

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

Form 10-QSB

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

For the quarterly period ended March 31, 2001  
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\_\_\_\_ 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  
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INDIVIDUAL INVESTOR GROUP, INC.  
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(Exact name of small business issuer as specified in its charter)

Delaware  
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13-3487784  
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(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification No.)

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

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

Check whether the issuer (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 issuer 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 issuer's classes of common equity, as of the latest practicable date: As of May 14, 2001, issuer had outstanding 8,969,886 shares of Common Stock, \$.01 par value per share.

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

| ASSETS                                                                                | March 31,<br>2001 | December 31,<br>2000 |
|---------------------------------------------------------------------------------------|-------------------|----------------------|
|                                                                                       | -----             | -----                |
| Current assets:                                                                       |                   |                      |
| Cash and cash equivalents                                                             | \$ 2,421,332      | \$ 4,694,476         |
| Accounts receivable (net of allowances of<br>\$496,686 in 2001 and \$552,609 in 2000) | 1,634,828         | 1,754,200            |
| Investment in discontinued operations (Note 3)                                        | 49,302            | 49,302               |
| Prepaid expenses and other current assets                                             | 1,105,421         | 1,036,996            |
| Total current assets                                                                  | 5,210,883         | 7,534,974            |
|                                                                                       | -----             | -----                |
| Investments (Note 2)                                                                  | 2,678,546         | 2,678,546            |
| Deferred subscription expense                                                         | 283,163           | 337,245              |
| Property and equipment - net                                                          | 1,450,274         | 1,479,105            |
| Security deposits                                                                     | 375,580           | 375,580              |
| Other assets                                                                          | 199,858           | 300,810              |
| Total assets                                                                          | \$10,198,304      | \$12,706,260         |
|                                                                                       | =====             | =====                |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

|                                                                                                                                                              |              |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Accounts payable                                                                                                                                             | \$ 2,374,065 | \$ 2,534,027 |
| Accrued expenses                                                                                                                                             | 395,178      | 462,800      |
| Deferred advertising revenue                                                                                                                                 | 1,345,831    | 1,987,067    |
|                                                                                                                                                              | -----        | -----        |
| Total current liabilities                                                                                                                                    | 4,115,074    | 4,983,894    |
|                                                                                                                                                              | -----        | -----        |
| Deferred advertising revenue                                                                                                                                 | 502,770      | 532,653      |
| Deferred subscription revenue                                                                                                                                | 2,779,084    | 2,607,407    |
|                                                                                                                                                              | -----        | -----        |
| Total liabilities                                                                                                                                            | 7,396,928    | 8,123,954    |
|                                                                                                                                                              | -----        | -----        |
| Stockholders' Equity:                                                                                                                                        |              |              |
| Preferred stock, \$.01 par value, authorized<br>2,000,000 shares, 7,880 issued and<br>outstanding in 2001 and in 2000                                        | 79           | 79           |
| Common stock, \$.01 par value; authorized<br>40,000,000 shares, 8,969,886, issued and<br>outstanding in 2001 and 8,972,886 issued<br>and outstanding in 2000 | 89,699       | 89,729       |
| Additional paid-in capital                                                                                                                                   | 33,571,686   | 33,576,719   |
| Warrants                                                                                                                                                     | 770,842      | 872,052      |
| Deferred compensation                                                                                                                                        | (48,965)     | (29,490)     |
| Accumulated deficit                                                                                                                                          | (31,581,965) | (29,926,783) |
|                                                                                                                                                              | -----        | -----        |
| Total stockholders' equity                                                                                                                                   | 2,801,376    | 4,582,306    |
|                                                                                                                                                              | -----        | -----        |
| Total liabilities and stockholders' equity                                                                                                                   | \$10,198,304 | \$12,706,260 |
|                                                                                                                                                              | =====        | =====        |

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

|                                                                                               | Three Months Ended March 31,<br>2001 | 2000          |
|-----------------------------------------------------------------------------------------------|--------------------------------------|---------------|
|                                                                                               | -----                                | -----         |
| Revenues:                                                                                     |                                      |               |
| Print Publications                                                                            | \$ 2,622,660                         | \$ 4,939,130  |
| Online Services                                                                               | 609,723                              | 1,273,520     |
|                                                                                               | -----                                | -----         |
| Total revenues                                                                                | 3,232,383                            | 6,212,650     |
|                                                                                               | -----                                | -----         |
| Operating expenses:                                                                           |                                      |               |
| Editorial, production and distribution                                                        | 2,293,280                            | 3,469,796     |
| Promotion and selling                                                                         | 1,500,601                            | 2,814,201     |
| General and administrative                                                                    | 925,801                              | 1,453,569     |
| Depreciation and amortization                                                                 | 152,157                              | 139,966       |
|                                                                                               | -----                                | -----         |
| Total operating expenses                                                                      | 4,871,839                            | 7,877,532     |
|                                                                                               | -----                                | -----         |
| Operating loss                                                                                | (1,639,456)                          | (1,664,882)   |
| Investment and other income - net                                                             | (15,714)                             | 68,299        |
|                                                                                               | -----                                | -----         |
| Net loss                                                                                      | (\$1,655,170)                        | (\$1,596,583) |
|                                                                                               | =====                                | =====         |
| Basic and dilutive loss per common share:                                                     |                                      |               |
| Net loss per share (Note 5)                                                                   | (\$0.19)                             | (\$0.16)      |
|                                                                                               | =====                                | =====         |
| Average number of common shares used in computing<br>basic and dilutive loss per common share | 8,972,672                            | 10,363,991    |

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

|                                                                      | Three Months Ended March 31,<br>2001 | 2000          |
|----------------------------------------------------------------------|--------------------------------------|---------------|
|                                                                      | -----                                | -----         |
| Cash flows from operating activities:                                |                                      |               |
| Net loss                                                             | (\$1,655,170)                        | (\$1,596,583) |
| Reconciliation of net loss to net cash used in operating activities: |                                      |               |
| Depreciation and amortization                                        | 152,157                              | 139,966       |
| Stock option and warrant transactions                                | (119,325)                            | 58,528        |
| Changes in operating assets and liabilities:                         |                                      |               |
| (Increase) decrease in:                                              |                                      |               |
| Accounts receivable                                                  | 376,406                              | (663,866)     |
| Prepaid expenses and other current assets                            | (68,424)                             | (14,404)      |
| Other assets                                                         | 94,530                               | 87,477        |
| Deferred subscription expense                                        | 54,082                               | (115,830)     |
| Increase (decrease) in:                                              |                                      |               |
| Accounts payable and accrued expenses                                | (188,184)                            | 784,067       |
| Deferred advertising revenue                                         | (671,119)                            | (837,089)     |
| Deferred subscription revenue                                        | 171,677                              | 545,841       |
|                                                                      | -----                                | -----         |
| Net cash used in operating activities                                | (1,853,370)                          | (1,611,893)   |
|                                                                      | -----                                | -----         |
| Cash flows from investing activities:                                |                                      |               |
| Purchase of property and equipment                                   | (123,340)                            | (141,010)     |
|                                                                      | -----                                | -----         |
| Net cash used in investing activities                                | (123,338)                            | (141,010)     |
|                                                                      | -----                                | -----         |
| Cash flows from financing activities:                                |                                      |               |
| Proceeds from exercise of stock options                              | -                                    | 41,095        |
| Receivables Financing                                                | (257,034)                            | -             |
| Preferred stock dividends                                            | (39,400)                             | (50,000)      |
|                                                                      | -----                                | -----         |
| Net cash used in financing activities                                | (296,434)                            | (8,905)       |
|                                                                      | -----                                | -----         |
| Net increase in cash and cash equivalents                            | (2,273,144)                          | (1,761,808)   |
| Cash and cash equivalents, beginning of period                       | 4,694,476                            | 6,437,542     |
|                                                                      | -----                                | -----         |
| Cash and cash equivalents, end of period                             | \$2,421,332                          | \$4,675,734   |
|                                                                      | =====                                | =====         |

See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000  
(UNAUDITED)

1. BASIS OF PRESENTATION

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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 accounting principles generally accepted in the United States of America for interim financial reporting and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes as required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary in order to make the financial statements not misleading have been included. Operating results for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. 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, 2000 on Form 10-K.

The Company adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS 133, certain contracts that were not formally considered derivatives may now meet the definition of a derivative. The adoption of SFAS 133 did not have a significant impact on the

financial position, results of operations, or cash flows of the Company.

Certain balances for the period ended March 31, 2000 have been reclassified to conform to fiscal 2001 presentation.

## 2. INVESTMENTS

On May 4, 2000, the Company and Tradeworx, Inc. ("Tradeworx") entered into an agreement pursuant to which the Company acquired 1,045,000 newly issued shares of common stock of Tradeworx, representing at the time a 7% stake (with warrants to acquire up to 10.5%), on a fully diluted basis, of Tradeworx. The purchase price was paid for in the form of a credit for Tradeworx to use to purchase advertising in the Company's magazines and websites during the 24 months ending August 1, 2002. The investment and the deferred advertising revenues were recorded at the fair market value at the date of the transaction of approximately \$1.1 million. The Company was informed that in January 2001, Tradeworx completed a capital raise pursuant to which Tradeworx raised \$3.0 million cash, selling 1,181,102 shares at a price of \$2.54 per share (a 134% premium to the value at which the shares are recorded on the Company's books).

Tradeworx is in the business of developing proprietary software and other financial analytical tools that provide online investment analysis and investment decision support platforms for retail and institutional investors and brokerage firms. There currently is no public market for Tradeworx securities and there is no assurance that the Company will realize any value (and the Company in fact may realize a loss) with respect to its investment in Tradeworx.

On February 23, 2000, the Company and Pricing Dynamics Solutions, Inc. ("Pricing Dynamics") entered into an agreement pursuant to which the Company acquired 1,166,667 newly issued shares of common stock of Pricing Dynamics, representing at the time a 3.3% stake (on a fully-diluted basis) of Pricing Dynamics (constituting 7.4% of the then-outstanding shares). The purchase price was paid in the form of a credit for Pricing Dynamics to use to purchase advertising in the Company's magazines and web sites during the 21 months ending December 31, 2001. The investment and the deferred advertising revenues were recorded at the fair market value at the date of the transaction of approximately \$1.5 million.

Pricing Dynamics provides e-commerce tools and dynamic pricing software for the business-to-business, business-to-consumer and consumer-to-consumer markets. There currently is no public market for Pricing Dynamics securities and there is no assurance that the Company will realize any value (and the Company may in fact realize a loss) with respect to its investment in Pricing Dynamics.

On June 2, 1999, the Company, Kirlin Holding Corp ("Kirlin") and VentureHighway (at the time a wholly-owned subsidiary of Kirlin), entered into an agreement pursuant to which the Company acquired 3,308,688 newly issued shares (adjusted to reflect subsequent stock splits) of common stock of VentureHighway, representing 19.9% of the then-outstanding shares of common stock (the other 80.1% of which immediately after the transaction were held by Kirlin). The purchase price was paid in the form of a credit for VentureHighway to use to purchase advertising in the Company's magazines and web sites during the 30 months ending December 31, 2001. The investment and the deferred advertising revenues were recorded at the fair market value at the date of the transaction of approximately \$2.6 million.

VentureHighway owns and operated VentureHighway.com, a branded web site 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. In April 2000, VentureHighway acquired Princeton Securities, Inc., a retail-oriented broker-dealer based in Princeton, New Jersey. In December 2000, VentureHighway suspended the operations of its web site while it is exploring strategic alternatives. During the fourth quarter 2000, the Company became aware of an other than temporary decline in the value of its Venture Highway investment and adjusted the carrying value to estimated fair market value. Accordingly, the Company reduced the carrying value of its investments by approximately \$2.6 million during the fourth quarter of the year-ended December 31, 2000.

## 3. DISCONTINUED OPERATIONS

On April 30, 1998 the Company's Board of Directors decided to discontinue the Company's investment management services business.

The investment management services business was principally conducted by a wholly owned subsidiary of the Company, WisdomTree Capital Management, Inc. ("WTCM"). WTCM serves 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 continuing to dissolve 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 any remaining net operating losses and related costs associated with these discontinued operations have been adequately provided for by the provisions established in 1998.

At March 31, 2001, the domestic investment fund had remaining net assets of approximately \$534,000. The Company's net investment in discontinued operations of \$49,302 at March 31, 2001 represents its share of the net assets of the domestic investment fund, less any costs associated with discontinuing the investment management services.

The Company expects that assets left in the domestic investment fund will be distributed to its investors, including the Company, during the second quarter of 2001.

4. STOCK OPTIONS  
-----

During the three months ended March 31, 2001: the Company granted 886,000 options to purchase the Company's Common Stock pursuant to the Company's stock option plans. No options were exercised; 92,334 options were canceled; and 9,500 options expired.

Of the options granted during the three months ended March 31, 2001, the 420,000 options granted to Jonathan Steinberg, the Company's President and Chief Executive Officer, were granted at an exercise price equal to 110% of the fair market value of the stock on the date of grant; all other options granted during the first quarter of 2001 have an exercise price equal to the fair market value of the stock at the date of issuance and expire at various dates through February 2011.

In April 2001, the Company's board of directors approved the 2001 Performance Equity Plan ("2001 Plan"). In order to grant options intended to qualify as incentive options under the Internal Revenue Code, the Company's stockholders must adopt the 2001 Plan by April 2002. The 2001 Plan covers 1,000,000 shares of the Company's common stock, and is similar to the Company's 1993, 1996 and 2000 Plans, except that incentive options may only be granted until April 24, 2011. The 2001 Plan is administered by the Company's stock option committee pursuant to the powers delegated to it by the Company's board of directors.

5. LOSS PER COMMON SHARE  
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Basic net loss per share is computed by dividing the net loss, after deducting dividends on cumulative convertible preferred stock, by the weighted average number of shares of Common Stock outstanding during the period. Diluted loss per share is computed using the weighted average number of outstanding shares of Common Stock and common equivalent shares during the period. Common equivalent shares consist of the incremental shares of Common Stock issuable upon the exercise of stock options, warrants and other securities convertible into shares of Common Stock. The loss per common share for the three months ended March 31, 2001 and 2000, is computed based on the weighted average number of shares of Common Stock outstanding during the period. The exercise of stock options, warrants and other securities convertible into shares of Common Stock were not assumed in the computation of dilutive loss per common share, as the effect would have been antidilutive.

The computation of net loss applicable to common shareholders is as follows:

|                                            | Three Months Ended March 31,<br>2001 | 2000          |
|--------------------------------------------|--------------------------------------|---------------|
|                                            | ----                                 | ----          |
| Net loss                                   | (\$1,655,170)                        | (\$1,596,583) |
| Preferred stock dividends                  | (39,400)                             | (50,000)      |
|                                            | -----                                | -----         |
| Net loss applicable to common shareholders | (\$1,694,570)                        | (\$1,646,583) |
|                                            | =====                                | =====         |

6. COMPREHENSIVE LOSS  
-----

Comprehensive loss for the three months ended March 31, 2001 and 2000, respectively, is presented in the following table:

|                          | Three Months Ended March 31,<br>2001 | 2000          |
|--------------------------|--------------------------------------|---------------|
|                          | ----                                 | ----          |
| Net loss                 | (\$1,655,170)                        | (\$1,596,583) |
| Other comprehensive loss | -                                    | -             |
|                          | -----                                | -----         |
| Total comprehensive loss | (\$1,655,170)                        | (\$1,596,583) |
|                          | =====                                | =====         |

7. SEGMENT INFORMATION

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. For the period ended March 31, 2000, the Company's Print Publications operations published and marketed 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 for the period ended March 31, 2000 included individualinvestor.com (www.individualinvestor.com) and InsiderTrader.com. The assets of Ticker magazine and InsiderTrader.com were sold during the quarter ended September 30, 2000. During the first quarter of 2001, the Company launched another online product, SHORTInterest.com (www.shortinterest.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. Any inter-segment revenues included in segment data are not material. The accounting policies utilized in the table below are the same as those described in Note 1 of the notes to consolidated condensed 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, 2000. Operating contribution represents the difference between operating revenues less operating expenses (before general and administrative ("G&A") and depreciation and amortization expenses). The column entitled "2000 Excluding Sold Assets" reflects results excluding the results of Ticker magazine and InsiderTrader.com.

<TABLE>  
<CAPTION>

| <S>                                                                               | Three Months Ended March 31, |               |                                     |
|-----------------------------------------------------------------------------------|------------------------------|---------------|-------------------------------------|
|                                                                                   | <C>                          | <C>           | <C>                                 |
|                                                                                   | 2001                         | 2000          | 2000<br>Excluding<br>Sold<br>Assets |
| Revenues:                                                                         |                              |               |                                     |
| Print Publications                                                                | \$2,622,660                  | \$4,939,130   | \$3,803,806                         |
| Online Services                                                                   | 609,723                      | 1,273,520     | 1,089,771                           |
|                                                                                   | -----                        | -----         | -----                               |
|                                                                                   | \$3,232,383                  | \$6,212,650   | \$4,893,577                         |
|                                                                                   | =====                        | =====         | =====                               |
| Operating contribution (before G&A<br>and depreciation and amortization expenses) |                              |               |                                     |
| Print Publications                                                                | (\$ 540,876)                 | \$ 1,941      | (\$ 319,960)                        |
| Online Services                                                                   | (20,622)                     | (73,288)      | (71,086)                            |
|                                                                                   | -----                        | -----         | -----                               |
|                                                                                   | (561,498)                    | (71,347)      | (391,046)                           |
| G&A and depreciation and amortization expenses                                    | (1,077,958)                  | (1,593,535)   | (1,593,535)                         |
| Investment and other income                                                       | (15,714)                     | 68,299        | 68,299                              |
|                                                                                   | -----                        | -----         | -----                               |
| Net loss                                                                          | (\$1,655,170)                | (\$1,596,583) | (\$1,916,283)                       |
|                                                                                   | =====                        | =====         | =====                               |

</TABLE>

There was no change in non-current investments as of March 31, 2001 as compared to December 31, 2000. Net accounts receivable as of March 31, 2001 decreased approximately \$0.1 million due to the decreased advertising sales. Accounts payable as of March 31, 2001 decreased approximately \$0.2 million due to the timing of payments to vendors. Deferred advertising revenue as of March 31, 2001 decreased approximately \$0.7 million due to revenue earned during the period. Additionally, deferred subscription revenue as of March 31, 2001 increased approximately \$0.2 million due to the timing of direct mail and subscription renewal campaigns. There were no other material changes from year-end 2000 in total assets, in the basis of segmentation, or in the basis of measurement of segment profit or loss.

8. ACCOUNTS RECEIVABLE FINANCING

In August 2000, the Company entered into a securitization facility with an unrelated financial services company. Under the terms of the facility, the Company may transfer an undivided ownership interest in certain trade accounts receivable to the financial services company. The Company receives cash from the

third party based on a formula of a percentage of the face value of the eligible transferred receivables, less certain fees. The maximum amount of transferred receivables that may be outstanding under this facility is \$2.0 million. The Company pays a variable interest rate (prime plus 1.5%) during the period from when a receivable is transferred until the time the third party collects and remits the balance of the receivable. During the period ended March 31, 2001, this interest rate averaged approximately 10.3 %. The Company retains the credit risk for any receivable that is transferred and with respect to which the customer subsequently defaults on payment. The Company had no credit losses under this facility during the period. The Company recorded interest expense fees of approximately \$16,000 related to this facility during the three months ended March 31, 2001. The amount of transferred receivables at March 31, 2001 was approximately \$0.4 million. The securitization facility ends June 30, 2002, subject to earlier termination in accordance with the contract.

9. SUBSEQUENT EVENT  
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In May 2001, the Company entered into a sublease agreement with an unrelated third party to sublet approximately 17,000 square feet of its New York City corporate office space, through March 31, 2004, at a rental amount per square foot in excess of the Company's current cost. The anticipated sublease payments will reduce the Company's effective rent to approximately \$0.4 million per year, excluding the effect of the capital expenses related to the sublease that will be paid this year. The Company required and received a deposit of approximately \$0.2 million as advance payment of rent for certain months in 2001 to offset in part the capital expenses related to the sublease.

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 months ended March 31, 2001 and March 31, 2000, 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 March 31, 2001. These sentences typically use words or phrases like "believes," "expects," "anticipates," "estimates," "projects," "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 March 31, 2001, 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. Except to the extent that a statement in this Report is describing a historical fact, each statement in this Report is deemed to be a forward-looking statement.

2. Actual Results May Be Different than Projections. Due to a variety of risks and uncertainties, however, actual results 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, 2000, 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 Months Ended March 31, 2001 as Compared to the Three Months Ended  
March 31, 2000

Operating Loss

The Company's operating loss for the three months ended March 31, 2001 improved approximately 2%, to approximately \$1.6 million, as compared to

approximately \$1.7 million for the three months ended March 31, 2000. The improvement is primarily due to decreased promotion and selling, editorial, production and distribution, and general and administrative expenses, partially offset by decreased advertising revenues. Results from operations for the three months ended March 31, 2000 include the results of Ticker magazine and InsiderTrader.com, assets that were sold during the quarter ended September 30, 2000. Excluding the results of Ticker magazine and InsiderTrader.com, the Company's operating loss for the three months ended March 31, 2001 improved approximately 17%, to approximately \$1.6 million, as compared to approximately \$2.0 million for the three months ended March 31, 2000.

Print Publications operations provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of approximately \$0.5 million for the three months ended March 31, 2001, as compared to being break-even for the three months ended March 31, 2000. The change in operating contribution is primarily due to decreased advertising revenues, partially offset by decreased promotion and selling, and production and distribution expenses. Excluding the results of Ticker magazine, print publications provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of approximately \$0.5 million for the three months ended March 31, 2001, as compared to a negative operating contribution of approximately \$0.3 million in the first quarter of 2000.

Online Services operations provided a break-even result for the three months ended March 31, 2001 as compared to a negative operating contribution (before deducting G&A, and depreciation and amortization expenses) of approximately \$0.1 million for the three months ended March 31, 2000. The change in operating contribution is primarily due to decreased advertising revenues, partially offset by decreased editorial, production and development, and promotion and selling expenses. The results of InsiderTrader.com for the three months ended March 31, 2000 were break-even.

#### Revenues

Revenues for the three months ended March 31, 2001 decreased approximately 48%, to approximately \$3.2 million, as compared to approximately \$6.2 million for the three months ended March 31, 2000. Excluding the results of Ticker magazine and InsiderTrader.com, revenues decreased approximately 34% in the three months ended March 31, 2001, to approximately \$3.2 million, as compared to approximately \$4.9 million for the three months ended March 31, 2000. Revenues from Print Publications operations for the three months ended March 31, 2001 decreased approximately 47%, to approximately \$2.6 million, as compared to approximately \$4.9 million for the three months ended March 31, 2000. Excluding the results of Ticker magazine, revenues from Print Publications operations decreased approximately 31% in the three months ended March 31, 2001, to approximately \$2.6 million, as compared to approximately \$3.8 million for the three months ended March 31, 2000. Revenues from Online Services operations for the three months ended March 31, 2001 decreased approximately 52%, to approximately \$0.6 million, as compared to approximately \$1.3 million for the three months ended March 31, 2000. Excluding the results of InsiderTrader.com, revenues from Online Services operations decreased approximately 44% in the three months ended March 31, 2001, to approximately \$0.6 million, as compared to approximately \$1.1 million for the three months ended March 31, 2000.

Print Publications advertising revenues for the three months ended March 31, 2001 decreased approximately 56%, to approximately \$1.6 million, as compared to approximately \$3.6 million for the three months ended March 31, 2000. Individual Investor advertising revenues for the three months ended March 31, 2001 decreased approximately 37%, to approximately \$1.6 million, as compared to approximately \$2.5 million for the three months ended March 31, 2000, due to an approximate 41% decrease in advertising pages sold, combined with a decrease in the net advertising rate per page (excluding the effect of revenue recognized in connection with the Company's equity-for-advertising agreements), offset in part by an increase in revenue recognized in connection with the Company's equity-for-advertising agreements, when compared to the three months ended March 31, 2000. Ticker advertising revenues for the three months ended March 31, 2000 were approximately \$1.1 million. The Company's visibility with respect to advertising revenues in 2001 is poor at the time this report is filed. After three quarters of growth (as compared to the applicable prior year period) in advertising, a sudden and sharp decline (as compared to the applicable prior year period) in advertising began in the fourth quarter of 2000 and has continued through the time this report is filed. This slowdown could be followed by an equally sudden and sharp rebound or by continued weakness. Continued weakness in the advertising climate for print publications (and more specifically, for personal finance magazines) would hamper the Company's ability to achieve greater advertising revenues for Individual Investor magazine and could have a material adverse effect on the Company's business, operating results and financial condition.

Print Publications circulation revenues for the three months ended March 31, 2001 decreased approximately 14%, to approximately \$0.8 million, as compared to approximately \$0.9 million for the three months ended March 31, 2000. Subscription revenues for the three months ended March 31, 2001 decreased approximately 14%, to approximately \$0.6 million, as compared to approximately \$0.7 million for the three months ended March 31, 2000. Newsstand revenues for



the three months ended March 31, 2001 decreased approximately 11%, to approximately \$197,000 as compared to approximately \$221,000 for the three months ended March 31, 2000. The decrease in circulation revenues is primarily due to a decrease in newsstand sales for Individual Investor magazine during the quarter ended March 31, 2001 as compared to the prior-year period. The Company believes that the magazine industry in general, and personal finance titles in particular, have experienced declining newsstand sales since approximately the middle of 2000. The Company cannot predict whether newsstand sales for Individual Investor magazine will remain increase, remain stable, or experience further decreases. A further weakening of newsstand sales for Individual Investor magazine could have a material adverse effect on the Company's business, operating results and financial condition.

Print Publications list rental and other revenues for the three months ended March 31, 2001 decreased approximately 40%, to approximately \$255,000, as compared to approximately \$429,000 for the three months ended March 31, 2000. Excluding the results of Ticker magazine, list rental revenues from Print Publications decreased approximately 37% in the three months ended March 31, 2001, to approximately \$255,000, as compared to approximately \$403,000 for the three months ended March 31, 2000. List rental revenues for Individual Investor magazine have declined by approximately the same percentage as advertising revenues for Individual Investor magazine, when comparing the three months ended March 31, 2001 with the prior-year period. As with advertising revenues, the Company's visibility with respect to list rental revenues is poor at the time this report is filed. Continued weakness in list rental revenues would hamper the Company's ability to achieve greater advertising revenues for Individual Investor magazine and could have a material adverse effect on the Company's business, operating results and financial condition.

Online Services advertising revenues for the three months ended March 31, 2001 decreased approximately 50%, to approximately \$0.6 million, as compared to approximately \$1.2 million for the three months ended March 31, 2000. The decrease in advertising revenues is attributable to a decrease in demand for and pricing of advertising impressions due to the current market conditions in online advertising. The Company's visibility with respect to Online Services advertising revenues is poor at the time this report is filed. As noted above, the Company's Online Services operations provided a break-even result in the three months ended March 31, 2001, before deducting G&A, depreciation and amortization expenses. If Online Services advertising revenues were to weaken further, the Company's Online Services operations likely would make a negative contribution to overhead (before deducting G&A, depreciation and amortization expenses).

#### Operating Expenses

Operating expenses for the three months ended March 31, 2001 decreased approximately 38%, to approximately \$4.8 million, as compared to approximately \$7.9 million for the three months ended March 31, 2000. Excluding the results of Ticker magazine and InsiderTrader.com, operating expenses decreased approximately 29% in the three months ended March 31, 2001, to approximately \$4.8 million, as compared to approximately \$6.9 million for the three months ended March 31, 2000.

Editorial, production and distribution expenses for the three months ended March 31, 2001 decreased approximately 34%, to approximately \$2.3 million, as compared to approximately \$3.5 million for the three months ended March 31, 2000. Excluding the results of Ticker magazine and InsiderTrader.com, editorial, production and distribution expenses decreased approximately 20% in the three months ended March 31, 2001, to approximately \$2.3 million, as compared to approximately \$2.8 million for the three months ended March 31, 2000. The decrease is primarily related to the sale of Ticker magazine and an approximate \$0.5 million reduction in editorial, production and distribution expenses of approximately 37% and 10%, respectively, with respect to [www.individualinvestor.com](http://www.individualinvestor.com) (to approximately \$0.5 million as compared to approximately \$0.8 million in the prior period) and Individual Investor magazine (to approximately \$1.7 million as compared to approximately \$1.9 million in the prior period).

Promotion and selling expenses for the three months ended March 31, 2001 decreased approximately 47%, to approximately \$1.5 million, as compared to approximately \$2.8 million for the three months ended March 31, 2000. Print Publications promotion and selling expenses for the three months ended March 31, 2001 decreased approximately 43%, to approximately \$1.4 million, as compared to approximately \$2.4 million for the three months ended March 31, 2000. Excluding the results of Ticker magazine, Print Publications promotion and selling expenses decreased approximately 33% in the three months ended March 31, 2001, to approximately \$1.4 million, as compared to approximately \$2.1 million for the three months ended March 31, 2000. The decrease is primarily due to decreased subscription promotion expense; absence of severance expenses related to a termination arrangement and the non-recurrence of recruiting fees as a result of hiring additional in-house sales personnel for the three months ended March 31, 2000. Online Services promotion and selling expenses for the three months ended March 31, 2001 decreased approximately 72%, to approximately \$0.1 million, as compared to approximately \$0.4 million for the three months ended March 31, 2000. The decrease from the prior year is primarily attributable to lower

marketing and promotion expenses associated with the Individual Investor of the Year(TM) and Magic 25(TM) online trading contests offered by the Company.

General and administrative expenses for the three months ended March 31, 2001 decreased approximately 36%, to approximately \$0.9 million, as compared to approximately \$1.5 million for the three months ended March 31, 2000. The Company during the third quarter of 2000 implemented a significant reduction in its general and administrative expenses through a reduction in general and administrative personnel, which has favorably impacted results in the first quarter of 2001.

Depreciation and amortization expense for the three months ended March 31, 2001 increased approximately 9%, to approximately \$152,000, as compared to approximately \$140,000 for the three months ended March 31, 2000. The increase is attributable to additional depreciation for furniture and fixtures as well as the amortization of leasehold improvements.

#### Investment and Other Income

Investment and other income for the three months ended March 31, 2001 decreased to approximately (\$16,000), as compared to approximately \$68,000 for the three months ended March 31, 2000.

#### Net Loss

The Company's net loss for the three months ended March 31, 2001 increased approximately 4%, to approximately \$1.7 million, as compared to approximately \$1.6 million for the three months ended March 31, 2000. No income taxes were provided in 2001 or 2000 due to the net loss. The basic and dilutive net loss per weighted average common share for the three months ended March 31, 2001 was \$0.19, as compared to approximately \$0.16 for the three months ended March 31, 2000. Excluding the results of Ticker magazine and InsiderTrader.com, the Company's net loss for the three months ended March 31, 2001 decreased approximately 14%, to approximately \$1.7 million, as compared to approximately \$1.9 million for the three months ended March 31, 2000.

#### Liquidity and Capital Resources

As of March 31, 2001, the Company had cash and cash equivalents of approximately \$2.4 million, which was included in working capital of approximately \$1.1 million.

In August 2000, the Company arranged a line of credit whereby the Company may borrow principal amounts up to \$2.0 million secured by certain of its assets. Availability under the facility is based on a formula of a percentage of eligible accounts receivable and provides for interest on direct borrowings at an annual rate equal to prime plus 1.5% plus fees based on the amount of the invoices financed. The term of the line of credit is for a period of two years, subject to certain termination provisions. Total funding pursuant to this line of credit at March 31, 2001 was approximately \$0.4 million.

The Company's current levels of revenues are not sufficient to cover its expenses. It is the Company's intention to control its operating expenses and, as noted above, the Company recently implemented changes intended to substantially reduce certain operating and general and administrative expenses. The Company notes that its operating expenses in the first quarter of 2001 decreased approximately 28% as compared to the prior year period, excluding the expenses of Ticker magazine and InsiderTrader.com and also notes that in May 2001 it executed a sublease agreement that will reduce its annual rent payments by approximately 60%, excluding the effect of capital expenses related to the sublease. The Company anticipates quarterly losses to continue. Profitability may be achieved in future periods only if the Company can substantially increase its revenues and/or realize capital gains on investments or the sale of certain assets while controlling increases in expenses. Further reductions in expense alone will not enable the Company to achieve profitability in its print publications or online services operations. There can be no assurance that revenues will be substantially increased, that additional capital gains will be realized on investments (instead capital losses in fact may be realized) or that certain assets will be sold, or that expenses can be adequately decreased to enable the Company to attain profitability.

The Company's visibility with respect to advertising revenues in 2001 is poor at the time this report is filed. After three quarters of growth (as compared to the applicable prior year period) in advertising, a sudden and sharp decline (as compared to the applicable prior year period) in advertising began in the fourth quarter of 2000 and has continued through the time this report is filed. This slowdown could be followed by an equally sudden and sharp rebound or by continued weakness. The Company also is not able to predict the magnitude of the licensing revenues, if any, that it might obtain in connection with the Company's license of the America's Fastest Growing Companies(TM) Index to Nuveen Investments and the American Stock Exchange for the creation of an exchange-traded fund to be sponsored by Nuveen and based upon the America's Fastest Growing Companies(TM) Index. The licensing revenue, which the Company would be owed quarterly once the exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index began trading, would be almost 100% gross

margin as the Company would have essentially no marginal expenses associated with such revenues. Nuveen is working to obtain the necessary regulatory approval to commence trading of such an exchange-traded fund but there can be no assurance that Nuveen will obtain the necessary regulatory approval or that the exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index will commence trading. There also can be no assurance that, if it does commence trading, the exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index will prove to be popular or that the Company will receive any material amount of revenues with respect to the licenses described in this paragraph. The Company recently announced three additional indexes, the America's Fastest Growing Companies(TM) MidCap 300 Index, the America's Fastest Growing Companies(TM) LargeCap 50 Index and the America's Fastest Growing Companies(TM) Total Market Index and has announced its intention to develop sector indexes in the America's Fastest Growing Companies(TM) Index family. The Company is in discussions with a variety of parties concerning the potential license of those additional indexes for the creation of financial products. There can no assurance the Company will execute licensing agreements with respect to such indexes, that financial products based upon such indexes would enter the market or that the Company would derive any material revenues with respect to any such licenses.

During the second quarter of 2000, the Company retained The Jordan, Edmiston Group, Inc., the media investment bank, to explore a range of strategic alternatives to enhance shareholder value, including the possible sale of the Company. The Company during the quarter ended September 30, 2000 entered into three separate agreements with unrelated third parties that resulted in net gains on the sale of assets of approximately \$6.7 million and that generated net cash proceeds of approximately \$6.6 million. In connection with one of these agreements, the Company also issued a warrant to purchase 250,000 shares of the Company's Common Stock at an exercise price of \$2.00 per share.

The Company believes that its working capital and the value it believes it could realize from the sale of assets and/or securities of the Company should be sufficient to fund its capital requirements through 2001. The Company will need to obtain additional financing or sell certain of its assets early in the third quarter of 2001 in order to sustain operations and is continuing its exploration of strategic alternatives, including exploring sources of additional financing and/or the sale of assets. There can be no assurance, however, that the Company will be able to obtain additional financing or sell additional assets, or as to the terms upon which the Company could do so. Any additional financing could result in substantial dilution of an investor's equity investment in the Company and failure to obtain additional financing or sell certain assets could render the Company unable to continue existing operations.

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company from time to time is involved in ordinary and routine litigation incidental to its business; the Company currently believes that there is no such pending legal proceeding that would have a material adverse effect on the consolidated financial statements of the Company.

ITEM 2. Changes in Securities

Sales of Unregistered Securities

| <S>                                                                                | <C>                                                         | <C>         | <C>                                                                                                                       | <C>                                       | <C>                                                    |
|------------------------------------------------------------------------------------|-------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------------------------------------------|
| warrant or<br>Date of sale<br>security, terms<br>or conversion                     | Title of security                                           | Number Sold | Consideration received and<br>description of underwriting or<br>other discounts to market<br>price afforded to purchasers | Exemption from<br>registration<br>claimed | If option,<br>convertible<br>of exercise<br>conditions |
| 1/01/01-3/31/01<br>period of<br>from date of<br>subject to certain<br>of continued | Options to purchase<br>common stock<br>granted to employees | 886,000     | Employment services; in<br>addition, exercise price would<br>be received upon exercise                                    | Section 4(2)                              | Vesting over a<br>four years<br>grant,<br>conditions   |



INDEMNIFICATION AGREEMENT

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This Agreement ("Agreement") is made and entered into as of the January 1, 2001 by and between Individual Investor Group, Inc., a Delaware corporation ("Corporation"), and Howard Lorch ("Indemnitee"):

WHEREAS, highly competent persons recently have become more reluctant to serve publicly-held corporations as directors, officers, or in other capacities, unless they are provided with better protection from the risk of claims and actions against them arising out of their service to and activities on behalf of such corporation; and

WHEREAS, the current impracticability of obtaining adequate insurance and the uncertainties related to indemnification have increased the difficulty of attracting and retaining such persons; and

WHEREAS, the Board of Directors of the Corporation ("Board") has determined that the inability to attract and retain such persons is detrimental to the best interests of the Corporation's stockholders and that such persons should be assured that they will have better protection in the future; and

WHEREAS, it is reasonable, prudent and necessary for the Corporation to obligate itself contractually to indemnify such persons to the fullest extent permitted by applicable law so that such persons will serve or continue to serve the Corporation free from undue concern that they will not be adequately indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of Article VIII of the By-laws of the Corporation, and Article VIII of the Amended and Restated Certificate of Incorporation of the Corporation and any resolutions adopted pursuant thereto and shall neither be deemed to be a substitute therefor nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee is willing to serve and to take on additional service for or on behalf of the Corporation on the condition that he be indemnified according to the terms of this Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Corporation and Indemnitee do hereby covenant and agree as follows:

1 Definitions.  
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For purposes of this Agreement:

1.1 "Change in Control" means a change in control of the Corporation occurring after the date hereof of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended ("Act"), whether or not the Corporation is then subject to such reporting requirement provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the date hereof (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the then outstanding securities of the Corporation without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such person attaining such percentage interest; (ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

1.2 "Corporate Status" means the status of a person who is or was a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the

Corporation.

1.3 "Disinterested Director" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

1.4 "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

1.5 "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or Indemnitee in any other matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

1.6 "Proceeding" means any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 11 of this Agreement to enforce his rights under this Agreement.

2 Services by Indemnitee.  
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Indemnitee agrees to serve as Vice President and Controller of the Corporation. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law).

3 Indemnification - General.  
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The Corporation shall indemnify, and advance Expenses to, Indemnitee as provided in this Agreement to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit. The rights of Indemnitee provided under the preceding sentence shall include, but shall not be limited to, the rights set forth in the other Sections of this Agreement.

4 Proceedings Other Than Proceedings by or in the Right of the Corporation.  
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Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding, other than a Proceeding by or in the right of the Corporation. Pursuant to this Section, Indemnitee shall be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

5 Proceedings by or in the Right of the Corporation.  
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Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in its favor. Pursuant to this Section, Indemnitee shall be indemnified against Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in any such proceeding as to which Indemnitee shall have been adjudged to be liable to the Corporation if applicable law prohibits such indemnification unless the Court of Chancery of the State of Delaware, or the court in which such Proceeding shall have been brought or is pending, shall determine that indemnification against Expenses may nevertheless be made by the Corporation.

6 Indemnification for Expenses of Party Who is Wholly or Partly Successful.  
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Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For the purposes of this Section and without limiting the foregoing, the termination of any claim, issue or matter in any such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

7 Indemnification for Expenses as a Witness.  
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Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

8 Advancement of Expenses.  
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The Corporation shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty days after the receipt by the Corporation of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses.

9 Procedure for Determination of Entitlement to Indemnification.  
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9.1 To obtain indemnification under this Agreement in connection with any Proceeding, and for the duration thereof, Indemnitee shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Corporation shall, promptly upon receipt of any such request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

9.2 Upon written request by Indemnitee for indemnification pursuant to Section 9.1 hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in such case: (i) if a Change in Control shall have occurred, by Independent Counsel (unless Indemnitee shall request that such determination be made by the Board or the stockholders, in which case in the manner provided for in clauses (ii) or (iii) of this Section 9.2) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee); (ii) if a Change of Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of Disinterested Directors, or (B) if a quorum of the Board consisting of Disinterested Directors is not obtainable, or even if such quorum is obtainable, if such quorum of Disinterested Directors so directs, either (x) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (y) by the stockholders of the Corporation, as determined by such quorum of Disinterested Directors, or a quorum of the Board, as the case may be; or (iii) as provided in Section 10.2 of this Agreement. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

9.3 If required, Independent Counsel shall be selected as follows: (i) if a Change of Control shall not have occurred, Independent Counsel shall be selected by the Board, and the Corporation shall give written notice to Indemnitee advising him of the identity of Independent Counsel so selected or

(ii) if a Change of Control shall have occurred, Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event (i) shall apply), and Indemnitee shall give written notice to the Corporation advising it of the identity of Independent Counsel so selected. In either event, Indemnitee or the Corporation, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Corporation or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 9.1 hereof, no Independent Counsel shall have been selected and not objected to, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware, or other court of competent jurisdiction, for resolution of any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 9.2 hereof. The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with its actions pursuant to this Agreement, and the Corporation shall pay all reasonable fees and expenses incident to the procedures of this Section 9.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement date of any judicial proceeding or arbitration pursuant to Section 11.1(iii) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

10 Presumptions and Effects of Certain Proceedings.  
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10.1 If a Change of Control shall have occurred, in making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 9.1 of this Agreement, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

10.2 If the person, persons or entity empowered or selected under Section 9 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith require(s) such additional time for the obtaining or evaluating of documentation and/or information relating thereto and provided, further, that the foregoing provisions of this Section 10.2 shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 9.2 of this Agreement and if (A) within 15 days after receipt by the Corporation of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within 75 days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9.2 of this Agreement.

10.3 The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.



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11.1 In the event that (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) the determination of indemnification is to be made by Independent Counsel pursuant to Section 9.2 of this Agreement and such determination shall not have been made and delivered in a written opinion within 90 days after receipt by the Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Corporation of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 9 or 10 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advancement of Expenses. Alternatively, the Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 11.1. The Corporation shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

11.2 In the event that a determination shall have been made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section shall be conducted in all respects as a de novo trial or arbitration on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

11.3 If a determination shall have been made or deemed to have been made pursuant to Section 9 or 10 of this Agreement that Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law.

11.4 The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Agreement.

11.5 In the event that Indemnitee, pursuant to this Section, seeks a judicial adjudication of, or an award in arbitration to enforce, his rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the kinds described in the definition of Expenses) actually and reasonably incurred by him in such judicial adjudication or arbitration, but only if he prevails therein. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive some but less than all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

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12.1 The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the certificate of incorporation or by-laws of the Corporation, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to any Indemnitee with respect to any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

12.2 To the extent that the Corporation maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Corporation, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies.

12.3 In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of

recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

12.4 The Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

13 Duration of Agreement.  
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This Agreement shall continue until and terminate upon the later of: (a) ten years after the date that Indemnitee shall have ceased to serve as an officer of the Corporation, or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and or any proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

14 Severability.  
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If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

15 Exception to Right of Indemnification or Advancement of Expenses.  
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Except as provided in Section 11.5, Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement with respect to any Proceeding, or any claim therein, brought or made by him against the Corporation.

16 Identical Counterparts.  
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This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement.

17 Headings.  
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The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

18 Modification and Waiver.  
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No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19 Notice by Indemnitee.  
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Indemnitee agrees promptly to notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder.

20 Notices.  
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All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom such notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so

mailed:

If to Indemnitee, to:

Howard B. Lorch  
147-29 72nd Drive  
Flushing, New York 11367

If to the Corporation, to:

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

or to such other address or such other person as Indemnitee or the Corporation shall designate in writing in accordance with this Section, except that notices regarding changes in notices shall be effective only upon receipt.

21 Governing Law.

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The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware.

22 Miscellaneous.

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Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

INDIVIDUAL INVESTOR GROUP, INC.

By:/s/ Jonathan L. Steinberg

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Jonathan L. Steinberg  
Chief Executive Officer

INDEMNITEE

/s/ Howard B. Lorch

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Howard B. Lorch

EXHIBIT 99

CERTAIN RISK FACTORS

Dated: May 15, 2001

You should carefully consider these risks, as well as those described in our most recent Form 10-K, 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, operating results 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, the word "web," refers to the portion of the Internet commonly referred to as the "world wide web."

We will need to raise additional capital in the future. Our current levels of revenues are not sufficient to cover our expenses. We intend to control our operating expenses while continuing to invest in its existing products - and, as noted in the Form 10-QSB, we recently implemented changes intended to substantially reduce certain operating and general and administrative expenses. Further reductions in expense alone will not enable us to achieve profitability in its print publications or online services operations and, because we expect continuing net losses, we will need to raise additional capital. We believe that our working capital and the value we believe we could realize from the sale of assets and/or securities should be sufficient to fund our capital requirements through 2001. We will need to obtain additional financing or sell certain of our assets early in the third quarter of 2001 in order to sustain operations and we

are continuing our exploration of strategic alternatives, including exploring sources of additional financing and/or the sale of assets. During the second quarter of 2000, we retained The Jordan, Edmiston Group, Inc., a media investment bank, to explore a range of strategic alternatives to enhance shareholder value, including the possible sale of the Company. In September 2000, we sold certain assets, including Ticker magazine and InsiderTrader.com that generated net cash proceeds of approximately \$6.6 million. We are continuing to explore strategic alternatives, including exploring sources of additional financing and/or sale of assets. We cannot assure you, however, that we will be able to obtain additional financing or sell any assets. We also cannot assure you as to the terms upon which such additional financing or sale of assets could be consummated if we are able to obtain additional financing or sell assets. It is possible that any additional financing or sale of assets could result in a substantial dilution of an investor's equity interest in us. If we are unable to obtain additional financing or sell assets prior to exhausting our existing resources, or if we only could consummate such financing or sale of assets on unfavorable terms, our ability to continue operations and the value of our common stock would be materially adversely affected.

We have a history of losses and we anticipate that our losses will continue in the future. As of March 31, 2001, we had an accumulated deficit of approximately \$31.6 million. Since inception, the only calendar year during which we were profitable was 1995. We expect to continue to incur operating losses into 2001. Even if we do achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future.

Our online services business has a limited operating history. Because we commenced our online services operations in May 1997, 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 an early stage business in this new and rapidly evolving market of web-based financial news and information companies.

We face intense competition in both our print publications business and our online services business. A large number of financial news and information sources compete for consumers' and advertisers' attention and spending. We expect this competition to continue and the number of competitors might increase. These competitors include:

- o online services or web sites focused on business, finance and investing, such as CBS MarketWatch.com; The Wall Street Journal Interactive Edition; CNBC.com; CNNfn.com; TheStreet.com; Briefing.com; The Motley Fool; Yahoo! Finance; Silicon Investor; MSN Money Central; SmartMoney.com; Money.com; and Multex.com;
- o 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; and Worth;
- o publishers and distributors of radio and television programs focused on business, finance and investing, such as Bloomberg Business Radio and CNBC;
- o web "portal" companies, such as Yahoo!; Excite; Lycos; and America Online; and
- o 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 and that of our competitors.

Many of our 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, as well as adapting to rapid technological changes with regard to the Internet. In particular, future changes may evolve (for example, a rapid move to broadband or wireless technologies) which we may not be able to cope with in a timely manner. These competitors may also engage in more extensive research and development, undertake far-reaching marketing campaigns, adopt more aggressive pricing policies to attract Internet users, print readers and 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 our content or that achieves greater market acceptance than our content. 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, Internet users, print readers, staff, outside contributors or strategic partners. Increased competition could result in price reductions, reduced margins or loss of our market share. Any of these could materially adversely affect our business.

We have not yet generated revenues from licensing the stock indexes we have

developed. We have not yet generated revenues from licensing the stock indexes we have developed and we might never generate any such revenues. We have licensed the America's Fastest Growing Companies(TM) Index to Nuveen Investments and the American Stock Exchange for the creation of an exchange-traded fund to be based upon the America's Fastest Growing Companies(TM) Index. Nuveen Investments has filed to obtain the regulatory approvals necessary to permit the launch of an exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index. The necessary regulatory approvals have not yet been obtained and we cannot assure you that such approvals will in fact be obtained. Moreover, we cannot assure you that an exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index would commence trading if the necessary regulatory approvals were obtained. We also cannot assure you that an exchange-traded fund based upon the America's Fastest Growing Companies(TM) Index would prove to be popular or that the Company would receive any material amount of revenues related to the licenses described in this paragraph. We are seeking to execute license agreements for the creation of financial products based upon other stock indexes we've developed, including the America's Fastest Growing Companies(TM) Total Market Index, the America's Fastest Growing Companies(TM) MidCap 300 Index and the America's Fastest Growing Companies(TM) LargeCap 50 Index and America's Fastest Growing Companies(TM) sector indexes, but we cannot assure you that we will be successful in our endeavors to do so.

We may not be able to attract and retain qualified employees for our online service business. Current and potential employees for our online services business might prefer to work at a company that has operations exclusively related to online services. Since we are also in the print publication business, people may perceive us 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 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 us and have a number of print titles. In print, we publish only one magazine and one newsletter. There is a general perception in the employment market that larger publishers are more prestigious or offer more varied career opportunities. We may be perceived by 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.

We may not be able to grow our online business. We intend to introduce new and/or enhanced products, content and services to retain the current users of our online services and to attract new users. If we introduce a new or enhanced product, content, or service that is not favorably received or fail to introduce certain new or enhanced products, content, or services, our current users may choose a competitive service over our service. Our business could be materially adversely affected if we experience difficulties and/or delays in introducing new products, content or services or if these new products, content or services are not favorably received by our users.

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 sites. 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 sites must accommodate a high volume of traffic, often at unexpected times. Our web sites have 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 users to perceive our web sites as not functioning properly and, therefore, cause them to use other methods to obtain the financial information they desire. In such a case, our business, operating results and financial condition could be materially adversely affected.

Our efforts to build positive brand recognition may not be successful. We believe that maintaining and growing awareness about our brands (including Individual Investor, individualinvestor.com, Magic 25(R), America's Fastest Growing Companies(R), Investor University(R) and Investment University(R)) is an important aspect of our efforts to continue to attract print subscribers, magazine readers and Internet users. 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 Internet users and print readers, which could materially adversely affect our business, operating results and financial condition.

We depend on certain advertisers to generate revenues. In 2000, 1999 and 1998, the majority of our print publications advertising revenues came from financial services companies, followed by consumer advertisers and others. We were not dependent upon any particular advertiser for our print publications revenues. In 2000, approximately 38 % of the online services advertising revenues came from a

combination of VentureHighway.com (a company in which we have acquired an approximately 15.8% equity interest through an equity-for-advertising barter transaction) and one brokerage firm offering online trading and the large majority of such revenues from those two advertisers were derived in the first half of 2000 (VentureHighway.com did not advertise on the Company's online properties during the second half of 2000). We expect that the majority of advertising revenues derived from our online services operations will come from financial services companies (including online brokerage firms and mutual fund companies) and from companies in which we have obtained equity stakes in exchange for advertising. In the event that financial services companies choose to scale back on their online advertising (on the Internet in general or on our web sites in particular) or we do not enter into additional equity-for-advertising transactions, our online services business could be materially adversely affected.

We need to manage our operations effectively. The Company has in the past few years experienced periods of rapid growth in revenues and headcount and periods of declining revenues and headcount. Both types of change place a strain on our managerial, operational and financial resources. To manage our business, 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 in part on our ability to expand, train and manage our workforce, in particular our editorial, advertising sales and business development staff, and to effectively manage any workforce reductions that we have made or may in the future make. We cannot assure you that we have made adequate allowances for the costs and risks associated with any such expansion or reduction, that our systems, procedures or controls will be adequate to support our operations, or that our management will be able to successfully offer our services. If we are unable to manage our operations effectively, our business, operating results 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 sites 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 sites could result in reduced traffic, reduced revenues 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, operating results and financial condition could be materially adversely affected by any event, damage or failure that interrupts or delays our operations.

We depend on the continued growth in use and efficient operation of the web. Our business will 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:

- o inadequate network infrastructure;
- o security concerns;
- o inconsistent quality of service; and
- o 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 sites. 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 Internet users to perceive the web in general or our web sites in particular as an unreliable medium and, therefore, cause them to use other media or other online content providers 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 sites 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, operating results and financial condition.

We realized a loss related to our investment in VentureHighway.com, Inc. and we may realize losses related to our investments in Pricing Dynamics, Inc. and Tradeworx, Inc. We record on our balance sheet investments in non-readily marketable securities at their fair market value at the date of acquisition, unless and until we become aware of an other than temporary impairment in such securities or unless and until such securities become readily marketable. We originally recorded the value of VentureHighway.com, Inc. at approximately \$2.6 million, Pricing Dynamics, Inc. at approximately \$1.5 million and Tradeworx,

Inc. at approximately \$1.1 million. As of December 31, 2000, we determined that the value of our VentureHighway.com securities had become impaired and we adjusted the carrying value to the estimated fair market value. Accordingly, we took a charge to operating earnings in 2000 of approximately \$2.6 million. There currently is no public market for VentureHighway.com, Inc., Pricing Dynamics, Inc. or Tradeworx, Inc. securities, and there is no assurance that we will realize any value with respect to these investments. If we need to take any additional downward adjustments to the carrying value of our investments, our financial condition could be materially adversely affected.

Our quarterly financial results are subject to significant fluctuations. Our quarterly operating results may fluctuate significantly as a result of a variety of factors, many of which are outside our control. For example, revenues in our print publications business tend to reflect seasonal patterns. 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 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. After three quarters of growth (as compared to the applicable prior year period), a sudden and sharp decline (as compared to the applicable prior year period) in the advertising for print publications in general (including personal finance magazines) began in the fourth quarter of 2000 and has continued into the second quarter of 2001. This slowdown could be followed by an equally sudden and sharp rebound or by continued weakness. In addition, online advertising has weakened in recent quarters. At the time this report is filed, we are not able to predict when, if at all, the overall advertising climate for print publications (and more specifically, for personal finance magazines) or online advertising might improve and therefore we cannot predict the level of advertising revenues that may be achieved by Individual Investor magazine or our online services. Continued weakness in the advertising climate for print publications (and more specifically, for personal finance magazines) would hamper our ability to achieve greater revenues for Individual Investor magazine and could have a material adverse effect on our business, operating results and financial condition. Continued weakness in the advertising climate for online services would hamper our ability to achieve greater revenues for our online services and could have a material adverse effect on our business, operating results and financial condition.

Because our editorial content is focused on the financial markets, a prolonged "bear market" may cause our businesses to suffer. Our editorial content 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 the level of trading volume at online brokerages, for instance, has declined in recent months as the market has moved generally lower - and thus less interested in our research and analysis of securities. If this occurs, fewer people might be interested in subscribing to our print publications and using our online services. An indication of this is the fact that newsstand sales of personal finance magazines in general have suffered in recent months. Second, many advertisers, particularly financial services advertisers that are our most important source of advertising revenue, have announced reduction in their advertising budgets. As noted above, the advertising climate for print publications in general and personal finance magazines in particular has suffered a sharp decline beginning in the fourth quarter of 2000. A continuation of a general market downturn would have a material adverse effect on our business, operating results and financial condition.

Because our editorial content is focused on research and analysis of specific stocks, our businesses could suffer if our recommendations are poor. Our editorial content 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. If our opinions prove to be wrong, our customers may be less interested in subscribing to our print publications and in using our online services and our business could suffer materially.

We depend on our outside contributors. To some extent we depend upon the efforts of our outside contributors to produce original, timely, comprehensive and trustworthy content. Our outside contributors 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 contributors in the future. If we lose the services of our outside contributors or are unable to attract additional outside contributors with appropriate qualifications, our business, operating results 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. We currently are relying upon the services of Jonathan Steinberg, our Chief Executive Officer and President, and Gregory Barton, our Vice President of Business Development, Finance and Legal Affairs, Chief Financial Officer and General Counsel, neither of whom is under any employment contract with us. The loss of either of our key management personnel could materially adversely affect our business. Moreover, the costs that may arise in connection with executive departures and replacements can be

significant, as they were during 2000, 1999 and 1998.

We rely on several third party sole providers to conduct many of our operations. Our strategy is to enter into relationships with various third parties to be the exclusive provider of their respective service in order to obtain their technological expertise and capabilities as well as to achieve economies of scale. If the business of these providers is disrupted for any reason, our operating results could suffer materially. Some of these providers are listed as follows:

1. We depend on Quebecor to print Individual Investor magazine. We depend upon an independent party, Quebecor, to print Individual Investor magazine. If Quebecor'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 Individual Investor magazine in a timely manner and may lose subscribers and newsstand sales. This could cause our operating results to suffer materially.
2. We depend on independent parties to distribute Individual Investor magazine to newsstands. We depend upon independent parties (the largest of which is Comag Marketing Group, a venture between The Hearst Corporation and Conde Nast) to direct the distribution of Individual Investor magazine to newsstands. If the business of our distributors is disrupted for any reason, such as labor strife or natural disaster, we may not be able to distribute Individual Investor magazine to newsstands in a timely manner and may lose newsstand sales. This could cause our operating results to suffer materially.
3. We depend on an independent party to manage our subscriber files. We depend upon an independent party to manage our subscriber files. This party receives subscription orders and payments for Individual Investor magazine and Special Situations Report newsletter, 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 business could suffer materially.
4. 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 Synapse, Special Data Processing and EBSCO. These agencies obtain subscribers primarily through use of subscription offers in credit card statements and direct mail campaigns. If the positive response to the promotion of Individual Investor magazine by these agencies is not great enough, they may stop promoting our magazine. This could cause our subscriber base to shrink, which would lower our subscription revenues and reduce our advertising rate base, which would lead to lower advertising revenues. 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 one of our competitors. Any of those developments could cause our operating results to suffer materially.
5. We depend on WinStar Interactive Media Sales, Inc. to sell advertising, sponsorships and e-commerce partnerships on our web sites. We depend on an independent party, WinStar Interactive Media Sales, Inc. ("WinStar"), to sell advertising, sponsorships and e-commerce partnerships on our web sites, to complement our internal efforts. WinStar recently filed for reorganization under Chapter 11 of the United States Bankruptcy Code. If WinStar's business is disrupted or its sales force is ineffective, the revenues generated from our web sites could be materially adversely affected.

Control of the Company by Principal Stockholders. At the present time, Jonathan Steinberg, and Saul Steinberg (who is Jonathan Steinberg's father), beneficially own approximately 22.2% of the common stock of the Company. Additionally, the following entities currently beneficially own the following amount of the common stock of the Company: Telescan, Inc., approximately 12.8%; American Financial Group, Inc., approximately 7.7%; and Reliance Financial Services Corporation, approximately 7.4%. As a result of their beneficial ownership of common stock, these parties will be able to significantly influence all matters requiring approval by the Company's stockholders, including the election of its directors. Because it may be very difficult for another company to acquire us without the approval of the Steinbergs, other companies might not view us as an attractive takeover candidate. Our stockholders, therefore, may have less of a chance to benefit from any possible takeover of the 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, copyright and patent law, trade secret protection, confidentiality agreements, laws governing tortious conduct (including, for example, unfair competition) 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 have pending U.S. applications for other trademarks. Effective trademark, copyright, trade secret and patent 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, individualinvestor.com, Magic25(R), America's Fastest Growing Companies(R), Investor University(R) and Investment University(R). 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, The Individual Investor, 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.

Claims of our infringement of the intellectual property rights of others could be costly and disruptive to our business operations. Other parties may assert claims against us that we have infringed a copyright, trademark or other proprietary right belonging to them. Defending against any such claim could be costly and divert the attention of management from the operation of our business. In addition, the inability to obtain or maintain the use of copyrights or trademarks could adversely affect our business operations, as could the award of damages against us. Our insurance may not adequately protect us against such claims

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, invasion of privacy 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 sites through links to other web sites. Defending against any such claim could be costly and divert the attention of management from the operation of our business, and the award of damages against us could adversely affect our financial condition. Our insurance may not adequately protect us against such claims.