and
- (6) providing for the lack of voting rights or limited voting rights or enjoying general, special, or multiple voting rights.

ARTICLE V

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation and for further definition, limitation, and regulation of the powers of the Corporation and of its directors and stockholders:

- (1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors;
- (2) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to, or repeal the Bylaws of the Corporation;
- (3) The number of directors of the Corporation shall be as from time to time fixed by the Bylaws of the Corporation;
- (4) In addition to the powers and authority expressly conferred upon them herein or by statute, the directors hereby are empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the General Corporation Law of Delaware, this Amended and Restated Certificate of Incorporation, and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

ARTICLE VI

The number of directors to constitute the whole Board of Directors shall be such number as shall be set forth in the Bylaws and as shall be fixed from time to time by resolution of the Board of Directors or by the stockholders of the Corporation. The Board of Directors shall be divided into three classes as nearly equal in number as may be, with the term of office of one class expiring each year. At each annual meeting of the stockholders, successors to the directors whose terms shall then expire shall be elected to hold office for terms expiring at the third succeeding annual meeting of stockholders. In case of any vacancies, by reason of an increase in the number of directors or otherwise, each additional director may be elected by the Board of Directors

until the end of the term he is elected to fill and until his successor shall be elected and qualified in the class to which such director is assigned and for the term or remainder of the term of such class. Directors shall continue in office until others are chosen and qualified in their stead. When the number of directors is changed, any newly created directorships or any decrease in directorships shall be so assigned among the classes by a majority of the directors then in office, though less than a quorum, as to make all classes as nearly equal in number as may be feasible. No decrease in the number of directors shall shorten the term of any incumbent director.

Notwithstanding the foregoing, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies, and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and such directors selected shall not be divided into classes pursuant to this Article VI unless expressly provided by such terms.

#### ARTICLE VII

No director shall be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director, pursuant to Section 102 (b) (7) of the General Corporation Law of Delaware. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (1) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) pursuant to Section 174 of the General Corporation Law of Delaware, or (4) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article VII shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment.

#### ARTICLE VIII

The Corporation, to the fullest extent permitted by Section 145 of the general Corporation Law of Delaware, as the same may be amended and supplemented from time to time, or by any successor thereto, shall indemnify any and all persons whom it shall have power to indemnify under such Section from and against any and all of the expenses, liabilities, and other matters referred to in or covered by such Section, and, to the fullest extent permitted by such Section, shall advance expenses incurred by such persons in defending civil or criminal actions, suits, and proceedings. The indemnification and advancement of expenses provided for herein shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. Such indemnification and advancement of expenses shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

#### ARTICLE IX

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the General Corporation Law of Delaware) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

#### ARTICLE X

Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of the General Corporation Law of Delaware or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of the General Corporation Law of Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

#### ARTICLE XI

The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

#### ARTICLE XII

The amount of the authorized stock of the Corporation of any class or classes may be increased or decreased by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote.

#### ARTICLE XIII

Elections of directors need not be by ballot unless the Bylaws of the Corporation shall so provide.

[As amended through April 27, 1999]

BY-LAWS  
OF  
INDIVIDUAL INVESTOR GROUP, INC.

ARTICLE I

Offices

1. Registered Office. The registered office of the Corporation in Delaware shall be at 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is The Corporation Trust Company.

2. Other Offices. The Corporation may also have an office or offices at such other place or places, within or without the State of Delaware, as the Board of Directors may from time to time designate or the business of the Corporation may require.

ARTICLE II

Stockholders' Meetings

1. Annual Meetings. The annual meeting of the stockholders of the Corporation for the purpose of electing directors and for the transaction of such other business as may properly be brought before the meeting shall be held at such time and on such date as shall be fixed from time to time by resolution of the Board of Directors and as set forth in the notice of the meeting. Such annual meeting of stockholders shall be held at such place, within or without the State of Delaware, as may be fixed by the Board of Directors.

2. Special Meetings. Special meetings of the stockholders shall be held at such place within or without the State of Delaware as may be designated in the notice of said meeting, upon call of the Board of Directors, the Chairman of the Board, the President or the Secretary.

3. Notice of Meetings. The Secretary or any Assistant Secretary shall cause notice of the place, date and hour of each meeting of the stockholders, and, in the case of a special meeting, the purpose or purposes for which such meeting is called to be given personally or by mail, at least ten but not more than sixty days prior to the meeting, to each stockholder of record entitled to vote at his post office address as the same appears on the books of the Corporation at the time of such mailing. Notice of any meeting of stockholders need not be given to any stockholder who shall sign a waiver of such notice in writing, whether before or after the time of such meeting, or to any stockholder who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the stockholders of the Corporation need not be given, except as otherwise required by statute.

4. Quorum. A quorum at all meetings of stockholders shall consist of the holders of record of a majority of the shares of stock of the Corporation, issued and outstanding, entitled to vote at the meeting, present in person or by proxy, except as otherwise provided by statute or the Certificate of Incorporation. When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any stockholder.

5. Absence of Quorum. In the absence of a quorum at any meeting or any adjournment thereof, a majority of those present in person or by proxy and entitled to vote may adjourn such meeting from time to time. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

6. Voting in General. Except as otherwise provided in the By-Laws, the Certificate of Incorporation or in the laws of the State of Delaware, at every meeting of the stockholders, each stockholder of record of the Corporation shall have one vote in person or by proxy for each share of stock having voting rights held by him and registered in his name on the books of the Corporation. Any vote on shares of stock of the Corporation may be given by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing, subscribed by such stockholder, or by his attorney thereunto authorized, and delivered to the secretary of the meeting. Except as otherwise required by statute, by the Certificate of Incorporation or these By-Laws, all matters coming before any meeting of the stockholders shall be decided by a plurality vote of the stockholders of the Corporation present in person or by proxy at such meeting and entitled to vote thereat, a quorum being present.

7. Consent of Stockholders in Lieu of Meeting. To the fullest extent permitted by law, whenever any action is required or permitted to be taken at a meeting of stockholders, by law, by the Certificate of Incorporation or by these By-Laws, such action may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

#### 8. Stockholder Proposals To Be Transacted at Annual Meeting.

For business to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder must give written notice thereof to the Secretary of the Corporation, which must be received at the Corporation's principal executive offices not later than 120 calendar days before the first anniversary of the date of the Corporation's notice of annual meeting used in connection with the previous year's annual meeting of stockholders or, if no annual meeting was held in the previous year, then by the end of the fiscal year immediately preceding the fiscal year in which the annual meeting will be held. Any such notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Certificate of Incorporation or By-laws of the Corporation, the language of the proposed amendment, (ii) the name and address of the stockholder proposing such business, (iii) a representation disclosing (a) the number of shares beneficially owned by such stockholder, (b) the length of time such shares have been held by the stockholder, (c) that the stockholder will continue to own such securities through the annual meeting, and (d) that the stockholder intends to appear in person or by proxy at the meeting at which the proposal will be considered, and (iv) any material interest of the stockholder in such business. The chairman of any annual meeting of stockholders may refuse to permit any business to be brought before an annual meeting without compliance with the foregoing procedures.

### ARTICLE III

#### Directors

1. General Power. The property, affairs and business of the Corporation shall be managed by or under the direction of its Board of Directors, which shall consist of not less than one (1) nor more than twenty (20) persons. The exact number of directors within the maximum and minimum limitations specified shall be fixed from time to time by resolution of the Board of Directors or by the stockholders.

2. Term of Office. Each director (whether elected at an annual meeting, or to fill a vacancy or newly created directorship or otherwise) shall hold office until his successor shall be elected and shall qualify or until his earlier resignation or removal.

3. Meetings. Meetings of the Board of Directors shall be held at such place within or outside of the State of Delaware as may from time to time be fixed by resolution of the Board of Directors, or as may be specified in the notice of the meeting. Regular meetings of the Board of Directors shall be held at such times as may from time to time be fixed by resolution of the Board of Directors, and special meetings may be held at any time upon the call of the Chairman of the Board or President or a majority of the directors by oral, telegraphic or written notice duly served on or sent or mailed to each director not less than one day before such meeting. A meeting of the Board of Directors may be held without notice immediately after the annual meeting of stockholders. Notice need not be given of regular meetings of the Board of Directors. Meetings may be held at any time without notice if all the directors are present, or if at any time before or after the meeting those present waive notice of the meeting in writing.

4. Quorum. A majority of the members of the Board of Directors then acting shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting, without further notice, from time to time until a quorum shall have been obtained.

5. Vacancies. In case one or more vacancies shall occur in the Board of Directors by reason of death, resignation, increase in the number of directors or otherwise except in so far as otherwise provided in these By-Laws, the remaining directors, although less than a quorum, may, by a majority vote, elect a successor or successors for the unexpired term or terms.

6. Removal from Office. Any or all of the directors may by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote for the election of directors be removed from office, either with or without cause.

7. Action without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or of the committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors.

8. Regulations; Manner of Acting. To the extent consistent with law, the Certificate of Incorporation and these By-Laws, the Board of Directors and any committee thereof may adopt such rules and regulations for the conduct of meetings of the Board or such committee and for the management of the property, affairs and business of the Corporation as the Board may deem appropriate. Members of the Board of Directors and any committee thereof may participate in a meeting of the Board or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at such meeting for all purposes of these By-Laws.

9. Compensation. Directors may, by resolution of the Board of Directors, be allowed a fixed sum and expenses of attendance for attendance at regular or special meetings of the Board of Directors; provided that nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees, and others who attend pursuant to direction, may, by vote of the Board of Directors, be allowed a like fixed sum and expenses

of attendance for attending committee meetings.

10. Executive Committee. The Board of Directors, in its discretion, may appoint an Executive Committee consisting of one or more members of the Board of Directors, who shall serve at the pleasure of the Board of Directors. The Executive Committee shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Executive Committee shall also have the power and authority to declare a dividend and to authorize the issuance of stock. The Executive Committee powers shall be subject to the limitations set forth in Section 141(c) of the Delaware General Corporation Law, as amended. The Executive Committee shall also have authority to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law, as amended.

11. Other Committees. The Board of Directors, in its discretion, may appoint one or more committees (in addition to the Executive Committee), each consisting of one or more directors. Each such committee shall have such powers and duties as may be provided by resolution or resolutions of the Board of Directors.

12. Quorum, Manner of Acting, etc. Each Committee shall have quorum requirements which are no more restrictive than those of the Board of Directors and shall in all other respects act in the manner and following the procedures established for the Board of Directors.

#### ARTICLE IV

##### Officers

1. General. The officers of the Corporation shall be appointed by the Board of Directors and shall be a Chairman of the Board, a President, one or more Vice Presidents (one or more of which may be designated Senior Vice Presidents by the Board of Directors), a Secretary and a Treasurer. From time to time the Board of Directors may appoint such Assistant Secretaries, Assistant Treasurers and such other officers, agents and employees as it may deem proper. Any number of offices may be held by the same person. The Chairman of the Board and the President shall be chosen from among the Directors.

2. Term. All officers shall hold their offices until their respective successors are elected and qualify, or until their earlier resignation or removal. Any officer may be removed from office, either with or without cause, at any time by the affirmative vote of a majority of the members of the Board of Directors then in office. Any officer may resign at any time upon written notice to the Corporation.

3. Power to Vote Securities Owned by the Corporation. Unless otherwise ordered by the Board of Directors, the Chairman of the Board and the President, acting singly or together, shall have full power and authority on behalf of the Corporation to attend, to act and to vote at any meetings of security holders of the corporations in which the Corporation may hold securities, and at any such meetings shall possess and may exercise any and all the rights and powers incident to the ownership of such securities, and which, as the owner thereof, the Corporation might have possessed and exercised, if present. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

#### ARTICLE V

##### Duties of Officers

1. Chairman of the Board. The Chairman of the Board shall be the Chief Executive Officer of the Corporation and shall have general charge and control of all the property, business and affairs of the Corporation and, subject to the supervision of the Board of Directors, he shall have general supervision over the corporation's officers, employees and agents. He shall sign (unless the President or a Vice President shall have signed) certificates representing the stock of the Corporation authorized for issuance by the Board of Directors or the Executive Committee. He may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation in the ordinary course of the Corporation's business. He shall have all powers and perform all duties incident to the office of a chief executive officer of a corporation and such other duties as are given to him by these By-Laws or as from time to time may be assigned to him by the Board of Directors.

2. President. The President shall, in the absence of the Chairman of the Board, preside at meetings of the stockholders and of the Board of Directors and shall, in case of a vacancy in the office of the Chairman of the Board, have the power to perform the duties incident to such office. He shall be the Chief Operating Officer of the Corporation.

3. Vice Presidents. Each Vice President shall have such powers and perform such duties as may be assigned to him by the Board of Directors, the Chairman of the Board or the President. At the request or in the absence or disability of the Chairman of the Board, the President and the Executive Vice President, the Vice President (or if none shall have been designated, the senior of the Vice Presidents present and able to act or such other Vice President as may be designated by the Board of Directors) may perform all the duties of such officers and, when so acting, shall have all the powers of and be subject to all the restrictions upon such officers. Any Vice President may sign (unless the Chairman of the Board, the President or another Vice President shall have signed) certificates representing stock of the Corporation authorized for issuance by the Board of Directors or the Executive Committee.

4. Treasurer. The Treasurer shall have the custody of all the funds and securities of the Corporation. When necessary or proper he shall

endorse on behalf of the Corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank, or banks, or depositories as may be designated by the Board of Directors, or by any officer acting under authority conferred by the Board of Directors. He shall enter regularly in books to be kept for the purpose, a full and accurate account of all moneys received and paid by him on account of the Corporation. Whenever required by the Board of Directors, he shall render an account of all his transactions as Treasurer and of the financial condition of the Corporation. He shall at all reasonable times exhibit his books and accounts to any director of the Corporation upon application at the office of the Corporation during business hours and he shall perform all things incident to the position of Treasurer, subject to the control of the Board of Directors. He shall give bond for the faithful discharge of his duties if the Board of Directors so requires. He may sign (unless an Assistant Treasurer or the Secretary or an Assistant Secretary shall have signed) certificates representing stock of the Corporation authorized for issuance by the Board of Directors or the Executive Committee. He shall perform, in general, all duties incident to the office of a treasurer of a corporation and such other duties as are given to him by these By-Laws or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board or the President.

5. Assistant Treasurers. The Board of Directors may, from time to time, designate and elect one or more Assistant Treasurers who shall have such powers and perform such duties as may be assigned to them by the Board of Directors or the Treasurer. At the request or in the absence or disability of the Treasurer, the Assistant Treasurer (or, if there are two or more Assistant Treasurers, then the senior of the Assistant Treasurers present and able to act or such other Assistant Treasurer as may be designated by the Board of Directors) may perform all the duties of the Treasurer and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer.

6. Secretary. The Secretary shall attend to the giving and serving of all notices of the Corporation. He shall keep or cause to be kept a record of the proceedings of the meetings of the stockholders and of the Board of Directors in books kept for that purpose. He shall be the custodian of the seal of the Corporation, and cause such seal (or a facsimile thereof) to be affixed to all certificates representing the stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized in accordance with these By-Laws, and when so affixed he may attest the same. He shall have charge of the records of the Corporation, including the stock books and such other books, reports, statements and other documents as the Board of Directors may direct to be kept or as are required by law to be kept all of which shall at all reasonable times be open to inspection by any director. He shall sign (unless the Treasurer, an Assistant Treasurer or an Assistant Secretary shall sign) certificates representing stock of the Corporation authorized for issuance by the Board of Directors or the Executive Committee. He shall perform all duties incident to the office of a secretary of a corporation and such other duties as are given to him by these By-Laws or as from time to time may be assigned to him by the Board of Directors, the Chairman of the Board or the President.

7. Assistant Secretaries. The Board of Directors may, from time to time, designate and elect one or more Assistant Secretaries who shall have such powers and perform such duties as may be assigned to them by the Board of Directors or the Secretary. At the request or in the absence of the Secretary, the Assistant Secretary (or, if there are two or more Assistant Secretaries, then the senior of the Assistant Secretaries present and able to act or such other Assistant Secretary as may be designated by the Board of Directors) may perform all the duties of the Secretary and, when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

8. Delegation by Board of Directors. In the case of absence or inability to act of any officer of the Corporation and of any person herein authorized to act in his place, the Board of Directors may from time to time delegate the powers of such officer to any other officer or any director or any other person whom it may select.

## ARTICLE VI

### Capital Stock

#### 1. Certificates of Stock.

(a) Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the Chairman of the Board, the President or any Vice President and the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary, certifying the number of shares owned by him in the Corporation.

(b) Certificates representing shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors.

(c) There shall be entered upon the stock books of the Corporation at the time of issuance of each share the number of the certificate issued, the name of the person owning the shares represented thereby, the number and class of such shares, and the date of issuance thereof. Every certificate exchanged or returned to the Corporation shall be marked "Cancelled", with the date of cancellation.

2. Transfers of Stock. Upon surrender to the Corporation of a certificate representing shares, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction

upon its books. Subject to the provisions of the Certificate of Incorporation and these By-Laws, the Board of Directors may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, transfer and registration of shares of the Corporation.

## ARTICLE VII

### Corporate Seal

The Corporate Seal of the Corporation shall be circular in form and shall bear the name of the Corporation, the year of incorporation and the words, "Corporate Seal" and "Delaware". The form of the seal shall be subject to alteration by the Board of Directors and the seal may be used by causing it or a facsimile to be impressed or affixed or printed or otherwise reproduced. Any officer or director of the Corporation shall have authority to affix the corporate seal of the Corporation to any document requiring the same, and to attest the same.

## ARTICLE VIII

### Indemnification and Insurance

1. Indemnification. Each person who has been or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is serving or has served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, and expenses incurred in connection therewith may be advanced by the Corporation, all to the full extent and in the manner permitted by Section 145 of the General Corporation Law of the State of Delaware (or any other similar provision or provisions of applicable law at the time in effect).

The indemnification provided hereby shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

2. Insurance. By action of the Board of Directors, notwithstanding any interest of the Directors in such action, the Corporation may purchase and maintain insurance, in such amounts as the Board may deem appropriate, on behalf of any person who 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 any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under applicable provisions of law.

## ARTICLE IX

### Amendments

The By-Laws of the Corporation shall be subject to alteration, amendment or repeal, and new By-Laws not inconsistent with any provision of the Certificate of Incorporation or statute, may be made, either by the affirmative vote of the holders of a majority in interest of the stockholders of the Corporation present in person or by proxy at any annual or special meeting of the stockholders and entitled to vote thereat a quorum being present, provided that notice of such proposed action shall have been given in the call for the meeting, or by the affirmative vote of a majority of the whole Board, given at any regular or special meeting of the Board of Directors.

THE REGISTERED HOLDER OF THIS WARRANT, BY ITS  
ACCEPTANCE HEREOF, AGREES THAT IT WILL NOT  
SELL, TRANSFER OR ASSIGN THIS WARRANT  
EXCEPT AS HEREIN PROVIDED.

VOID AFTER 5:00 P.M. EASTERN TIME, DECEMBER 15, 2003

WARRANT

For the Purchase of

\_\_\_\_\_ Shares of Common Stock

of

INDIVIDUAL INVESTOR GROUP, INC.

1. Warrant.

THIS CERTIFIES THAT, in consideration of \$10.00 and other good and valuable consideration, duly paid by or on behalf of \_\_\_\_\_ ("Holder"), as registered owner of this Warrant, to Individual Investor Group, Inc. ("Company"), Holder is entitled, at or before 5:00 p.m., Eastern Time December 15, 2003 ("Expiration Date"), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to \_\_\_\_\_ (\_\_\_\_\_) shares of Common Stock of the Company ("Common Stock") in accordance with Section 2.4 hereof. If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Warrant may be exercised at or before 5:00 p.m. Eastern Time on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate the Warrant, except as provided in Section 2.4 hereof. This Warrant is initially exercisable at \$2.15625 per share of Common Stock purchased; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Warrant, including the exercise price and the number of shares of Common Stock to be received upon such exercise, shall be adjusted as therein specified. The term "Exercise Price" shall mean the initial exercise price or the adjusted exercise price, depending on the context, of a share of Common Stock. The term "Securities" shall mean the shares of Common Stock issuable upon exercise of this Warrant.

2. Exercise.

2.1 Exercise Form. In order to exercise this Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Warrant and payment of the Exercise Price for the Securities being purchased. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern Time, on the Expiration Date, this Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Legend. Each certificate for Securities purchased under this Warrant shall bear a legend as follows, unless such Securities have been registered under the Securities Act of 1933, as amended ("Act"):

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended ("Act") or applicable state law. The securities may not be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Act, or pursuant to an exemption from registration under the Act and applicable state law."

2.3 Conversion Right.

2.3.1 Determination of Amount. In lieu of the payment of the Exercise Price in cash, the Holder shall have the right (but not the obligation) to convert this Warrant, in whole or in part, into Common Stock ("Conversion Right"), as follows: upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price) that number of shares of Common Stock equal to the quotient obtained by dividing (x) the "Value" (as defined below) of the portion of the Warrant being converted at the time the Conversion Right is exercised by (y) the Market Price. The "Value" of the portion of the Warrant being converted shall equal the remainder derived from subtracting (a) the Exercise Price multiplied by the number of shares of Common Stock being converted from (b) the Market Price of the Common Stock multiplied by the number of shares of Common Stock being converted. As used herein, the term "Market Price" at any date shall be deemed to be the last reported sale price of the Common Stock on such date, or, in case no such reported sale takes place on such day, the average of the last reported sale prices for the immediately preceding three trading days, in either case as officially reported by the principal securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or if any such exchange on which the Common Stock is listed is not its principal trading market, the last reported sale price as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the Nasdaq National Market or SmallCap Market, or, if applicable, the OTC Bulletin Board, or if the Common Stock is not listed or admitted to trading on any of the foregoing markets, or similar organization, as determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

2.3.2 Exercise of Conversion Right. The Conversion Right may be exercised by the Holder on any business day on or after the Warrant is exercisable and not later than the Expiration Date by delivering the Warrant with a duly executed exercise form attached hereto with the conversion section completed to the Company, exercising the Conversion Right and specifying the

total number of shares of Common Stock the Holder will purchase pursuant to such conversion.

2.4 Exercise Schedule. This Warrant may be exercised to the extent of \_\_\_\_\_ shares of Common Stock on or after December 16, 1999 ("First Installment") and to the extent of an additional \_\_\_\_\_ shares of Common Stock ("Additional Installment") on or after January 16, 2000. Notwithstanding the foregoing, in the event the Company terminates the Financial Advisory and Investment Banking Agreement ("Agreement") dated December 16, 1998, between the Company and SERP on or before January 15, 2000, pursuant to Section 2 of the Agreement, the Company may, in its sole discretion, cancel the Additional Installment on or before such date.

### 3. Transfer.

3.1 General Restrictions. The registered Holder of this Warrant, by its acceptance hereof, agrees that it will not sell, transfer or assign or hypothecate this Warrant to anyone except upon compliance with, or pursuant to exemptions from, applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with this Warrant and payment of all transfer taxes, if any, payable in connection therewith. Upon receipt of the foregoing and satisfaction of the requirements set forth in Section 3.2, the Company shall immediately transfer this Warrant on the books of the Company and shall execute and deliver a new Warrant or Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Securities Act. This Warrant and the Securities underlying this Warrant shall not be transferred unless and until (i) the Company has received the opinion of counsel for the Holder that such securities may be sold pursuant to an exemption from registration under the Act, and applicable state law, the availability of which is established to the reasonable satisfaction of the Company, or (ii) a registration statement relating to such Securities has been filed by the Company and declared effective by the Securities and Exchange Commission and compliance with applicable state law.

### 4. New Warrants to be Issued.

4.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Warrant for cancellation, together with the duly executed exercise or assignment form and funds (or conversion equivalent) sufficient to pay any Exercise Price and/or transfer tax, the Company shall, subject to the restrictions in Section 3 hereof, cause to be delivered to the Holder without charge a new Warrant of like tenor to this Warrant in the name of the Holder evidencing the right of the Holder to purchase the aggregate number of shares of Common Stock and Warrants purchasable hereunder as to which this Warrant has not been exercised or assigned.

4.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and of reasonably satisfactory indemnification, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

### 5. Registration Rights.

#### 5.1 "Piggy-Back" Registration.

5.1.1 Grant of Right. The Holders of this Warrant shall have the right on or before December 15, 2005 to include all or any part of the shares of Common Stock underlying this Warrant (the "Registrable Securities") as part of any registration of securities filed by the Company (other than in connection with a transaction contemplated by Rule 145(a) promulgated under the Act or pursuant to Form S-8 or any equivalent form); provided, however, that if, in the written opinion of the Company's managing underwriter or underwriters, if any, for such offering (the "Underwriter"), the inclusion of the Registrable Securities, when added to the securities being registered by the Company or the selling stockholder(s), will exceed the maximum amount of the Company's securities which can be marketed (i) at a price reasonably related to their then current market value, or (ii) without materially and adversely affecting the entire offering, the Company shall nevertheless register all or any portion of the Registrable Securities required to be so registered but such Registrable Securities shall not be sold by the Holders until 90 days after the registration statement for such offering has become effective; and provided further that, if any securities are registered for sale on behalf of other stockholders in such offering and such stockholders have not agreed to defer such sale until the expiration of such 90 day period, the number of securities to be sold by all stockholders in such public offering during such 90 day period shall be apportioned pro rata among all such selling stockholders, including all holders of the Registrable Securities, according to the total amount of securities of the Company proposed to be sold by said selling stockholders, including all holders of the Registrable Securities. Notwithstanding the foregoing, if the shares of Common Stock underlying this Warrant are freely saleable, without restriction, under an exemption from the registration requirements of the Act at the time of filing of the registration statement, the Company shall have no obligation under this Section 5 to register such shares under such registration statement.

5.1.2 Terms. The Company shall bear all fees and expenses attendant to registering the Registrable Securities, including any filing fees payable to the National Association of Securities Dealers, Inc., but the Holders shall pay any and all underwriting commissions and the expenses of any legal counsel selected by the Holders to represent them in connection with the sale of the Registrable Securities. In the event of such a proposed registration, the Company shall furnish the then Holders of outstanding Registrable Securities

with not less than thirty days written notice prior to the proposed date of filing of such registration statement. Such notice to the Holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been sold by the Holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice, within twenty days of the receipt of the Company's notice of its intention to file a registration statement. The Company shall cause any registration statement filed pursuant to the above "piggyback" rights to remain effective until all Registrable Securities thereunder have been sold, or are freely saleable, without restriction, under an exemption from the registration requirements.

## 5.2 General Terms

### 5.2.1 Indemnification.

(a) Subject to clauses (b)-(d) of this Section 5.2.1, the Company shall indemnify the Holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and any underwriter or person deemed to be an underwriter under the Act and each person, if any, who controls such Holders or underwriters or persons deemed to be underwriters within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement, other than arising from the willful misconduct, bad faith or gross negligence of the party seeking indemnification. Subject to clauses (b)-(d) of this Section 5.2.1, the Holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which the Company may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such Holders, in writing, for specific inclusion in such registration statement.

(b) If any action is brought against a party hereto, ("Indemnified Party") in respect of which indemnity may be sought against the other party ("Indemnifying Party"), such Indemnified Party shall promptly notify Indemnifying Party in writing of the institution of such action and Indemnifying Party shall assume the defense of such action, including the employment and fees of counsel reasonably satisfactory to the Indemnified Party. Such Indemnified Party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of such counsel shall have been authorized in writing by Indemnifying Party in connection with the defense of such action, or (ii) Indemnifying Party shall not have employed counsel to defend such action, or (iii) such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which may result in a conflict between the Indemnified Party and Indemnifying Party (in which case Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events, the reasonable fees and expenses of not more than one additional firm of attorneys designated in writing by the Indemnified Party shall be borne by Indemnifying Party. Notwithstanding anything to the contrary contained herein, if Indemnified Party shall assume the defense of such action as provided above, Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent.

(c) If the indemnification or reimbursement provided for hereunder is finally judicially determined by a court of competent jurisdiction to be unavailable to an Indemnified Party (other than as a consequence of a final judicial determination of willful misconduct, bad faith or gross negligence of such Indemnified Party), then Indemnifying Party agrees, in lieu of indemnifying such Indemnified Party, to contribute to the amount paid or payable by such Indemnified Party (i) in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by Indemnifying Party on the one hand and by such Indemnified Party on the other or (ii) if (but only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of Indemnifying Party and of such Indemnified Party; provided, however, that in no event shall the aggregate amount contributed by a Holder exceed the cumulative profit, if any, earned by such Holder as a result of each sale by him the Warrants or as a result each exercise by him of the Warrants and the sale by him of the underlying shares of Common Stock.

(d) The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

5.2.2 Exercise of Warrants. Nothing contained in this Warrant shall be construed as requiring the Holder(s) to exercise their Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

5.2.3 Documents Delivered to Holders. If, and only if, the offering, with respect to which the registration statement referred to in Section 5.1.1 is being filed, is underwritten, the Company shall furnish to each Holder participating in any of the foregoing offerings and to each underwriter of any such offering, a signed counterpart, addressed to such Holder or Underwriter, of (i) an opinion of counsel to the Company, dated the effective date of such registration statement and an opinion dated the date of the closing under the underwriting agreement related thereto, and (ii) a "cold comfort" letter dated the effective date of such registration statement and a letter dated the date of the closing under the underwriting agreement signed by the independent public accountants who have issued a report on the Company's

financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly to each Holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each Holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the NASD. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as any such Holder shall reasonably request. Notwithstanding the anything in the foregoing to the contrary, the Company shall not be required to deliver, make available for inspection, or answer any questions concerning, matters that are protected from disclosure by the attorney-client or other judicially-recognized privilege.

5.2.4 Documents Delivered by Holder. The Company may furnish each of the Holders participating in any of the foregoing offerings with a questionnaire requesting information customarily sought of selling securityholders, and each Holder shall promptly furnish such questionnaire, accurately completed and executed, to the Company.

## 6. Adjustments

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of shares of Common Stock underlying this Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Stock Dividends - Recapitalization, Reclassification, Split-Ups. If, after the date hereof, and subject to the provisions of Section 6.2 below, the number of outstanding shares of Common Stock is increased by a stock dividend on the Common Stock payable in shares of Common Stock or by a split-up, recapitalization or reclassification of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be increased in proportion to such increase in outstanding shares.

6.1.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 6.2, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be decreased in proportion to such decrease in outstanding shares.

6.1.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of this Warrant is adjusted, as provided in this Section 6.1, the Exercise Price shall be adjusted (to the nearest cent) by multiplying such Exercise Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of this Warrant immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

6.1.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 6.1.1 hereof or which solely affects the par value of such shares of Common Stock, or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Warrant shall have the right thereafter (until the expiration of the right of exercise of this Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a Holder of the number of shares of Common Stock of the Company obtainable upon exercise of this Warrant immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Sections 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2, 6.1.3 and this Section 6.1.4. The provisions of this Section 6.1.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

6.1.5 Changes in Form of Warrant. This form of Warrant need not be changed because of any change pursuant to this Section, and Warrants issued after such change may state the same Exercise Price and the same number of shares of Common Stock and Warrants as are stated in the Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Warrants reflecting a required or permissive change shall not be deemed to waive any rights to a prior adjustment or the computation thereof.

6.2 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to

the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon exercise of this Warrant, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon exercise of the Warrants to be listed (subject to official notice of issuance) on all securities exchanges (or, if applicable on Nasdaq) on which the Common Stock is then listed and/or quoted.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a stockholder for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution, or (ii) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a merger or reorganization in which the Company is not the surviving party, or (iv) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("Price Notice"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's President and Chief Financial Officer.

8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Warrant shall be in writing and shall be deemed to have been duly made on the date of delivery if delivered personally or sent by overnight courier, with acknowledgment of receipt by the party to which notice is given, or on the fifth day after mailing if mailed to the party to whom notice is to be given, by registered or certified mail, return receipt requested, postage prepaid and properly addressed as follows: (i) if to the registered Holder of this Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to its principal executive office.

9. Miscellaneous.

9.1 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 Warrant.

9.2 Entire Agreement. This Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.3 Binding Effect. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

9.4 Governing Law; Submission to Jurisdiction. This Warrant shall be governed by and construed and enforced in accordance with the law of the State of New York, without giving effect to conflict of laws. The Company and each Holder hereby agree that any action, proceeding or claim against such party arising out of, or relating in any way to this Warrant (a "Proceeding") shall be brought and enforced in the courts of the State of New York, County of New York or the United States District Court for the Southern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. Each party hereby waives any objection to the exclusive jurisdiction of such courts over a Proceeding, whether based on grounds of venue, or inconvenient forum or otherwise. Each party agrees that any process or summons to be served upon a party in connection with a Proceeding may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to the party at the address set forth in Section 8 hereof, as well as in any other manner permitted by law. Such mailing shall be deemed personal service and shall be legal and binding upon the party in the

Proceeding. Each party agrees that the prevailing party(ies) in a Proceeding shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such Proceeding and/or incurred in connection with the preparation therefor.

9.5 Waiver, Etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.6 Amendments in Writing. This Warrant may not be amended or modified except by means of a written instrument signed by the Company and each Holder affected thereby.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the 16th day of December, 1998.

INDIVIDUAL INVESTOR GROUP, INC.

By: \_\_\_\_\_  
Name:  
Title:

Form to be used to exercise Warrant:

- - - - -  
- - - - -  
- - - - -

Date: \_\_\_\_\_, \_\_\_\_\_

The undersigned hereby elects irrevocably to exercise the within Warrant and to purchase \_\_\_\_\_ shares of Common Stock of \_\_\_\_\_ and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per share of Common Stock) in payment of the Exercise Price pursuant thereto. Please issue the Common Stock as to which this Warrant is exercised in accordance with the instructions given below.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_\_ shares of Common Stock purchasable under the within Warrant into \_\_\_\_\_ shares of Common Stock of \_\_\_\_\_ (based on a "Market Price" of \$\_\_\_\_\_ per share of Common Stock). Please issue the Common Stock in accordance with the instructions given below.

-----  
Signature

- - - - -  
Signature Guaranteed

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name \_\_\_\_\_  
(Print in Block Letters)

Address \_\_\_\_\_

Form to be used to assign Warrant:

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does

hereby sell, assign and transfer unto \_\_\_\_\_ the  
right to purchase \_\_\_\_\_ shares of Common Stock of  
\_\_\_\_\_ ("Company") evidenced by the within Warrant  
and does hereby authorize the Company to transfer such right on the books of the  
Company.

Dated: \_\_\_\_\_, \_\_\_\_\_

-----  
Signature

NOTICE: The signature to this form must correspond with the  
name as written upon the face of the within Warrant in every particular without  
alteration or enlargement or any change whatsoever, and must be guaranteed by a  
bank, other than a savings bank, or by a trust company or by a firm having  
membership on a registered national securities exchange.

April 28, 1999

Gregory E. Barton, Esq.  
Individual Investor Group, Inc.  
125 Broad Street, 14th Floor  
New York, NY 10004

VIA UPS OVERNIGHT

Dear Mr. Barton:

We refer to the separate Stock Purchase Agreement dated as of November 30, 1998 between Individual Investor Group, Inc. and each of Great American Insurance Company and Great American Life Insurance Company (the "Agreements").

As we have discussed, the final documents inadvertently omitted a provision relating to a one-year holdback on conversion of the preferred stock purchased thereunder, which the parties believed would be included. To correct that drafting error, which was only recently discovered, we would like to amend the Agreements as of November 30, 1998, to provide that the Preferred Stock (as defined in the Agreements) held by Great American Insurance Company and Great American Life Insurance Company may not be converted into Individual Investor Group Inc. common stock until December 2, 1999 (one year following the date of issuance), notwithstanding anything to the contrary in the Agreements.

Please signify your acceptance to the terms hereof by executing the enclosed copy of this letter. Please feel free to call Karl J. Grafe with any questions concerning this matter.

Very truly yours,

GREAT AMERICAN INSURANCE COMPANY

By: /s/ Ronald C. Hayes  
Ronald C. Hayes, Assistant Vice President

GREAT AMERICAN LIFE INSURANCE COMPANY

By: /s/ Mark F. Muething  
Mark F. Muething, Senior Vice President

Agreed to and Accepted:

INDIVIDUAL INVESTOR GROUP, INC.

By: /s/ Gregory E. Barton  
Gregory E. Barton, Vice President

You should carefully consider the following risks, as well as those described in our most recent Form 10-K, Form 10-Q and Form 8-K filings, before making an investment decision. The risks described below are not the only risks we face. Additional risks may also impair our business operations. If any of the following risks occur, our business, results of operations or financial condition could be materially adversely affected. If that happens, the trading price of our common stock could decline, and you may lose all or part of your investment. In the risk factors below, when we use the word "web," we are referring to the portion of the Internet commonly referred to as the "world wide web."

We have a history of losses and we anticipate that our losses will continue in the future. As of June 30, 1999, we had an accumulated deficit of \$25.5 million. In the past ten years, the only calendar year we were profitable was 1995. We expect to continue to incur net losses in 1999 and in subsequent fiscal periods. We expect to continue to incur significant operating expenses and, as a result, will need to generate significant revenues to achieve profitability, which may not occur. Even if we do achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future.

We will need to raise additional capital in the future. Based on our current business plan, we believe that our working capital and investments will be sufficient to fund our operations and capital requirements at least through 1999. Due to unforeseen events and circumstances that may arise as discussed in the other risks identified in this Exhibit 99 and in the accompanying report, our working capital and investments in fact might not be sufficient to fund our operations and capital requirements through 1999. Also, if we cannot generate cash from our investments, we may need to raise money from debt or equity financing (or a combination of the two types) during the fourth quarter of 1999. In any event, we believe we will need to raise additional capital in order to sustain our operations after 1999 unless we generate revenues beyond the amounts we currently anticipate. Such additional financing may not be available to us, or, if available, the terms upon which it may be obtained may be unfavorable to us and may result in dilution of an investor's equity investment in us. Our failure to obtain additional financing on favorable terms, or at all, would have a substantial adverse effect on our future ability to conduct operations.

Our online services business has a limited operating history. We commenced our online services operations in May 1997. Accordingly, we have only a limited operating history upon which you can evaluate this business segment and its prospects. An investor in our common stock must consider the risks, expenses and difficulties frequently encountered by early stage businesses in new and rapidly evolving markets, including web-based financial news and information companies.

Our quarterly financial results are subject to significant fluctuations. Our quarterly operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. For example, in our print publications business, our revenues tend to reflect seasonal patterns, with certain calendar quarters tending to be stronger than others. Similar seasonal patterns may develop in the online services business as well.

We believe that quarter-to-quarter comparisons of our operating results may not be a good indication of our future performance, nor would our operating results for any particular quarter be indicative of future operating results. In some future quarters our operating results may be below the expectations of public market analysts and investors. If that happens, the price of our common stock may fall, perhaps dramatically.

We face intense competition in both our print publications business and our online services business. An increasing number of financial news and information sources compete for consumers' and advertisers' attention and spending. We expect this competition to continue and to increase. We compete for advertisers, readers, staff and outside contributors with many types of companies. These competitors include:

- online services or web sites focused on business, finance and investing, such as CBS MarketWatch.com; The WallStreet Journal Interactive Edition; TheStreet.com; The Motley Fool; Yahoo! Finance; Silicon Investor; Microsoft Investor; SmartMoney.com; Money.com and Multex.com;
- publishers and distributors of traditional print media, such as The Wall Street Journal; Barron's; Investors Business Daily; Business Week; Fortune; Forbes; Money; Kiplinger's; Smart Money; Worth; Registered Representative; Institutional Investor; Research and On Wall Street;
- publishers and distributors of radio and television programs focused on business, finance and investing, such as Bloomberg Business Radio and CNBC;
- web "portal" companies, such as Yahoo!; Excite; Lycos; Snap!; Go Network; and America Online; and
- online brokerage firms, many of which provide financial and investment news and information, such as Charles Schwab and E\*TRADE.

Our ability to compete depends on many factors, including the originality, timeliness, comprehensiveness and trustworthiness of our content and that of our competitors, the ease of use of services developed either by us or our competitors and the effectiveness of our sales and marketing efforts.

Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than we do. This may allow them to devote greater resources than we can to the development and promotion of their services and products. These competitors may also engage in more extensive research and development,

undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies to attract advertisers and make more attractive offers to existing and potential employees, outside contributors, strategic partners and advertisers. Our competitors may develop content that is equal or superior to ours or that achieves greater market acceptance than ours. It is also possible that new competitors may emerge and rapidly acquire significant market share. We may not be able to compete successfully for advertisers, readers, staff or outside contributors. Increased competition could result in price reductions, reduced margins or loss of our market share. Any of these could materially adversely affect our business, results of operations and financial condition.

Because our editorial is focused on the financial markets, a prolonged "bear market" may cause our businesses to suffer. Our editorial is highly focused on the financial markets. If the markets suffer a prolonged downturn or "bear market," it is possible that our businesses might suffer materially for two reasons. First, during a bear market, people may become less interested in buying and selling securities, and thus less interested in our research and analysis of securities. Less people might be interested in subscribing to our print publications, and less people might be interested in using our online services. Second, advertisers particularly the financial services advertisers that are our most important source of advertising revenue - might decide to reduce their advertising budgets. Either of these developments could cause our operations to suffer materially.

Because our editorial is focused on research and analysis of specific stocks, our businesses could suffer if our recommendations are poor. Our editorial is focused on research and analysis of specific stocks. We frequently state that a particular company's stock is undervalued or overvalued at the current prices. We believe that our research and analysis is of a high quality, and we are proud to take a stand and be held accountable for our opinions. We believe our readers appreciate this editorial courage, and find it to be of greater value than stories on such topics as "the best cities in which to live" and the like. But because we give these specific opinions, the wisdom of our conclusions can be measured: did the stocks we said were undervalued go up, and did the stocks we said were overvalued go down. If our opinions turn out to be incorrect - and some of our opinions certainly will be - people may become less interested in learning these opinions. They may be less interested in subscribing to our print publications and less interested in using our online services. If interest in our opinions declines, our operations could suffer materially.

Our company may not be able to attract and retain qualified employees for our print publications business. Many of our competitors in the print publications business are larger than we are, and have a number of print titles (we only have two magazines and one newsletter). There is a general perception in the employment market that larger publishers are more prestigious or offer more varied career opportunities (for instance, the ability to move from one title to another). Although we believe our company offers an attractive work environment and employment opportunity in our print publications business (offering our employees greater responsibility and the ability to have a more meaningful impact on the product than would be the case at a magazine with a larger staff), we may be perceived by many people as a less attractive employer than a larger publisher. If we are unable to attract and retain qualified employees for our print publications business, that business could suffer materially.

Our company may not be able to attract and retain qualified employees for our online service business. There is a general perception in the employment market that pure Internet companies offer a more attractive work environment for a youthful workforce. This is based on the belief that the Internet is a new and growing industry that offers a great future. In addition, many employees in the Internet industry seek and often receive significant portions of their compensation through stock options. The stock prices of many pure Internet companies have increased dramatically during the past year or so. Although we believe our company offers an attractive work environment and employment opportunity in our online services business, we may be perceived by many people as a less attractive employer than a pure Internet company. If we are unable to attract and retain qualified employees for our online services business, that business could suffer materially.

We depend on our editorial staff and outside contributors. Our success depends substantially upon the efforts of our editorial staff and outside contributors to produce original, timely, comprehensive and trustworthy content. Our writers are not bound by employment agreements. Competition for financial journalists is intense, and we may not be able to retain existing or attract additional qualified writers in the future. If we lose the services of a significant number of our editorial staff and outside contributors or are unable to attract additional writers with appropriate qualifications, our business, results of operations and financial condition could be materially adversely affected.

We depend on key management personnel. Our future success depends upon the continued service of key management personnel. The loss of one or more of our key management personnel could materially adversely affect our business, results of operations and financial condition. Moreover, the costs that may arise in connection with executive departures and replacements can be significant, as they were during 1998.

We depend on certain advertisers and on independent advertising agents, to generate revenue. In 1998, and continuing through the second quarter of 1999, the majority of our print publications advertising revenue came from financial services companies, followed by consumer advertisers and others. We were not dependent upon any particular advertiser for our print publications revenues. During the second quarter of 1999, approximately sixty percent of the online services advertising revenue came from four brokerage firms offering online trading. We expect that the majority of advertising revenues derived from our online services operations will come from online brokerage firms. In the event that online brokerage firms choose to scale back on their advertising (on the Internet in general or on our web sites in particular), our online services business, results of operations and financial condition could be materially adversely affected.

If we do not continue to increase our revenue from financial services

advertisers or attract advertisers from non-financial industries, our business, results of operations and financial condition could be materially adversely affected. With respect to our online services in particular, advertising rates are frequently measured on a "cost per thousand" clicks, or "CPM," basis. CPM rates have fluctuated in the past and we expect CPM rates to continue to fluctuate. CPM rates may experience industry-wide declines in the future, as the supply of desirable online advertising space may be increasing at a rate greater than the demand for that space by advertisers. We believe that we charge advertising rates that are among the highest of financial web sites. However, we cannot guarantee that we will be able to command premium rates in the future. Moreover, a number of advertisers that have been a source of a material portion of our online services advertising revenues are purchasing advertising on a "cost-per-action" basis, in which we are paid only when a user of our online services takes the relevant action. The number of such completed actions is usually a very small percent of the number of advertising impressions shown on our web site. It is more difficult to accurately predict revenue that will be received from cost-per-action ads than from CPM ads. An increased shift of our important advertisers to cost-per-action ads could have a material adverse effect on our online services advertising revenues.

In selling print advertising, we depend both on our internal advertising sales department and on outside sales representatives to maintain and increase our advertising sales. In selling online advertising, we depend primarily upon our internal advertising sales department and an outside sales agent. The success of our advertising sales efforts is subject to a number of risks, including the competition we face from other companies in hiring and retaining sales personnel and effective outside sales representatives, and the length of time it takes new sales personnel to become productive. Our business, results of operations and financial condition could be materially adversely affected if we do not maintain an effective advertising sales department.

Additional risks associated with online advertising. No standards have been widely accepted to measure the effectiveness of web advertising. If standards do not develop, existing advertisers may not continue or increase their levels of web advertising. If standards develop and we are unable to meet those standards, advertisers may not continue advertising on our site. Furthermore, advertisers that have traditionally relied upon other advertising media may be reluctant to advertise on the web. If advertisers perceive the Internet or our web site to be a limited or an ineffective advertising medium, they may be reluctant to devote a portion of their advertising budget to Internet advertising or to advertising on our web site. Our business, results of operations and financial condition could be materially adversely affected if the market for web advertising declines or develops more slowly than expected.

Different pricing models are used to sell advertising on the web. It is difficult to predict which, if any, will emerge as the industry standard. This uncertainty makes it difficult to project our future advertising rates and revenues. We cannot assure you that we will be successful under alternative pricing models that may emerge. Moreover, "filter" software programs that limit or prevent advertising from being delivered to a web user's computer are available. Widespread adoption of this software could materially adversely affect the commercial viability of web advertising, which could materially adversely affect our advertising revenues.

Risks associated with our list rental revenue. The ability to earn revenue from list rental depends in large degree upon three factors: first, the number of subscribers on the list; second, the demographic characteristics of the subscribers on the list (such as age, income and wealth); and third, the degree to which previous rentals of the list have produced favorable results for the renter. This last factor is affected by the manner in which the subscribers have been added. For example, new subscribers from direct-to-publisher sources (such as direct mail and insert cards in the magazine) typically are more valuable than subscribers obtained from subscription agencies by means of reduced introductory rates or use airline frequent flyer miles.

We use an independent party, Rickard List Marketing, to promote the rental of our subscriber lists. The revenue we earn from list rentals thus also depends in part upon the efforts our agent makes.

We depend on independent parties to publish our print publications. We depend upon an independent party, Quebecor, to print our print publications and to deliver the printed copies to the United States Post Office for mailing to our subscribers. If our printer's business is disrupted for any reason, such as fire or other natural disaster, labor strife, supply shortages, or machinery problems, we might not be able to distribute our publications in a timely manner. Since magazines typically are printed only shortly before the time they are to be mailed to subscribers, any disruption at our printer could prevent our magazines from being distributed in a timely manner. If we don't distribute our magazines on time, our subscribers may become dissatisfied and cancel their subscriptions. If a disruption at our printer delays our ability to distribute Individual Investor magazine to newsstands, we may lose newsstand sales. In the event of a disruption, our insurance may not cover all of our losses. Any of these developments may cause our operating results to suffer materially.

We depend on independent parties to distribute Individual Investor magazine to newsstands. We depend upon independent parties (the largest of which is International Circulation Distributors, a subsidiary of The Hearst Corporation) to distribute Individual Investor magazine to newsstands. If the business of our distributors is disrupted for any reason, such as labor strife or natural disaster, we might not be able to distribute Individual Investor magazine to newsstands in a timely manner. Since our distributors typically pick up Individual Investor magazine for newsstand distribution only shortly before the time the magazine is to be delivered, any disruption at our distributors could prevent the magazine from being distributed to newsstands in a timely manner. If a disruption at our distributors delays our ability to deliver Individual Investor magazine to newsstands, we may lose newsstand sales. Any of these developments may cause our operating results to suffer materially.

We depend on independent parties to obtain the majority of the subscribers to Individual Investor magazine. We depend upon independent parties to obtain the

majority of the subscribers to Individual Investor magazine. These agencies include American Family Publishers, Publishers Clearing House and NewSub services. These agencies obtain subscribers primarily through use of direct mail campaigns. If the positive response to the promotion of Individual Investor magazine by these agencies is not great enough, or if the agencies believe that we may fail to fulfill a subscription, they may stop promoting our magazine. This could cause our subscriber base to shrink, which would lower our subscription revenue and reduce our advertising rate base, which would lead to lower advertising revenue. Also, many publications compete for services of subscription agencies, and one or more of these subscription agencies may choose not to continue to market Individual Investor in order to better serve a one of our competitors. Any of those developments could cause our operating results to suffer materially.

We may incorrectly forecast our success in obtaining and renewing subscriptions. We attempt to accurately forecast the number of subscribers to our print publications. We run the risk that our forecasts will be incorrect, either too high or too low. Our forecast could be too high if the number of new subscribers that we obtain is less than the amount we projected. Our forecast also could be too high if we get less renewal orders from existing subscribers. If our subscriber base is less than our projections, we will earn less subscription revenue and our advertising rate base will be lower, which would lead to lower advertising revenue. This could cause our operating results to suffer materially.

Our forecast could be too low if we obtain more new subscribers than projected, or if we receive more renewal orders than projected from existing subscribers. If our subscriber base is higher than we projected, we would earn more subscription revenue than projected, but have higher than expected production and distribution costs. We might not be able to increase our advertising rate base immediately. This could lead to our operating results being worse than projected.

We depend on independent parties to manage our subscriber files. We depend upon an independent party to manage our subscriber files. This party receives subscription orders and payments for our print publications, sends renewal and invoice notices to subscribers and generates subscribers' labels and circulation reports for us. If the business of this party is disrupted, we may become unable to process subscription requests, or send out renewal notices or invoices, or deliver our print publications. If this were to happen, our insurance might not cover all of our losses. Any of those developments could cause our operating results to suffer materially.

We need to manage our growth. Although our print publications business has not experienced rapid growth in the recent past, our online services, which commenced in May 1997, have experienced rapid growth. This growth has placed a strain on our managerial, operational and financial resources. We expect this strain to increase with anticipated future growth in both print publications and online services. To manage our growth, we must continue to implement and improve our managerial controls and procedures and our operational and financial systems. In addition, our future success will depend on our ability to expand, train and manage our workforce, in particular our editorial, advertising sales and business development staff. We cannot assure you that we have made adequate allowances for the costs and risks associated with this expansion, that our systems, procedures or controls will be adequate to support our operations, or that our management will be able to successfully offer and expand our services. If we are unable to manage our growth effectively, our business, results of operations and financial condition could be materially adversely affected.

We need to establish and maintain relationships with other web sites to promote the growth of our online services business. For us to maintain and increase the traffic to our web sites, it is important for us to establish and maintain content distribution relationships with highly-trafficked web sites operated by other companies. There is intense competition for relationships with these sites. Although we have not paid any material sum with respect to our relationships to date, it is possible that, in the future, we might be required to pay fees in order to establish or maintain relationships with these sites. (It is possible, however, that we may be able to charge fees in connection with these relationships in the future.) Additionally, many of these sites compete with our web sites as providers of financial information, and these sites may become less willing to establish or maintain strategic relationships with us in the future. We may be unable to enter into relationships with these sites on commercially reasonable terms or at all. Even if we enter into such relationships, they may not attract significant numbers of viewers to our web sites.

Increased traffic to our web sites may strain our systems and impair our online services business. On occasion, we have experienced significant spikes in traffic on our web site. In addition, the number of users of our online services has increased over time and we are seeking to increase our user base further. Accordingly, our web site must accommodate a high volume of traffic, often at unexpected times. Our web site has in the past, and may in the future, experience slower response times than usual or other problems for a variety of reasons. These occurrences could cause our readers to perceive our web site as not functioning properly and, therefore, cause them to use other methods to obtain their financial news and information. In such a case, our business, results of operations and financial condition could be materially adversely affected.

We face a risk of system failure for our online services business. Our ability to provide timely information and continuous news updates depends on the efficient and uninterrupted operation of our computer and communications hardware and software systems. Similarly, our ability to track, measure and report the delivery of advertisements on our site depends largely on the efficient and uninterrupted operation of a third-party system maintained by DoubleClick. These systems and operations are vulnerable to damage or interruption from human error, natural disasters, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. We do not have a formal disaster recovery plan for the event of such damage or interruption. Any system failure that causes an interruption in our

service or a decrease in responsiveness of our web site could result in reduced traffic, reduced revenue and harm to our reputation, brand and our relations with our advertisers. Our insurance policies may not adequately compensate us for any losses that we may incur because of any failures in our system or interruptions in our delivery of content. Our business, results of operations and financial condition could be materially adversely affected by any event, damage or failure that interrupts or delays our operations.

We may not successfully develop new and enhanced services and features for our online services to the satisfaction of our customers. We intend to introduce additional and enhanced services in order to retain the current users of our online services and to attract new users. If we introduce a service that is not favorably received or fail to introduce certain new or enhanced services, our current users may choose a competitive service over ours. We may also experience difficulties that could delay or prevent us from introducing new services. Furthermore, the new services we may introduce could contain errors that are discovered after the services are introduced. If that happens, we may need to significantly modify the design or implementation of the services on our web sites to correct these errors. Our business, results of operations and financial condition could be materially adversely affected if we experience difficulties in introducing new services or if these new services are not accepted by our users.

We depend on the continued growth in use and efficient operation of the web. The web-based information market is new and rapidly evolving. Our business would be materially adversely affected if web usage does not continue to grow or grows slowly. Web usage may be inhibited for a number of reasons, such as:

- inadequate network infrastructure;
- security concerns;
- inconsistent quality of service; and
- unavailability of cost-effective, high-speed access to the Internet.

The users of our online services depend on Internet service providers, online service providers and other web site operators for access to our web site. Many of these services have experienced significant service outages in the past and could experience service outages, delays and other difficulties due to system failures unrelated to our systems. These occurrences could cause our readers to perceive the web in general or our web site in particular as an unreliable medium and, therefore, cause them to use other media to obtain their financial news and information. We also depend on certain information providers to deliver information and data feeds to us on a timely basis. Our web site could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information, which could have a material adverse effect on our business, results of operations and financial condition.

Government regulation and legal uncertainties relating to the web. Certain existing laws or regulations specifically regulate communications or commerce on the web. Further, laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation and the characteristics and quality of online products and services are under consideration by federal, state, local and foreign governments and agencies. Several telecommunications companies have petitioned the Federal Communications Commission to regulate Internet service providers and online services providers in a manner similar to the regulation of long distance telephone carriers and to impose access fees on such companies. That regulation, if imposed, could increase the cost of transmitting data over the web. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel, obscenity and personal privacy are applicable to the web. The Federal Trade Commission and government agencies in certain states have been investigating certain Internet companies regarding their use of personal information. We could incur additional expenses if any new regulations regarding the use of personal information are introduced or if these agencies chose to investigate our privacy practices. Any new laws or regulations relating to the web, or certain application or interpretation of existing laws, could decrease the growth in the use of the web, decrease the demand for our web site or otherwise materially adversely affect our business.

Web security concerns could hinder internet commerce. Concern about the transmission of confidential information over the Internet has been a significant barrier to electronic commerce and communications over the web. Any well-publicized compromise of security could deter people from using the web or from using it to conduct transactions that involve the transmission of confidential information, such as signing up for a paid subscription, executing stock trades or purchasing goods or services. Because many of our advertisers seek to advertise on our web site to encourage people to use the web to purchase goods or services, our business, results of operations and financial condition could be materially adversely affected if Internet users significantly reduce their use of the web because of security concerns. We may also incur significant costs to protect ourselves against the threat of security breaches or to alleviate problems caused by such breaches.

Our efforts to build positive brand recognition may not be successful. We believe that maintaining and growing awareness about our brands (including Individual Investor, Individual Investor Online, Ticker, Magic 25 and the INDI SmallCap 500) is an important aspect of our efforts to continue to attract subscribers and readers. The importance of positive brand recognition will increase in the future because of the growing number of providers of financial information. We cannot assure you that our efforts to build positive brand recognition will be successful.

In order to build positive brand recognition, it is very important that we maintain our reputation as a trustworthy source of investment ideas, research, analysis and news. The occurrence of certain events, including our misreporting a news story or the non-disclosure of a financial interest by one or more of our employees in a security that we write about, could harm our

reputation for trustworthiness. These events could result in a significant reduction in the number of our readers, which could materially adversely affect our business, results of operations and financial condition.

Control of the Company by Principal Stockholders. At the present time, Jonathan Steinberg, Wise Partners, L.P. (a partnership controlled by Jonathan Steinberg), Saul Steinberg (who is Jonathan's father) and Reliance Financial Services Corporation (a substantial portion of the common stock of Reliance Financial Services Corporation's parent, Reliance Group Holdings, Inc., is beneficially owned by Saul Steinberg, members of his family and affiliated trust), own approximately 43.4% of the outstanding shares of common stock of our Company (and have exercisable options to purchase common stock that, if exercised, could bring their ownership percentage to approximately 47.2%). As a result of their ownership of common stock, they will be able to significantly influence all matters requiring approval by our stockholders, including the election of our directors. Because it would be very difficult for another company to acquire our company without the approval of the Steinbergs, other companies might not view our company as an attractive takeover candidate. Our stockholders therefore may have less of a chance to benefit from any possible takeover of our company, than they would if the Steinbergs did not have as much influence.

We rely on our intellectual property. To protect our rights to our intellectual property, we rely on a combination of trademark and copyright law, trade secret protection, confidentiality agreements and other contractual arrangements with our employees, affiliates, clients, strategic partners and others. The protective steps we have taken may be inadequate to deter misappropriation of our proprietary information. We may be unable to detect the unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. We have registered certain of our trademarks in the United States and we have pending U.S. applications for other trademarks. Effective trademark, copyright and trade secret protection may not be available in every country in which we offer or intend to offer our services.

We are somewhat dependent upon the use of certain trademarks in our operation, including the marks Individual Investor, Individual Investor Online, Ticker, Magic 25 and the INDI SmallCap 500. We have a perpetual license for use of the trademark Individual Investor. To perfect our interests in the mark, however, we filed suit in 1997 against the licensor and a third party whom we believed was infringing the mark. The litigation was resolved favorably to us, with an agreement by the third party not to further infringe the mark. We commenced negotiations with the licensor to obtain assignment of the mark, but did not reach an agreement. Although we will continuously monitor and may seek enforcement against any perceived infringement of the mark, we cannot assure you that our efforts will be successful.

Additionally, we are somewhat dependent upon the ability to protect our proprietary content through the laws of copyright, unfair competition and other law. We cannot assure you, however, that the laws will give us meaningful protection.

We may be liable for information published in our print publications or on our online services. We may be subject to claims for defamation, libel, copyright or trademark infringement or based on other theories relating to the information we publish in our print publications or through our online services. We could also be subject to claims based upon the content that is accessible from our web site through links to other web sites. Our insurance may not adequately protect us against these claims.

Year 2000 risks. We have evaluated the potential impact of the situation commonly referred to as the "Year 2000 Issue". The Year 2000 Issue concerns the inability of information systems, whether due to computer hardware or software, to properly recognize and process date sensitive information relating to the year 2000 and beyond. To attempt to ensure that our computer systems will not be disrupted by the Year 2000 Issue, we developed a plan to assess, and to fix where necessary, any Year 2000 Issue with respect to our computer systems. We have identified the fixes that should be made to our computer systems in light of the Year 2000 Issue and currently expect to complete our repair efforts before September 1999. We intend to test our systems before October 1999.

We currently believe that total direct costs associated with making our systems "Year 2000 Ready" (that is, not disrupted by the Year 2000 Issue) should not exceed \$30,000. We do not believe that the diversion of employee resources required to address the Year 2000 Issue will have a material effect on our operating results or financial condition. We do not currently have in place a contingency plan of action in the event that we are not able to make our computer systems Year 2000 Ready, but will consider on an ongoing basis whether such a contingency plan should be developed.

The dates on which we believe we will complete our Year 2000 plan, and the costs associated with the efforts, are based on our current best estimates. However, we cannot guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, making our systems Year 2000 Ready. Specific factors that might cause differences between the estimates and actual results include the following: the availability and cost of personnel trained in these areas; the ability to locate and correct all relevant computer code and hardware devices (such as microcontrollers); timely responses to and corrections by third-parties and suppliers; the ability to implement interfaces between the new systems and the systems not being replaced; and similar uncertainties. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third parties and the interconnection of global businesses, we cannot guarantee that we will be able to resolve, in a timely or cost-effective fashion, any problems associated with the Year 2000 Issue. If we fail to resolve, in a timely and cost-effective fashion, any problems associated with the Year 2000 Issue, our operations and business could be materially adversely affected. If that happens, we also could incur liabilities to third parties.

We also face risks and uncertainties to the extent that the independent suppliers of products, services and systems on which we rely do not have business systems or products that are Year 2000 Ready. We have communicated with

significant suppliers and customers to determine the extent to which our systems and products are vulnerable to those third parties' failure to fix their own systems' Year 2000 Issues. The systems or products of other companies on which we rely might not be made Year 2000 Ready in time to prevent disruption. If the systems of any of those third parties are disrupted, our operations and business could be materially adversely affected. We are in the process of identifying what actions may be needed to reduce our vulnerability to problems related to the companies with which we interact, but we do not currently have in place a contingency plan of action in the event that the failure by one or more third parties to make their computer systems Year 2000 Ready causes us to suffer material adverse effects. We will consider on an ongoing basis whether such a contingency plan should be developed.

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	Jan-1-1999	
	Jun-30-1999	
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