

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

Form 10-QSB

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

For the quarterly period ended June 30, 1997

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

For the transition period from _____ to _____
Commission file number 1-10932

INDIVIDUAL INVESTOR GROUP, INC.

(Exact name of small business issuer as specified in its charter)

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

1633 Broadway, 38th Floor, New York, New York 10019
(Address of principal executive offices)

(212) 843-2777
(Issuer's telephone number)

(Former name, former address and former fiscal quarter, if
changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 July 31, 1997, issuer had outstanding 6,610,776 shares of Common Stock, \$.01 par value per share.

EXHIBIT INDEX - Page 16
Page 1 of 54 pages

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEET
(UNAUDITED)
June 30, 1997

ASSETS

| | |
|--|-------------|
| Current assets: | |
| Cash and cash equivalents | \$2,798,430 |
| Accounts receivable (net of allowances of \$575,368) | 2,119,370 |
| Prepaid expenses and other current assets | 297,034 |
| | ----- |
| Total current assets | 5,214,834 |
| Deferred subscription expense | 624,565 |
| Investment in affiliate (Note 2) | 2,516,330 |
| Property and equipment - net | 704,707 |
| Other assets | 387,540 |
| | ===== |
| Total assets | \$9,447,976 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|----------------------|-------------|
| Current liabilities: | |
| Accounts payable | \$1,497,917 |
| Accrued expenses | 647,219 |

| | |
|---|--------------|
| Deferred revenue | 302,103 |
| Total current liabilities | 2,447,239 |
| Deferred subscription revenue | 2,732,522 |
| Total liabilities | 5,179,761 |
| Commitments and contingencies | |
| Stockholders' Equity: | |
| Preferred stock, \$.01 par value, authorized 2,000,000 shares | - |
| Common stock, \$.01 par value; authorized 18,000,000 shares; issued and outstanding 6,610,776 | 66,107 |
| Additional paid-in capital | 16,307,186 |
| Deficit | (12,105,078) |
| Total stockholders' equity | 4,268,215 |
| Total liabilities and stockholders' equity | \$9,447,976 |

See Notes to Consolidated Condensed Financial Statements

2

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

| June 30, | Three Months Ended June 30, | | Six Months Ended |
|---|-----------------------------|-------------|------------------|
| | 1997 | 1996 | 1997 |
| | <C> | <C> | <C> |
| Revenues: | | | |
| Financial Information Services: | | | |
| Circulation | \$940,469 | \$1,443,666 | \$2,119,711 |
| \$2,831,691 | | | |
| Advertising | 2,032,030 | 984,323 | 4,361,742 |
| 1,901,987 | | | |
| List rental and other | 246,775 | 333,062 | 583,436 |
| 670,470 | | | |
| Total financial information services revenues | 3,219,274 | 2,761,051 | 7,064,889 |
| 5,404,148 | | | |
| Investment management services (Note 3) | 176,019 | 378,449 | 297,193 |
| 511,710 | | | |
| Equity in net income (loss) of affiliate (Note 2) | 134,147 | 998,227 | (1,531,170) |
| 291,957 | | | |
| Total revenues | 3,529,440 | 4,137,727 | 5,830,912 |
| 6,207,815 | | | |
| Operating expenses: | | | |
| Editorial, production and distribution | 2,168,385 | 1,429,859 | 4,324,876 |
| 2,818,513 | | | |
| Promotion and selling | 1,520,067 | 1,048,096 | 2,996,192 |
| 2,103,568 | | | |
| General and administrative | 1,110,537 | 1,016,714 | 2,143,124 |

| | | | |
|---|---------------|-----------|---------------|
| 1,802,436 | | | |
| Depreciation and amortization | 67,172 | 46,183 | 132,597 |
| 81,035 | | | |
| ----- | ----- | ----- | ----- |
| Total operating expenses | 4,866,161 | 3,540,852 | 9,596,789 |
| 6,805,552 | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| Operating (loss) income | (1,336,721) | 596,875 | (3,765,877) |
| (597,737) | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| Interest and other income | 20,246 | 55,321 | 31,189 |
| 128,411 | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| Net (loss) income | (\$1,316,475) | \$652,196 | (\$3,734,688) |
| (\$469,326) | ----- | ----- | ----- |
| ----- | ----- | ----- | ----- |
| Dividends paid | - | - | - |
| - | | | |
| (Loss) earnings per weighted average common | | | |
| and equivalent shares | (\$0.21) | \$0.09 | (\$0.59) |
| (\$0.07) | | | |
| Weighted average number of common | | | |
| shares outstanding during the period | 6,403,673 | 7,629,074 | 6,279,607 |
| 6,289,306 | | | |

</TABLE>

See Notes to Consolidated Condensed Financial Statements

3

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

<TABLE>
<CAPTION>

| | Six Months Ended June 30, | |
|--|---------------------------|-------------|
| | 1997 | 1996 |
| | ----- | ----- |
| - | | |
| - | | |
| Cash flows from operating activities: | | |
| Net loss | (\$3,734,688) | (\$469,326) |
| Adjustments to reconcile net loss to | | |
| net cash used in operating activities: | | |
| Depreciation and amortization | 132,597 | 81,035 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Accounts receivable | 461,902 | (397,784) |
| Prepaid expenses and other assets | (152,288) | (286,209) |
| Deferred subscription expense | 332,849 | 156,494 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (592,755) | (934,460) |
| Deferred revenue | 302,103 | - |
| Deferred subscription revenue | (596,215) | 243,198 |
| | ----- | ----- |
| Net cash used in operating activities | (3,846,495) | (1,607,052) |
| | ----- | ----- |

| | | |
|--|-------------|-------------|
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (118,925) | (257,197) |
| Decrease in investment in affiliate | 2,431,170 | 908,043 |
| | ----- | ----- |
| - | | |
| Net cash provided by investing activities | 2,312,245 | 650,846 |
| | ----- | ----- |
| - | | |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 538,229 | 91,245 |
| Proceeds from issuance of Common Stock | 2,250,000 | - |
| Common Stock Repurchased | - | (2,453,335) |
| | ----- | ----- |
| - | | |
| Net cash provided by (used in) financing activities | 2,788,229 | (2,362,090) |
| | ----- | ----- |
| - | | |
| Net increase (decrease) in cash and cash equivalents | 1,253,979 | (3,318,296) |
| Cash and cash equivalents, beginning of period | 1,544,451 | 6,276,987 |
| | ===== | ===== |
| Cash and cash equivalents, end of period | \$2,798,430 | \$2,958,691 |
| | ===== | ===== |

</TABLE>

See Notes to Consolidated Condensed Financial Statements

4

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Individual Investor Group, Inc. and its subsidiaries (the "Company"). The accompanying consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes as required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary in order to make the financial statements not misleading have been included. Operating results for the six months ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report for the fiscal year ended December 31, 1996 on Form 10-KSB.

Reclassifications. Equity in net loss of affiliate for the six months ended June 30, 1997 has been recorded in operating revenues to reflect such earnings and losses as part of the Company's core operations. The equity in net loss of affiliate for the period ended June 30, 1996 has been reclassified to conform with the current period presentation.

2. INVESTMENT IN AFFILIATE

A wholly-owned subsidiary, WisdomTree Capital Management, Inc. ("WTCM"), serves as general partner of a domestic private investment fund. The Company is also a limited partner in the fund. The value of the Company's investment in the fund decreased from \$4,947,500 at December 31, 1996 to \$2,516,330 at June 30, 1997. This decrease resulted from net losses on the Company's investment in the fund and from a withdrawal of \$900,000 by the Company in February 1997. Selected

unaudited financial information for the fund (which is deemed to be an affiliate) as of June 30, 1997 and for the six months then ended is as follows:

| | |
|------------------------|----------------|
| Assets (at fair value) | \$58,814,851 |
| Liabilities | 26,006,423 |
| Partners' Capital | 32,808,428 |
| Net loss for the fund | (\$13,480,913) |

3. INVESTMENT MANAGEMENT SERVICES

The Company, through WTCM, provides investment management services to the domestic fund referred to in Note 2, and to an offshore private investment fund, which commenced operations in January 1996.

5

The Company has no investment in the offshore fund. The Company is entitled to receive a management fee equal to 1/4 of 1% of the net asset value of the domestic fund, calculated as of the last business day of each quarter, and a management fee equal to 1/8 of 1% of the net asset value of the offshore fund, calculated monthly. Total management fees for the six months ended June 30, 1997 were \$178,203, as compared to \$317,922 in 1996.

WTCM is also entitled to receive a special allocation equal to 20% of the net income, if any, of each of the funds (not including income earned on its own investment), subject to certain limitations, calculated at year end, which is December 31st for the domestic fund and June 30th for the offshore fund. The special allocation for the fiscal period ended June 30, 1997 and 1996, relating to the offshore fund, totaled \$61,617 and \$149,788, respectively.

Total equity under management by the Company as of June 30, 1997 for both the domestic and offshore funds totaled approximately \$38.9 million.

4. STOCK OPTIONS

During the six months ended June 30, 1997, the Company granted 307,000 options to purchase the Company's common stock; 108,483 options were exercised (providing proceeds of \$538,229), and 142,167 options were canceled. Of the total granted, all options were granted under the Company's stock option plans which expire at various dates through June 2007.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

Earnings per share. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128") which simplifies the standards for computing earnings per share previously required by Accounting Principles Board Opinion No. 15 and establishes a new standard for presenting earnings per share. The Company will begin reporting earnings (loss) per share according to this new standard for the year ended December 31, 1997, requiring all prior period earnings per share data (including interim periods) to be restated to conform with the provisions of the new statement. (Loss) earnings per share amounts for the three and six months ended June 30, 1997 and 1996, computed under this new standard are not expected to be materially different from the per share disclosed in the accompanying financial statements.

Disclosure of Information about Capital Structure. In February 1997, the Financial Accounting Standards Board issued SFAS No. 129, "Disclosure of Information about Capital Structure", which requires an entity to explain the pertinent rights and privileges of its various securities outstanding. Management of the Company believes that adoption of Statement No. 129 will not have a significant impact on the Company's present disclosure.

6

Reporting Comprehensive Income. In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income", which becomes effective for the Company's 1998 consolidated financial statements. SFAS No. 130 requires the disclosure of comprehensive income, defined as the change in equity of a business enterprise from transactions and other events and circumstances from nonowner sources, in the Company's consolidated financial statements. In the opinion of the Company's management, it is not anticipated that the adoption of this new accounting standard will have a material effect on the consolidated financial statements of the Company.

Disclosure about Segments of an Enterprise and Related

Information. In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which becomes effective for the Company's 1998 consolidated financial statements. SFAS No. 131 requires that a public business enterprise report certain financial and descriptive information about its reportable operating segments. In the opinion of the Company's management, it is not anticipated that the adoption of this new accounting standard will have a material effect on the consolidated financial statements of the Company.

6. SALE OF COMMON STOCK

On May 1, 1997 the Company entered into Stock Purchase Agreements with two parties unrelated to the Company, providing in the aggregate for the private sale of 328,678 shares of Common Stock for a total purchase price of \$2,000,000. These shares were sold pursuant to an exemption from registration under the Securities Act of 1933. On June 30, 1997 the Company entered into a Stock Purchase Agreement with Wise Partners, L.P. providing for the sale of 31,496 shares of Common Stock for an aggregate purchase price of \$250,000. The Company granted each of these investors registration rights in respect of the shares. Wise Partners, L.P. is a limited partnership of which the Chief Executive Officer of the Company, Jonathan L. Steinberg, is the General Partner.

7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

When used in this Form 10-QSB and in future filings by the Company with the Securities and Exchange Commission, the words or phrases "will likely result," "management expects," or "the Company expects," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated events or circumstances occurring after the date of such statements.

Results of Operations

Total revenues for the three and six months ended June 30, 1997 were \$3,529,440 and \$5,830,912, respectively, a 15% and 6% decrease from the corresponding periods of the previous fiscal year.

Revenues from financial information services were \$3,219,274 and \$7,064,889, respectively, which represents an increase of 17% for the three months and 31% for the six months ended June 30, 1997.

Circulation revenues for the three and six months ended June 30, 1997 were \$940,469 and \$2,119,711, respectively, a 35% and 25% decrease from the corresponding periods of the previous fiscal year. Subscription revenues for the Company's flagship magazine, Individual Investor, decreased by 37% and 33%, respectively, for the quarter and year to date. Newsstand revenues for the magazine increased by 7% and 29%, respectively. Subscription revenues for the Company's newsletter, Special Situations Report, decreased 47% and 24%, respectively, for the quarter and year to date. Management attributes the decreases in circulation revenues of Individual Investor and Special Situations Report to the reduction of direct mail and television campaigns in favor of other sources for subscribers that will provide for continuing numbers of new subscribers with lower marketing expenses but less subscription revenue. Individual Investor had average paid circulation of over 441,000 in the second quarter of 1997, as compared to average paid circulation of over 336,000 in the

second quarter of 1996. As of June 1997, Special Situations Report had approximately 10,000 paid subscribers as compared to 21,000 in June 1996. This decrease is a direct result of the reduction of television campaign promotions.

Advertising revenues for the three and six months ended June 30, 1997 were \$2,032,030 and \$4,361,742, respectively, a 106% and 129% increase over the corresponding periods of the previous fiscal year. This is a result of both a greater number of advertising pages sold and increased advertising rates per page. As a result of the increase in paid circulation of Individual Investor,

8

effective June 1996 the Company increased its advertising rates for Individual Investor by approximately 43%, and introduced an additional rate increase of approximately 40% in November 1996. Management anticipates, but can give no assurance, that in the near term there will be advertising revenue growth from the rate increases implemented in 1996, and that the number of advertising pages sold will continue to increase. Management also expects to continue to attract higher margin consumer advertisers. The Company also launched a new publication, Ticker (sm), in October 1996. Ticker, with a controlled circulation of 75,000 brokers and financial advisers, has sold advertising space to a number of leading advertisers, resulting in revenues of \$190,626 and \$486,612 for the quarter and year to date, respectively.

List rental and other revenues for the three and six months ended June 30, 1997 were \$246,775 and \$583,436, respectively, a 26% and 13% decrease from the corresponding periods of the previous fiscal year. This decrease is a direct result of changes in the mix of subscribers to Individual Investor with less reliance on direct mail and television marketing efforts.

Investment management services revenues for the three and six months ended June 30, 1997 were \$176,019 and \$297,193, respectively, a 53% and 42% decrease from the corresponding periods of the previous fiscal year. Revenues from investment management services are a combination of management fees, being 1 to 1-1/2 percent of assets under management, and a special profit allocation, being 20% of defined performance, with additional revenues being contributed as a result of the Company's portfolio consulting activities. Because total equity managed by the Company was approximately \$38.9 million as of June 30, 1997 as compared to \$69.9 million as of June 30, 1996, management fees earned by the Company decreased for the quarter and six months ended June 30, 1997. In addition, the special profit allocation relating to the offshore fund, which is recognized annually in the second quarter, declined to \$61,617 in 1997 from \$149,788 in 1996. During the three months ended June 30, 1997 investors in the funds made net additional investment contributions in excess of withdrawals of approximately \$7.2 million and for the six months made net withdrawals of approximately \$11.2 million. The net decrease in assets under management in 1997 will mean lower management fees in 1997 as compared to 1996 and will negatively impact the Company's potential revenues from special profit allocation revenues. The Company also anticipates that investment management services revenues will vary from period to period, because the managed funds are invested primarily in the relatively volatile small-cap market. For the three months ended June 30, 1997, the managed funds experienced positive performance, which followed significant negative performance in the first quarter of 1997, resulting in a net loss for the six months. If negative performance continues, the Company's special profit allocation will be adversely affected, and additional withdrawals can be anticipated, which would in turn further impact the Company's management fees and potential special profit allocation income. There can be no assurance as to the funds' performance for 1997 or that each of the managed fund's asset bases will be maintained at current levels by the investors participating in such funds.

Equity in net income of affiliate totaled \$134,147 for the quarter ended June 30, 1997 as compared to net income of \$998,227 in 1996. For the year to date, equity in net loss of affiliate totaled \$1,531,169 as compared to equity in net income of affiliate of \$291,957 in 1996. Equity in net income or loss of affiliate directly relates to the realized and unrealized earnings of the amount invested by the Company in the domestic fund's portfolio which,

9

because of the nature of the investments as described above, will vary significantly from period to period and may result in losses as well as income. No assurance can be given that the Company will record income from its investments in future periods.

Total operating expenses for the three and six months ended June 30, 1997 were \$4,866,161 and \$9,596,789, respectively, a 37% and 41% increase from the corresponding periods of the previous fiscal year.

Editorial, production and distribution expenses for the three and six months ended June 30, 1997 increased 52% and 53%, to \$2,168,385 and \$4,324,876, respectively. The increase for the three and six months relates to additional production and distribution expenses for Individual Investor, due to additional copies printed for newsstand sales, and a larger subscriber base. These costs

include \$311,853 and \$626,180 for the three and six months, respectively, that were incurred for the production, printing, editing, fulfillment and distribution of the Company's new publication, Ticker, which mailed two issues in the second quarter of 1997. The Company has also incurred expenses totaling \$181,242 and \$284,570 during the three and six months, respectively, related to the establishment of an online service. Management anticipates expenses relating to online services to increase as development continues. While additional investment is necessary to complete its development, management intends to incur these expenses in a controlled manner to help achieve the Company's ultimate goal of profitability. In addition, editorial, production and research salaries and related expenses have increased because of the addition of personnel. Staffing levels have been increased to aid growth in the Company's current publications as well as to support the launch of Ticker and the online service.

Promotion and selling expenses for the three and six months ended June 30, 1997 increased 45% and 42%, to \$1,520,067 and \$2,996,192, respectively. Advertising salaries, payroll taxes and commissions have increased as a result of higher advertising revenues and new sales personnel added in 1997 in an attempt to further increase advertising revenues, and to develop advertising for Ticker. Additionally, there have been corresponding increases in sales related travel, promotion, research and sales aids.

General and administrative expenses for the three and six months ended June 30, 1997 increased 9% and 19%, to \$1,110,537 and \$2,143,124, respectively. General and administrative salaries, payroll taxes, and employee benefits increased for the three and six months ended June 30, 1997 as compared to the corresponding periods of the previous year. These increases related to the addition of personnel, as well as increases in compensation. Also, as a result of hiring additional personnel, postage, telephone, office supplies and related office expenses have increased.

Depreciation and amortization expense for the three and six months ended June 30, 1997 increased 45% and 64%, to \$67,172 and \$132,597, respectively. The increase in 1997 is primarily attributable to depreciation of office furniture and computer equipment purchased for additional personnel.

Interest and other income for the three and six months ended June 30, 1997 decreased to \$20,246 and \$31,189, respectively, as compared to \$55,321 and \$128,411 for the corresponding periods of the previous year. This decrease is primarily due to reduced levels of cash invested by the Company.

10

The Company's net losses for the three and six months ended June 30, 1997 were \$1,316,475 and \$3,734,668 as compared to net income of \$652,196 for the second quarter of 1996 and a net loss of \$469,326 for the first half of 1996. No income taxes were provided in 1997 or 1996 due to the net loss and/or the availability of loss carryforwards. The net loss per common and equivalent share for the three and six months were \$0.21 and \$0.59, respectively, as compared to net income per common and equivalent share of \$0.09 for the second quarter of 1996 and a net loss per common and equivalent share of \$0.07 for the first half of 1996.

Liquidity and Capital Resources

As of June 30, 1997, the Company had working capital of \$2,767,595 and cash and cash equivalents totaling \$2,798,430. This represents an increase in working capital of \$999,784 and an increase in cash and cash equivalents of \$1,253,979 since December 31, 1996.

As of June 30, 1997, the total value of the Company's investment in the domestic private investment fund was \$2,516,330. This investment is available, subject to market fluctuations and liquidity, to provide working capital to fund the Company's operations. In February 1997, the Company redeemed \$900,000 from this investment. No assurance can be given that the Company's investment will increase in value, and it may decline in value.

On May 1, 1997 the Company entered into Stock Purchase Agreements with two parties unrelated to the Company, providing in the aggregate for the private sale of 328,678 shares of Common Stock for a total purchase price of \$2,000,000. These shares were sold pursuant to an exemption from registration under the Securities Act of 1933. On June 30, 1997 the Company entered into a Stock Purchase Agreement with Wise Partners, L.P. providing for the sale of 31,496 shares of Common Stock for an aggregate purchase price of \$250,000. The Company granted each of these investors registration rights in respect of the shares. Wise Partners, L.P. is a limited partnership of which the Chief Executive Officer of the Company, Jonathan L. Steinberg, is the General Partner. In addition, in 1997 the Company received proceeds from the exercise of stock options totaling \$538,229.

The Company will incur ongoing expenses in the development of its business operations, which are expected to be funded by the Company's working capital. Nevertheless, the Company believes that its cash, working capital and investments will be sufficient to fund its operations and capital requirements for the foreseeable future.

As a result of the current levels of expenses, the operating losses incurred by the financial information services, and the fluctuations in performance of the private investment funds, the Company anticipates that it will continue to incur net losses in its quarterly results in the near-term.

The Company has retained the investment banking firm of Bear, Stearns & Co. Inc. To assist the Company in exploring strategic initiatives to enhance shareholder value. With the assistance of Bear Stearns, the Company will focus on alternatives including identifying and evaluating potential strategic partners seeking minority investment positions in the Company's businesses.

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

PART II- OTHER INFORMATION

ITEM 1 - Legal Proceedings

On July 31, 1997, Richard and Sandra Tarlow, former limited partners of WisdomTree Associates, L.P., the domestic private investment fund managed by a subsidiary of the Company, initiated an action in the Supreme Court of the State of New York against WisdomTree Associates, L.P. and each of Robert Schmidt and Jonathan Steinberg individually. The Summons gives notice that the action is "for breach of contract, breach of fiduciary duties owed by defendants to the plaintiffs, conversion and fraud" and prays for money damages in excess of one million dollars; but because the Summons was filed without a Complaint plaintiffs have yet to set forth their claim with any definition or particularity. Based on allegations made by the plaintiffs' attorney in a letter dated June 3, 1997, WisdomTree Associates, L.P. believes plaintiffs' allegations to be incorrect, without merit, and contrary to agreements signed by plaintiffs. Moreover, because plaintiffs' net loss from their investment in WisdomTree Associates, L.P. was \$32,276.02, WisdomTree Associates, L.P. believes the amount claimed in damages to be wholly excessive no matter what theory of claim is presented. WisdomTree Associates, L.P. will vigorously defend against this action.

ITEM 2 - Sales of Unregistered Securities

<TABLE>
<CAPTION>

| or Date of sale | Title of security | Number Sold | Consideration received and description of underwriting or other discounts to market price afforded to purchasers | Exemption from registration claimed | If option, warrant convertible security, terms of exercise conversion |
|---|---|----------------|--|--|---|
| <S> 4/97 -6/97 of from subject to of period from exercise \$5.88 | <C> options to purchase common stock granted to employees, directors and consultants | <C> 223,100 | <C> options granted - no consideration received by Company until exercise | <C> Section 4(2) | <C> vesting over a period three to five years date of grant, certain conditions continued service; exercisable for a lasting ten years date of grant at prices ranging from to \$8.50 |
| 05/01/97 | Sales of Securities | 328,678 | The Company received \$2,000,000 in consideration for these shares | Section 4(2) | |
| 06/30/97 | Sales of Securities to Wise Partners, L.P. | 31,496 | The Company received \$250,000 in consideration for these shares. | Section 4(2) | |

</TABLE>

12

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

On June 18, 1997, the Company held the annual meeting of stockholders for the following proposals: a) to elect Mr. Jonathan Steinberg and Mr. Scot Rosenblum as directors of the Company for a term of three years, b) to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock and Preferred Stock, and c) to approve and adopt the 1996 Management Incentive Plan.

The shares of Common Stock voted on the election of Mr. Jonathan Steinberg and Mr. Scot Rosenblum were as follows: 5,689,403 shares were cast in favor and 33,070 shares were withheld for the election of Mr. Steinberg and 5,689,703 shares were cast in favor of and 32,570 shares were withheld for the election of Mr. Rosenblum.

The shares of Common Stock voted on the matter to amend the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock to 18,000,000 and the number of authorized shares of Preferred Stock to 2,000,000 were as follows:

| For | Against | Abstention | Broker Non-Votes |
|-----------|---------|------------|------------------|
| 3,377,297 | 143,594 | 21,000 | 2,180,582 |

The shares of Common Stock voted on the matter to approve the 1996 Management Incentive Plan were as follows:

| For | Against | Abstention | Broker Non-Votes |
|-----------|---------|------------|------------------|
| 3,384,836 | 136,905 | 20,150 | 2,180,582 |

ITEM 6 - Exhibits and Reports on Form 8-K

- (a) Exhibits
 - 3.1 Certificate of Amendment
 - 10.1 Stock Purchase Agreement, dated May 1, 1997, for 164,339 shares of the Company's Common Stock.
 - 10.2 Stock Purchase Agreement, dated May 1, 1997, for 164,339 shares of the Company's Common Stock.
 - 10.3 Stock Purchase Agreement, dated June 30, 1997, between Registrant and Wise Partners L.P.
 - 10.4 Form of Stock Option Agreement, dated May 9, 1997, between Registrant and each of Jonathan Steinberg, Robert Schmidt, Scot Rosenblum and Michael Kaplan.

13

27 Financial Data Schedule June 30, 1997

- (b) Reports on Form 8-K filed during the Quarter Ended June 30, 1997. On May 1, 1997, the Company filed a report on Form 8-K to report under Item 5, Other Events, the sale of an aggregate 328,678 shares of Common Stock for a total purchase price of \$2,000,000. The sale was pursuant to an exemption from regulation under the Securities Act of 1933. In connection with the report of the sale of shares, the Company filed unaudited, proforma, consolidated condensed financial statements as of April 30, 1997.

14

SIGNATURES

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

DATE: August 13, 1997

INDIVIDUAL INVESTOR GROUP, INC.

By: /s/ Jonathan L. Steinberg

Jonathan Steinberg, CEO and Chairman of the Board

By: /s/ Scot A. Rosenblum

Scot Rosenblum, Vice President and Chief Financial officer

By: /s/ Henry G. Clark

Henry G. Clark, Controller
(Principal Accounting Officer)

15

EXHIBIT INDEX

| Exhibit No. | Description | Page |
|-------------|--|------|
| 3.1 | Certificate of Amendment | 17 |
| 10.1 | Stock Purchase Agreement, dated May 1, 1997 for 164,339 shares of the Company's Common Stock. | 18 |
| 10.2 | Stock Purchase Agreement, dated May 1, 1997 for 164,339 shares of the Company's Common Stock. | 26 |
| 10.3 | Stock Purchase Agreement, dated June 30, 1997 between Registrant and Wise Partners L.P. | 34 |
| 10.4 | Form of Stock Option Agreement, dated May 9, 1997, between Registrant and each of Jonathan Steinberg, Robert Schmidt, Scot Rosenblum and Michael Kaplan. | 41 |
| 27 | Financial Data Schedule June 30, 1997 | 54 |

16

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

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

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

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

The total number of shares of all classes of stock that the Corporation shall have authority to issue is twenty million (20,000,000) shares, of which eighteen million (18,000,000) shares will be shares of Common Stock, with a par value of one cent (\$.01) per share, and two million (2,000,000) shares shall be shares of Preferred Stock, with a par value of one cent (\$.01) per share.

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

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

IN WITNESS WHEREOF, the undersigned have signed this Certificate of Amendment on this 18th day of June 1997.

/s/ Robert Schmidt

Robert Schmidt, President

ATTEST:

/s/ Scot A. Rosenblum

Scot A. Rosenblum, Secretary

THIS STOCK PURCHASE AGREEMENT, dated as of May 1, 1997 (the "Agreement"), is between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation (the "Company"), and the HYATT ANN BASS SUCCESSOR TRUST, a trust established under the laws of the State of Texas (the "Buyer").

1. PURCHASE AND SALE. Subject to the terms and conditions herein set forth, the Company hereby sells and delivers to Buyer and Buyer hereby purchases from the Company, for an aggregate purchase price of One Million Dollars (\$1,000,000), an aggregate of One Hundred Sixty-Four Three Hundred Thirty-Nine (164,339) shares (the "Shares") of the Company's common stock, \$.01 par value per share (the "Common Stock"). The Company will deliver to Buyer, within Thirty (30) days of the effective date of this Agreement, stock certificates representing the Shares indicating the Buyer as the sole owner of the Shares. The Buyer hereby makes payment to the Company, by delivery of a bank check or certified check payable to the order of the Company or by wire transfer to an account designated by the Company, in the amount of One Million Dollars (\$1,000,000).

2. REPRESENTATIONS AND COVENANTS OF THE COMPANY. The Company hereby represents and warrants to and covenants with Buyer as follows:

2.1 Organization. The Company is duly organized, validly existing and in good standing in the State of Delaware.

2.2 Authority; Execution and Delivery, Etc. The execution, delivery, and performance of this Agreement has been duly authorized by the Company's Board of Directors and no other corporate proceedings on the part of the Company or its stockholders are required. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid, and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity. The Shares have been duly authorized and are legally and validly issued, fully paid and non-assessable. The Company hereby conveys marketable title to the Shares to the Buyer, free and clear of all liens and encumbrances.

2.3 Financial Condition. The consolidated financial statements of the Company included in the Disclosure Documents (as defined in Section 2.5) fairly present on a consolidated basis the financial position, the results of operations, the changes in financial position and the changes in stockholders' equity and the other information purported to be shown therein of the Company and its consolidated subsidiaries at the respective dates and for the respective periods to which they apply and such financial statements have been prepared in conformity with generally accepted accounting principles, consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of the results for such periods have been made.

18

2.4 Subsequent Events. Subsequent to the respective dates as of which information is given in the Disclosure Documents, except as described therein, there has not been any material adverse change in the condition (financial or otherwise), earnings, businesses, properties or prospects of the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business, the Company and its subsidiaries have not sustained any material loss or interference with their businesses or properties from fire, explosion, earthquake, flood or other calamity, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, and since the date of the latest balance sheet included in the Disclosure Documents, neither the Company nor any of its subsidiaries has incurred or undertaken any liability or obligation, indirect or contingent, except for liabilities or obligations incurred or undertaken in the ordinary course of business and except for any such liabilities or obligations as are reflected in the Disclosure Documents.

2.5 Disclosure. The Company has provided to Buyer true, correct and complete copies of its 1996 Annual Report; Form 10-KSB for the fiscal year ended December 31, 1996; the draft dated April 29, 1997 of the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 1997; and its Notice of Annual Meeting of Stockholders and Proxy Statement relating to its Annual Meeting of Stockholders to be held on June 18, 1997 (collectively, the "Disclosure Documents"). As of their respective dates, the Disclosure Documents complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder applicable to such Disclosure Documents and none of the Disclosure Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading. Except to the extent information contained in

any Disclosure Document has been revised or superseded by a later-filed Disclosure Document, none of the Disclosure Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The financial statements of the Company included in the Disclosure Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be permitted by the rules of the SEC) and fairly present the financial position of the Company as at the dates thereof and the results of its operations and cash flows for the periods then ended.

2.6 Nasdaq Compliance. Upon execution and fulfillment of this Agreement, the Company shall have satisfied all conditions necessary to be in compliance with the criteria for continued inclusion in the Nasdaq National Market System. From and after the date hereof, the Company shall use its best efforts to cause its continued inclusion in the Nasdaq National Market System.

3. REPRESENTATIONS OF BUYER. Buyer hereby represents and warrants to the Company as follows:

(a) Buyer is aware that my investment involves a substantial degree of risk, including, but not limited to the following: (i) subject to Section 2.6, the Company's Common Stock may be removed from the Nasdaq National Market System since the Company at March 31, 1997 was not in compliance

19

with the requirements for continued inclusion as a result of not meeting the tangible net asset requirement of Four Million Dollars (\$4,000,000); (ii) the Company has had substantial operating losses for the fiscal year ended December 31, 1996 and for the fiscal quarter ended March 31, 1997 and expects to continue to incur losses in the future; (iii) the Company has experienced and will continue to experience substantial fluctuations in its operating income (loss) from quarter to quarter and year to year; (iv) the Company may need additional financing in the future to fund operating losses; (v) management and the existing principal stockholders of the Company beneficially own a substantial amount of the outstanding voting stock of the Company and accordingly are in a position to substantially influence the election of all directors of the Company and the vote on matters requiring stockholder approval; (vi) the Company's success will to a significant extent rely upon the continued services and abilities of Jonathan Steinberg. Buyer acknowledges and is aware that there is no assurance as to the future performance of the Company.

(b) Buyer is purchasing the Shares for its own account for investment and not with a view to or in connection with a distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares, except as contemplated in Section 5.1 below. Subject to Section 5.1 below, Buyer agrees that Buyer must bear the economic risk of its investment because, among other reasons, the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned, or otherwise disposed of until they are registered under the Securities Act and under applicable securities laws of certain states or an exemption from such registration is available. Promptly upon Buyer's request, after the expiration of the two-year holding period provided for in the SEC's Rule 144(k), the Company will exchange the Buyer's stock certificate (legended as aforesaid) for a new certificate with no restrictive legends thereon, suitable for transfer in the public securities markets, subject to the Buyer's providing the Company with such usual and customary representations in connection therewith as the Company may reasonably request.

(c) Buyer has the financial ability to bear the economic risk of its investment in the Company (including its complete loss), has adequate means for providing for its current needs and personal contingencies and has no need for liquidity with respect to its investment in the Company.

(d) Buyer or Buyer's representative has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company and Buyer has obtained, in its judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Buyer has had full opportunity to ask questions and receive satisfactory answers concerning all matters pertaining to its investment and all such questions have been answered to its full satisfaction. Buyer has been provided an opportunity to obtain any additional information concerning the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense. Buyer has received no representation or warranty from the Company with respect to its investment in the Company, and has relied solely upon its own investigation in making a decision to invest in the Company.

(e) Buyer is an "accredited investor" as defined in Section 2(15) of the Securities Act and in Rule 501 promulgated thereunder.

20

(f) This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid, and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity.

4. RESTRICTIONS ON TRANSFER.

4.1 Restrictions on Transfer. Buyer agrees that it will not sell, transfer, or otherwise dispose of any of the Shares, except pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act and the Company has received an opinion of counsel satisfactory to the Company that such exemption is available.

4.2 Legend. Each certificate for the Shares shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH EXEMPTION IS AVAILABLE."

5. REGISTRATION RIGHTS.

5.1 Piggyback Registration. From the date of this agreement until the second anniversary thereof, if the Company proposes to file a registration statement under the Securities Act with respect to an offering for its own account of any class of security (other than a registration statement on Form S-4 or S-8 or successor forms thereto or filed in connection with an exchange offer or business combination or an offering of securities solely to the Company's existing stockholders), then the Company shall in each case give written notice of such proposed filing to the Buyer at least thirty days before the anticipated filing date, and such notice shall offer the Buyer the opportunity to register such number of shares of Common Stock of the Company as the Buyer may request. Upon the written request of the Buyer made within twenty days of receipt of such notice, the Company shall use its best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Buyer to include such shares in such offering on the same terms and conditions as any shares of Common Stock of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering delivers a written opinion to the Buyer that the total number of shares which it, the Company and any other persons or entities intend to include in such offering may adversely affect the success or offering price of such offering, then the number of shares to be offered for the account of the Buyer shall be reduced pro rata to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter (or, if applicable, excluding such shares entirely), provided that if shares are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of shares intended to be offered by the Buyer than the fraction of similar reductions imposed on such other persons or entities other than the Company over the amount of securities they intended to offer.

21

In the event that the registration proposed by the Company is an underwritten primary offering of its securities and the Buyer does not sell its securities to the underwriter of the Company's securities in connection with such offering, the Buyer shall, to the extent permitted by applicable law or regulation, refrain from selling any of its securities during the period of distribution of the Company's securities by such underwriter in the primary offering and the period in which the underwriter participates in the aftermarket and for such additional period requested by the underwriter, provided, however, that the Buyer shall, in any event, be entitled to sell its securities in connection with such registration statement commencing on the 90th day after the effective date of such registration statement.

5.2 Blue Sky. In connection with the registration of its securities pursuant to Section 5.1, the Company shall use all reasonable efforts to register and qualify its securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions within the United States as the Buyer shall reasonably request and do any and all such other acts and things as may be reasonably necessary or advisable to enable the Buyer to consummate the disposition in such jurisdictions of the securities held by the Buyer; provided that the Company shall not be required to consent to general service of process, to qualify, to do business or subject itself to tax liability in any jurisdiction in which it has not, as of the effective date of such registration, qualified to do business.

5.3 Expenses. All expenses in connection with registrations of the Shares

shall be borne by the Company except for underwriting discounts and commissions, applicable transfer taxes, expenses associated with blue sky registrations requested by Buyer pursuant to Section 5.2, and expenses of counsel to the Buyer, which shall be borne by the Buyer.

5.4 Indemnification.

(a) Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless the Buyer and its affiliates and each of their officers, directors, trustees, agents and employees and each person, if any, who controls the Buyer ("Controlling Person") within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever) to which it may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended ("Exchange Act") or any other statute or at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement (a "Registration Statement") in which the Buyer's securities shall be included or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to the Buyer by the Buyer expressly for use in the Registration Statement. The Company agrees promptly to notify the Buyer of the commencement of any litigation or proceedings against the Company or any of its officers, directors or controlling persons in connection with the issue and sale of the Shares in connection with the Registration Statement.

(b) If any action is brought against the Buyer in respect of which indemnity may be sought against the Company pursuant to Section 5, Buyer shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment and fees of counsel (subject to the approval of Buyer) and payment of actual expenses. Buyer shall have the right to employ its own counsel in any such case,

22

but the fees and expenses of such counsel shall be at the expense of Buyer unless (i) the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action, or (ii) the Company shall not have employed counsel to have charge of the defense of such action, or (iii) the Buyer shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the Buyer), in any of which events the fees and expenses of not more than one additional firm of attorneys selected by Buyer and/or controlling person shall be borne by the Company. Notwithstanding anything to the contrary contained herein, if Buyer shall assume the defense of such action as provided above, the Company shall have the right to approve the terms of any settlement of such action which approval shall not be unreasonably withheld.

(c) Buyer agrees to indemnify and hold harmless each of the Company, its directors, officers and employees and any underwriter (as defined in the Securities Act) and each Controlling Person of the Company, against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to Buyer, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions directly relating to Buyer in the Registration Statement, and in strict conformity with, written information furnished to the Company by Buyer expressly for use in the Registration Statement. In case any action shall be brought against the Company or any other person so indemnified based on the Registration Statement, and in respect of which indemnity may be sought against Buyer, Buyer shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to Buyer by the provisions of paragraph (b) above.

5.5 Contribution.

(a) In order to provide for just and equitable contribution under the Securities Act in any case in which (i) any person entitled to indemnification under this Section 5 makes claim for indemnification pursuant hereto but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 5 provides for indemnification in such case, or (ii) contribution under the Securities Act, the Exchange Act, or otherwise may be required on the part of any such person in circumstances for which indemnification is provided under this Section 5, then, and in each such case, the Company and Buyer shall contribute, in proportion to their relative fault, to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and Buyer, as incurred; provided, that, no person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act)

shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(b) Within fifteen days after receipt by any party to this Agreement (or its representative) of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made against another party (the "contributing party"), notify the contributing party of the commencement thereof, but the omission to so notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution hereunder. In case any such

23

action, suit or proceeding is brought against any party, and such party notifies a contributing party or its representative of the commencement thereof within the aforesaid fifteen days, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified. Any such contributing party shall not be liable to any party seeking contribution on account of any settlement of any claim, action or proceeding effected by such party seeking contribution on account of any settlement of any Claim, action or proceeding effected by such party seeking contribution without the written consent of such contributing party. The contribution provisions contained in this Section 5 are intended to supersede, to the extent permitted by law, any right to contribution under the Securities Act, the Exchange Act or otherwise available.

6. MISCELLANEOUS.

6.1 Expenses. Each party shall be liable for its own expenses in connection with the transactions contemplated by this Agreement.

6.2 Amendments. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement is sought.

6.3 Successors and Assigns. All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the Company and of Buyer, whether so expressed or not.

6.4 Notices, Etc. All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail first-class, postage prepaid:

| | |
|--|---|
| If to the Company: | with a copy to: |
| Individual Investor Group, Inc. 1633 Broadway, 38th Floor New York, New York 10019 Attention: Mr. Jonathan L. Steinberg | Graubard Mollen & Miller 600 Third Avenue New York, New York 10016 Attn: Peter M. Ziemba, Esq. |

| | |
|---|--|
| If to the Buyer: | with a copy to: |
| Hyatt Ann Bass Successor Trust c/o R. Cotham 201 Main Street, Suite 2600 Fort Worth, Texas 76102 | William P. Hallman, Jr. 201 Main Street, Suite 2200 Forth Worth, Texas 76102 |

Any such notice, request, demand or other communication hereunder shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, at the time of receipt thereof and (ii) if sent by registered or certified first-class mail, postage prepaid, five business days thereafter.

Any party may, by written notice to the other, change the address to which notices to such party are to be delivered or mailed.

24

6.5 Governing Law. This Agreement is being delivered and is intended to be performed in the State of New York and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

| | |
|---------------------------------|--|
| COMPANY: | BUYER: |
| INDIVIDUAL INVESTOR GROUP, INC. | HYATT ANN BASS SUCCESSOR TRUST |
| BY: | Panther City Production Company, Trustee |

By: /s/ Jonathan L. Steinberg

Jonathan L. Steinberg
Chief Executive Officer

BY: /s/ W.R. Cotham

W.R. Cotham
President

THIS STOCK PURCHASE AGREEMENT, dated as of May 1, 1997 (the "Agreement"), is between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation (the "Company"), and the SAMANTHA SIMS BASS SUCCESSOR TRUST, a trust established under the laws of the State of Texas (the "Buyer").

1. PURCHASE AND SALE. Subject to the terms and conditions herein set forth, the Company hereby sells and delivers to Buyer and Buyer hereby purchases from the Company, for an aggregate purchase price of One Million Dollars (\$1,000,000), an aggregate of One Hundred Sixty-Four Three Hundred Thirty-Nine (164,339) shares (the "Shares") of the Company's common stock, \$.01 par value per share (the "Common Stock"). The Company will deliver to Buyer, within Thirty (30) days of the effective date of this Agreement, stock certificates representing the Shares indicating the Buyer as the sole owner of the Shares. The Buyer hereby makes payment to the Company, by delivery of a bank check or certified check payable to the order of the Company or by wire transfer to an account designated by the Company, in the amount of One Million Dollars (\$1,000,000).

2. REPRESENTATIONS AND COVENANTS OF THE COMPANY. The Company hereby represents and warrants to and covenants with Buyer as follows:

2.1 Organization. The Company is duly organized, validly existing and in good standing in the State of Delaware.

2.2 Authority; Execution and Delivery, Etc. The execution, delivery, and performance of this Agreement has been duly authorized by the Company's Board of Directors and no other corporate proceedings on the part of the Company or its stockholders are required. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid, and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity. The Shares have been duly authorized and are legally and validly issued, fully paid and non-assessable. The Company hereby conveys marketable title to the Shares to the Buyer, free and clear of all liens and encumbrances.

2.3 Financial Condition. The consolidated financial statements of the Company included in the Disclosure Documents (as defined in Section 2.5) fairly present on a consolidated basis the financial position, the results of operations, the changes in financial position and the changes in stockholders' equity and the other information purported to be shown therein of the Company and its consolidated subsidiaries at the respective dates and for the respective periods to which they apply and such financial statements have been prepared in conformity with generally accepted accounting principles, consistently applied throughout the periods involved, and all adjustments necessary for a fair presentation of the results for such periods have been made.

26

2.4 Subsequent Events. Subsequent to the respective dates as of which information is given in the Disclosure Documents, except as described therein, there has not been any material adverse change in the condition (financial or otherwise), earnings, businesses, properties or prospects of the Company and its subsidiaries, whether or not arising from transactions in the ordinary course of business, the Company and its subsidiaries have not sustained any material loss or interference with their businesses or properties from fire, explosion, earthquake, flood or other calamity, whether or not covered by insurance, or from any labor dispute or any court or legislative or other governmental action, order or decree, and since the date of the latest balance sheet included in the Disclosure Documents, neither the Company nor any of its subsidiaries has incurred or undertaken any liability or obligation, indirect or contingent, except for liabilities or obligations incurred or undertaken in the ordinary course of business and except for any such liabilities or obligations as are reflected in the Disclosure Documents.

2.5 Disclosure. The Company has provided to Buyer true, correct and complete copies of its 1996 Annual Report; Form 10-KSB for the fiscal year ended December 31, 1996; the draft dated April 29, 1997 of the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 1997; and its Notice of Annual Meeting of Stockholders and Proxy Statement relating to its Annual Meeting of Stockholders to be held on June 18, 1997 (collectively, the "Disclosure Documents"). As of their respective dates, the Disclosure Documents complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission (the "SEC") thereunder applicable to such Disclosure Documents and none of the Disclosure Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the

statements therein not misleading. Except to the extent information contained in any Disclosure Document has been revised or superseded by a later-filed Disclosure Document, none of the Disclosure Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The financial statements of the Company included in the Disclosure Documents comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be permitted by the rules of the SEC) and fairly present the financial position of the Company as at the dates thereof and the results of its operations and cash flows for the periods then ended.

2.6 Nasdaq Compliance. Upon execution and fulfillment of this Agreement, the Company shall have satisfied all conditions necessary to be in compliance with the criteria for continued inclusion in the Nasdaq National Market System. From and after the date hereof, the Company shall use its best efforts to cause its continued inclusion in the Nasdaq National Market System.

3. REPRESENTATIONS OF BUYER. Buyer hereby represents and warrants to the Company as follows:

(a) Buyer is aware that my investment involves a substantial degree of risk, including, but not limited to the following: (i) subject to Section 2.6, the Company's Common Stock may be removed from the Nasdaq National Market System since the Company at March 31, 1997 was not in compliance

27

with the requirements for continued inclusion as a result of not meeting the tangible net asset requirement of Four Million Dollars (\$4,000,000); (ii) the Company has had substantial operating losses for the fiscal year ended December 31, 1996 and for the fiscal quarter ended March 31, 1997 and expects to continue to incur losses in the future; (iii) the Company has experienced and will continue to experience substantial fluctuations in its operating income (loss) from quarter to quarter and year to year; (iv) the Company may need additional financing in the future to fund operating losses; (v) management and the existing principal stockholders of the Company beneficially own a substantial amount of the outstanding voting stock of the Company and accordingly are in a position to substantially influence the election of all directors of the Company and the vote on matters requiring stockholder approval; (vi) the Company's success will to a significant extent rely upon the continued services and abilities of Jonathan Steinberg. Buyer acknowledges and is aware that there is no assurance as to the future performance of the Company.

(b) Buyer is purchasing the Shares for its own account for investment and not with a view to or in connection with a distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares, except as contemplated in Section 5.1 below. Subject to Section 5.1 below, Buyer agrees that Buyer must bear the economic risk of its investment because, among other reasons, the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned, or otherwise disposed of until they are registered under the Securities Act and under applicable securities laws of certain states or an exemption from such registration is available. Promptly upon Buyer's request, after the expiration of the two-year holding period provided for in the SEC's Rule 144(k), the Company will exchange the Buyer's stock certificate (legended as aforesaid) for a new certificate with no restrictive legends thereon, suitable for transfer in the public securities markets, subject to the Buyer's providing the Company with such usual and customary representations in connection therewith as the Company may reasonably request.

(c) Buyer has the financial ability to bear the economic risk of its investment in the Company (including its complete loss), has adequate means for providing for its current needs and personal contingencies and has no need for liquidity with respect to its investment in the Company.

(d) Buyer or Buyer's representative has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company and Buyer has obtained, in its judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Buyer has had full opportunity to ask questions and receive satisfactory answers concerning all matters pertaining to its investment and all such questions have been answered to its full satisfaction. Buyer has been provided an opportunity to obtain any additional information concerning the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense. Buyer has received no representation or warranty from the Company with respect to its investment in the Company, and has relied solely upon its own investigation in making a decision to invest in the Company.

(e) Buyer is an "accredited investor" as defined in Section 2(15) of the

(f) This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid, and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity.

4. RESTRICTIONS ON TRANSFER.

4.1 Restrictions on Transfer. Buyer agrees that it will not sell, transfer, or otherwise dispose of any of the Shares, except pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act and the Company has received an opinion of counsel satisfactory to the Company that such exemption is available.

4.2 Legend. Each certificate for the Shares shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH EXEMPTION IS AVAILABLE."

5. REGISTRATION RIGHTS.

5.1 Piggyback Registration. From the date of this agreement until the second anniversary thereof, if the Company proposes to file a registration statement under the Securities Act with respect to an offering for its own account of any class of security (other than a registration statement on Form S-4 or S-8 or successor forms thereto or filed in connection with an exchange offer or business combination or an offering of securities solely to the Company's existing stockholders), then the Company shall in each case give written notice of such proposed filing to the Buyer at least thirty days before the anticipated filing date, and such notice shall offer the Buyer the opportunity to register such number of shares of Common Stock of the Company as the Buyer may request. Upon the written request of the Buyer made within twenty days of receipt of such notice, the Company shall use its best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Buyer to include such shares in such offering on the same terms and conditions as any shares of Common Stock of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering delivers a written opinion to the Buyer that the total number of shares which it, the Company and any other persons or entities intend to include in such offering may adversely affect the success or offering price of such offering, then the number of shares to be offered for the account of the Buyer shall be reduced pro rata to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter (or, if applicable, excluding such shares entirely), provided that if shares are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of shares intended to be offered by the Buyer than the fraction of similar reductions imposed on such other persons or entities other than the Company over the amount of securities they intended to offer. In the

event that the registration proposed by the Company is an underwritten primary offering of its securities and the Buyer does not sell its securities to the underwriter of the Company's securities in connection with such offering, the Buyer shall, to the extent permitted by applicable law or regulation, refrain from selling any of its securities during the period of distribution of the Company's securities by such underwriter in the primary offering and the period in which the underwriter participates in the aftermarket and for such additional period requested by the underwriter, provided, however, that the Buyer shall, in any event, be entitled to sell its securities in connection with such registration statement commencing on the 90th day after the effective date of such registration statement.

5.2 Blue Sky. In connection with the registration of its securities pursuant to Section 5.1, the Company shall use all reasonable efforts to register and qualify its securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions within the United States as the Buyer shall reasonably request and do any and all such other acts and things as may be reasonably necessary or advisable to enable the Buyer to consummate the disposition in such jurisdictions of the securities held by the Buyer; provided that the Company shall not be required to consent to general service of process, to qualify, to do business or subject itself to tax liability in any jurisdiction in which it has not, as of the effective date of such registration, qualified to do business.

5.3 Expenses. All expenses in connection with registrations of the Shares shall be borne by the Company except for underwriting discounts and commissions, applicable transfer taxes, expenses associated with blue sky registrations requested by Buyer pursuant to Section 5.2, and expenses of counsel to the Buyer, which shall be borne by the Buyer.

5.4 Indemnification.

(a) Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless the Buyer and its affiliates and each of their officers, directors, trustees, agents and employees and each person, if any, who controls the Buyer ("Controlling Person") within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever) to which it may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended ("Exchange Act") or any other statute or at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement (a "Registration Statement") in which the Buyer's securities shall be included or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to the Buyer by the Buyer expressly for use in the Registration Statement. The Company agrees promptly to notify the Buyer of the commencement of any litigation or proceedings against the Company or any of its officers, directors or controlling persons in connection with the issue and sale of the Shares in connection with the Registration Statement.

(b) If any action is brought against the Buyer in respect of which indemnity may be sought against the Company pursuant to Section 5, Buyer shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment and fees of counsel (subject to the approval of Buyer) and payment of actual

30

expenses. Buyer shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of Buyer unless (i) the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action, or (ii) the Company shall not have employed counsel to have charge of the defense of such action, or (iii) the Buyer shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the Buyer), in any of which events the fees and expenses of not more than one additional firm of attorneys selected by Buyer and/or controlling person shall be borne by the Company. Notwithstanding anything to the contrary contained herein, if Buyer shall assume the defense of such action as provided above, the Company shall have the right to approve the terms of any settlement of such action which approval shall not be unreasonably withheld.

(c) Buyer agrees to indemnify and hold harmless each of the Company, its directors, officers and employees and any underwriter (as defined in the Securities Act) and each Controlling Person of the Company, against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to Buyer, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions directly relating to Buyer in the Registration Statement, and in strict conformity with, written information furnished to the Company by Buyer expressly for use in the Registration Statement. In case any action shall be brought against the Company or any other person so indemnified based on the Registration Statement, and in respect of which indemnity may be sought against Buyer, Buyer shall have the rights and duties given to the Company, and the Company and each other person so indemnified shall have the rights and duties given to Buyer by the provisions of paragraph (b) above.

5.5 Contribution.

(a) In order to provide for just and equitable contribution under the Securities Act in any case in which (i) any person entitled to indemnification under this Section 5 makes claim for indemnification pursuant hereto but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 5 provides for indemnification in such case, or (ii) contribution under the Securities Act, the Exchange Act, or otherwise may be required on the part of any such person in circumstances for which indemnification is provided under this Section 5, then, and in each such case, the Company and Buyer shall contribute, in proportion to their relative fault, to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and Buyer, as incurred; provided, that, no person guilty of a fraudulent

misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(b) Within fifteen days after receipt by any party to this Agreement (or its representative) of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made against another party (the "contributing party"), notify the contributing party of the commencement thereof, but the omission to so notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution hereunder. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party or its representative of the commencement thereof within the aforesaid fifteen days, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified. Any such contributing party shall not be liable to any party

31

seeking contribution on account of any settlement of any claim, action or proceeding effected by such party seeking contribution on account of any settlement of any Claim, action or proceeding effected by such party seeking contribution without the written consent of such contributing party. The contribution provisions contained in this Section 5 are intended to supersede, to the extent permitted by law, any right to contribution under the Securities Act, the Exchange Act or otherwise available.

6. MISCELLANEOUS.

6.1 Expenses. Each party shall be liable for its own expenses in connection with the transactions contemplated by this Agreement.

6.2 Amendments. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement is sought.

6.3 Successors and Assigns. All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the Company and of Buyer, whether so expressed or not.

6.4 Notices, Etc. All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail first-class, postage prepaid:

If to the Company:

Individual Investor Group, Inc.
1633 Broadway, 38th Floor
New York, New York 10019
Attention: Mr. Jonathan L. Steinberg

with a copy to:

Graubard Mollen & Miller
600 Third Avenue
New York, New York 10016
Attn: Peter M. Ziemba, Esq.

If to the Buyer:

Samantha Sims Bass Successor Trust
c/o R. Cotham
201 Main Street, Suite 2600
Fort Worth, Texas 76102

with a copy to:

William P. Hallman, Jr.
201 Main Street, Suite 2200
Forth Worth, Texas 76102

Any such notice, request, demand or other communication hereunder shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, at the time of receipt thereof and (ii) if sent by registered or certified first-class mail, postage prepaid, five business days thereafter.

Any party may, by written notice to the other, change the address to which notices to such party are to be delivered or mailed.

6.5 Governing Law. This Agreement is being delivered and is intended to be performed in the State of New York and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State.

32

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

COMPANY:

BUYER:

INDIVIDUAL INVESTOR GROUP, INC.

SAMANTHA SIMS BASS SUCCESSOR TRUST

BY:

Panther City Production Company, Trustee

By: /s/ Jonathan L. Steinberg

BY: /s/ W.R. Cotham

Jonathan L. Steinberg
Chief Executive Officer

W.R. Cotham
President

This STOCK PURCHASE AGREEMENT, dated as of June 30, 1997 (the "Agreement"), is between INDIVIDUAL INVESTOR GROUP, INC., a Delaware corporation (is the "Company"), and WISE PARTNERS, L.P., a Limited Partnership organized and existing under the laws of the State of Delaware (the "Buyer").

1. PURCHASE AND SALE. Subject to the terms and conditions herein set forth, the Company hereby sells and delivers to Buyer and Buyer hereby purchases from the Company, for an aggregate purchase price of Two Hundred Fifty Thousand Dollars (\$250,000), an aggregate of Thirty-One Thousand Four Hundred Ninety-Six (31,496) shares (the "Shares") of the Company's common stock, \$.01 par value per share (the "Common Stock"). The Company will deliver to Buyer, within Thirty (30) days of the effective date of this Agreement, stock certificates representing the Shares indicating the Buyer as the sole owner of the Shares. The Buyer hereby makes payment to the Company, by delivery of a bank check or certified check payable to the order of the Company or by wire transfer to an account designated by the Company, in the amount of Two Hundred Fifty Thousand Dollars (\$250,000).

2. REPRESENTATIONS AND COVENANTS OF THE COMPANY. The Company hereby represents and warrants to and covenants with Buyer as follows:

2.1 Organization. The Company is duly organized, validly existing and in good standing in the State of Delaware.

2.2 Authority; Execution and Delivery, Etc. The execution, delivery, and performance of this Agreement has been duly authorized by the Company's Board of Directors and no other corporate proceedings on the part of the Company or its stockholders are required. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid, and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity. The Shares have been duly authorized and are legally and validly issued, fully paid and non-assessable. The Company hereby conveys marketable title to the Shares to the Buyer, free and clear of all liens and encumbrances.

3. REPRESENTATIONS OF BUYER. Buyer hereby represents and warrants to the Company as follows:

(a) Buyer is a Limited Partnership organized and existing in good standing under the laws of the State of Delaware and Jonathan Steinberg, an individual residing in the State of New York, is the sole General Partner of Buyer.

34

(b) Buyer is aware that my investment involves a substantial degree of risk, including, but not limited to the following: (i) the Company has had substantial operating losses for the fiscal year ended December 31, 1996 and for the fiscal quarter ended March 31, 1997 and expects to continue to incur losses in the future; (ii) the Company has experienced and will continue to experience substantial fluctuations in its operating income (loss) from quarter to quarter and year to year; (iii) the Company may need additional financing in the future to fund operating losses; (iv) management and the existing principal stockholders of the Company beneficially own a substantial amount of the outstanding voting stock of the Company and accordingly are in a position to substantially influence the election of all directors of the Company and the vote on matters requiring stockholder approval; (v) the Company's success will to a significant extent rely upon the continued services and abilities of Jonathan Steinberg, who is the Chairman and Chief Executive Officer of the Company. Buyer acknowledge and is aware that there is no assurance as to the future performance of the Company.

(c) Buyer is purchasing the Shares for his own account for investment and not with a view to or in connection with a distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares, except as contemplated in Section 5.1 below. Subject to Section 5.1 below, Buyer agrees that Buyer must bear the economic risk of its investment because, among other reasons, the Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned, or otherwise disposed of until they are registered under the Securities Act and under applicable securities laws of certain states or an exemption from such registration is available. Promptly upon Buyer's request, after the expiration of the two-year holding period provided for in the SEC's Rule 144(k), the Company will exchange the Buyer's stock certificate (legended as aforesaid) for a new certificate with no restrictive legends thereon, suitable for transfer in the public securities markets, subject to the Buyer's providing the Company with such usual and customary representations in connection therewith as the Company may reasonably request.

(d) Buyer has the financial ability to bear the economic risk of its investment in the Company (including its complete loss), has adequate means for providing for its current needs and personal contingencies and has no need for liquidity with respect to its investment in the Company.

(e) Buyer has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company and Buyer has obtained, in its judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Buyer has had full opportunity to ask questions and receive satisfactory answers concerning all matters pertaining to its investment and all such questions have been answered to its full satisfaction. Buyer has been provided an opportunity to obtain any additional information concerning the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense. Buyer has received no representation or warranty from the Company with respect to its investment in the Company, and has relied solely upon its own investigation in making a decision to invest in the Company.

35

(f) Buyer is an "accredited investor" as defined in Section 2(15) of the Securities Act and in Rule 501 promulgated thereunder.

(g) This Agreement has been duly executed and delivered by Buyer and constitutes the legal, valid, and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights in general or general principles of equity.

4. RESTRICTIONS ON TRANSFER.

4.1 Restrictions on Transfer. Buyer agrees that it will not sell, transfer, or otherwise dispose of any of the Shares, except pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act and the Company has received an opinion of counsel satisfactory to the Company that such exemption is available.

4.2 Legend. Each certificate for the Shares shall bear the following legend:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE AND THE CORPORATION HAS RECEIVED AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION THAT SUCH EXEMPTION IS AVAILABLE."

5. REGISTRATION RIGHTS.

5.1 Piggyback Registration. From the date of this agreement until the second anniversary thereof, if the Company proposes to file a registration statement under the Securities Act with respect to an offering for its own account of any class of security (other than a registration statement on Form S-4 or S-8 or successor forms thereto or filed in connection with an exchange offer or business combination or an offering of securities solely to the Company's existing stockholders), then the Company shall in each case give written notice of such proposed filing to the Buyer at least thirty days before the anticipated filing date, and such notice shall offer the Buyer the opportunity to register such number of shares of Common Stock of the Company as the Buyer may request. Upon the written request of the Buyer made within twenty days of receipt of such notice, the Company shall use its best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Buyer to include such shares in such offering on the same terms and conditions as any shares of Common Stock of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of

36

such offering delivers a written opinion to the Buyer that the total number of shares which it, the Company and any other persons or entities intend to include in such offering may adversely affect the success or offering price of such offering, then the number of shares to be offered for the account of the Buyer shall be reduced pro rata to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter (or, if applicable, excluding such shares entirely), provided that if shares are being offered for the account of other persons or entities as well as the Company, such reduction shall not represent a greater fraction of the number of shares intended to be offered by the Buyer than the fraction of similar reductions imposed on such other persons or entities other than the Company over the amount of securities they intended to offer. In the event that the registration proposed by the Company is an underwritten primary offering of its securities and the Buyer does not sell its securities to the underwriter of the Company's securities in connection with such offering, the Buyer shall, to the extent permitted by applicable law or regulation, refrain from selling any of its securities during the period of distribution of the Company's securities by such underwriter in the primary offering and the period

in which the underwriter participates in the aftermarket and for such additional period requested by the underwriter, provided, however, that the Buyer shall, in any event, be entitled to sell its securities in connection with such registration statement commencing on the 90th day after the effective date of such registration statement.

5.2 Blue Sky. In connection with the registration of its securities pursuant to Section 5.1, the Company shall use all reasonable efforts to register and qualify its securities covered by such registration statement under such securities or Blue Sky laws of such jurisdictions within the United States as the Buyer shall reasonably request and do any and all such other acts and things as may be reasonably necessary or advisable to enable the Buyer to consummate the disposition in such jurisdictions of the securities held by the Buyer; provided that the Company shall not be required to consent to general service of process, to qualify, to do business or subject itself to tax liability in any jurisdiction in which it has not, as of the effective date of such registration, qualified to do business.

5.3 Expenses. All expenses in connection with registrations of the Shares shall be borne by the Company except for underwriting discounts and commissions, applicable transfer taxes, expenses associated with blue sky registrations requested by Buyer pursuant to Section 5.2, and expenses of counsel to the Buyer, which shall be borne by the Buyer.

5.4 Indemnification.

(a) Subject to the conditions set forth below, the Company agrees to indemnify and hold harmless the Buyer and its affiliates and each of their officers, directors, trustees, agents and employees and each person, if any, who controls the Buyer ("Controlling Person") within the meaning of Section 15 of the Securities Act or Section 20(a) of the Exchange Act against any and all loss, liability, claim, damage and expense whatsoever (including but not limited to any and all legal or other expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever) to which it may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended ("Exchange Act") or any other statute or at common law or otherwise, arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any registration statement (a "Registration Statement") in which the Buyer's securities shall be included or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not

37

misleading, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company with respect to the Buyer by the Buyer expressly for use in the Registration Statement. The Company agrees promptly to notify the Buyer of the commencement of any litigation or proceedings against the Company or any of its officers, directors or controlling persons in connection with the issue and sale of the Shares in connection with the Registration Statement.

(b) If any action is brought against the Buyer in respect of which indemnity may be sought against the Company pursuant to Section 5, Buyer shall promptly notify the Company in writing of the institution of such action and the Company shall assume the defense of such action, including the employment and fees of counsel (subject to the approval of Buyer) and payment of actual expenses. Buyer shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of Buyer unless (i) the employment of such counsel shall have been authorized in writing by the Company in connection with the defense of such action, or (ii) the Company shall not have employed counsel to have charge of the defense of such action, or (iii) the Buyer shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Company (in which case the Company shall not have the right to direct the defense of such action on behalf of the Buyer), in any of which events the fees and expenses of not more than one additional firm of attorneys selected by Buyer and/or controlling person shall be borne by the Company. Notwithstanding anything to the contrary contained herein, if Buyer shall assume the defense of such action as provided above, the Company shall have the right to approve the terms of any settlement of such action which approval shall not be unreasonably withheld.

(c) Buyer agrees to indemnify and hold harmless each of the Company, its directors, officers and employees and any underwriter (as defined in the Securities Act) and each Controlling Person of the Company, against any and all loss, liability, claim, damage and expense described in the foregoing indemnity from the Company to Buyer, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions directly relating to Buyer in the Registration Statement, and in strict conformity with, written information furnished to the Company by Buyer expressly for use in the Registration Statement. In case any action shall be brought against the Company or any other person so indemnified based on the Registration Statement, and in respect of which indemnity may be sought against Buyer, Buyer shall have the rights and duties given to the Company, and the Company and each other person so

indemnified shall have the rights and duties given to Buyer by the provisions of paragraph (b) above.

5.5 Contribution.

(a) In order to provide for just and equitable contribution under the Securities Act in any case in which (i) any person entitled to indemnification under this Section 5 makes claim for indemnification pursuant hereto but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 5 provides for indemnification in such case, or (ii) contribution under the Securities Act, the Exchange Act, or otherwise may be required on the part of any such person in circumstances for which indemnification is provided under this Section 5, then, and in each such case, the Company and Buyer shall contribute, in proportion to their relative

38

fault, to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Company and Buyer, as incurred; provided, that, no person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(b) Within fifteen days after receipt by any party to this Agreement (or its representative) of notice of the commencement of any action, suit or proceeding, such party will, if a claim for contribution in respect thereof is to be made against another party (the "contributing party"), notify the contributing party of the commencement thereof, but the omission to so notify the contributing party will not relieve it from any liability which it may have to any other party other than for contribution hereunder. In case any such action, suit or proceeding is brought against any party, and such party notifies a contributing party or its representative of the commencement thereof within the aforesaid fifteen days, the contributing party will be entitled to participate therein with the notifying party and any other contributing party similarly notified. Any such contributing party shall not be liable to any party seeking contribution on account of any settlement of any claim, action or proceeding effected by such party seeking contribution on account of any settlement of any Claim, action or proceeding effected by such party seeking contribution without the written consent of such contributing party. The contribution provisions contained in this Section 5 are intended to supersede, to the extent permitted by law, any right to contribution under the Securities Act, the Exchange Act or otherwise available.

6. MISCELLANEOUS.

6.1 Expenses. Each party shall be liable for its own expenses in connection with the transactions contemplated by this Agreement.

6.2 Amendments. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement is sought.

6.3 Successors and Assigns. All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the Company and of Buyer, whether so expressed or not.

6.4 Notices, Etc. All notices, requests, demands and other communications hereunder shall be in writing and shall be delivered in person or mailed by certified or registered mail first-class, postage prepaid:

If to the Company:

Individual Investor Group, Inc.
1633 Broadway, 38th Floor
New York, New York 10019
Attention: Mr. Jonathan L. Steinberg

with a copy to:

Graubard Mollen & Miller
600 Third Avenue
New York, New York 10016
Attn: Peter M. Ziemba, Esq.

39

If to the Buyer:

Wise Partners, L.P.
c/o Jonathan Steinberg
Individual Investor Group, Inc.
1633 Broadway, 38th Floor
New York, New York 10019

Any such notice, request, demand or other communication hereunder shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, at the time of receipt thereof and (ii) if sent by registered or certified first-class mail, postage prepaid, five business days thereafter.

Any party may, by written notice to the other, change the address to which

notices to such party are to be delivered or mailed.

6.5 Governing Law. This Agreement is being delivered and is intended to be performed in the State of New York and shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of such State.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

COMPANY:

BUYER:

INDIVIDUAL INVESTOR GROUP, INC.

By: /s/ Scot Rosenblum

By: /s/ Jonathan Steinberg

Scot Rosenblum
Senior Vice President

Jonathan Steinberg

STOCK OPTION AGREEMENT

AGREEMENT, made as of May 9, 1997, between Individual Investor Group, Inc., a corporation organized and existing under the laws of the State of Delaware corporation, having a principal address at 1633 Broadway, 38th Floor, New York, New York 10019 (the "Company"), and _____, an individual residing at _____, _____, _____, _____ ("Executive").

WHEREAS, as of May 9, 1997, the Board of Directors of the Company: (i) authorized the grant to Executive of an option to purchase shares of the common stock of the Company, par value \$.01 per share (the "Common Stock"), and (ii) directed the consolidation, restatement and amendment of all options heretofore granted to Executive by the Company, including the immediate grant; all pursuant to the terms and conditions set forth in this Agreement, and;

WHEREAS, Executive desires the options granted and restated in this Agreement;

IT IS AGREED:

1. Restatement, Consolidation, Amendment and Additional Grant.

The Company hereby acknowledges, consolidates, amends and restates the options heretofore granted to Executive by this consolidated Agreement, which shall be deemed to supersede any and all other agreements with respect to such prior grants. Additionally, the Company hereby grants Executive the option to purchase all or any part of an aggregate of the number of authorized but as yet unissued shares of Common Stock indicated under the Date of Grant 5/9/97 header on the Option Schedule attached hereto as Exhibit A and made a part hereof (the "Option Schedule"). Further, the restated and consolidated options shall be deemed amended, and the additional grant options shall be issued, pursuant to the terms and conditions set forth herein and on the Option Schedule and, if applicable, the terms of the Company's stock option plans as indicated on the Option Schedule. (Any grants to be included in the terms of this Option Agreement where the grants are made after the date hereof may be so included by the addition of such grant with relevant information on the Option Schedule, signed by the Company and Executive, and; the consolidated options described by this Agreement and any such subsequently approved options shall hereinafter be referred to as the "Option", and all shares of Common Stock issuable thereunder shall hereinafter be referred to as the "Option Shares".)

2. Defined Terms

"Act" Securities Act of 1933, as amended.

"Beneficial Owner(s)" As defined in Rule 13d-3 under the

41

Exchange Act, except that the provisions of Ruled 13d-3(d)(2) which exclude certain persons from the Rule shall not exclude those persons from being deemed Beneficial Owner(s) for purposes of this Agreement.

"Change of Control" A transaction after the date hereof which would be required to be reported in response to Item 6(e) of Schedule 14A (or in response to any similar item on any similar schedule or form for reporting to the government) of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject tffo such reporting requirement; provided 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 Exchange Act), other than Jonathan Steinberg and/or Saul Steinberg, becomes the "beneficial owner", directly or indirectly, of securities of the Company representing Forty percent (40%) or more of the combined voting power of the Company's then outstanding securities ordinarily having the right to vote at elections of directors, or (ii) individuals other than those who constitute the Board on the date of this Agreement and/or Saul Steinberg (the "Incumbent Board") shall constitute or have the right to nominate (other than the general right to nominate that holders of the Company's outstanding voting securities may possess), appoint or constitute a majority of the members of the Board; provided however, that any person becoming a Director subsequent to the date of this Agreement whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least Two-Thirds (2/3) of the Directors comprising the then current Board shall be considered a member of the Incumbent Board.

Notwithstanding the foregoing, no "Change of Control" shall be deemed to have occurred if it arises from a transaction directly involving Executive.

- "Disability" If Executive shall have been unable substantially to perform his usual duties due to physical or mental illness for a period in excess of Two Hundred Forty (240) days (whether or not consecutive) or One Hundred Twenty (120) days consecutively during any Twelve (12) month period.
- "Exchange Act" Securities Exchange Act of 1934, as amended
- "Exercise Period" Ten (10) years from the date of grant indicated on the Option Schedule

42

- "Fair Market Value" Determined as of the date of exercise, as follows: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common stock on the last trading day preceding such date, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price of the Common Stock on the last trading day preceding such date for which such quotations are reported by the national Quotation Bureau, Inc. or similar publisher of such quotations, and; (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Company shall reasonably determine in good faith.
- "Good Reason" Without the written consent of Executive, either: (i) Executive's authorities, duties, job title or position of responsibility, or the nature of Executive's duties or the scope of his responsibilities, is materially diminished, and that diminution is not corrected by the Company within Fifteen (15) days after written notice from Executive describing the diminution alleged to constitute Good Reason, or; (ii) Executive's base salary is reduced.
- "Just Cause" Conviction of, or plea of nolo contendere to, a felony directly involving the Company.
- "Premium Value" The amount, if any, by which the Fair Market Value exceeds the exercise price of Option Shares.
- "Substantial Transaction" Any transaction: (i) involving the sale, issuance or reservation of a number of shares of capital stock which would result in any "person" (as such term is used in sections 13(d) and 14(d) of the Exchange act) becoming a "beneficial owner", directly or indirectly, of securities of the Company representing Twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities ordinarily having the right to vote at elections of directors and, in connection with such transaction, such "person" shall obtain the right to appoint, nominate (other than the general right of nomination that holders of the

43

Company's outstanding voting securities may possess) or elect (other than the general right to vote that holders of the Company's outstanding voting securities may possess) at least One-Third (1/3) of the members of the Company's Board; (ii) involving the grant or sale of an option or other right to conduct a Change of Control transaction at any time in the future, and/or; (iii) any retention by the Company of an investment banking or other consulting firm, which retention has been approved by the Company's Board, for the purpose of seeking to effect a Substantial Transaction (within the meaning of clause (i) or (ii) above) or a Change of Control transaction; provided, however, that if Executive remains in the employ of the Company One (1) year after the initial retention of such investment banking or consulting firm and a Substantial Transaction (within the meaning of clause (i) or (ii) above) or a change of Control transaction has not occurred within One (1) year of such initial retention, the mere retention of such investment banking or consulting firm shall thereafter no longer be deemed a Substantial Transaction, unless and to the extent that the Board,

effective following the expiration of such One (1) year period, affirmatively approves the continued retention of such investment banking or consulting firm. Notwithstanding the foregoing, no transaction directly involving Executive shall be deemed a "Substantial Transaction".

3. Termination of Employment / Change of Control

(A) If Executive's employment is terminated by the Company for any reason or for no reason but without Just Cause, or is terminated by Executive for any reason or for no reason but without Good Reason, the portion of the Option, if any, that was exercisable as of the date of termination of employment, may be exercised for a period of One (1) year from the termination of employment or until the expiration of the Exercise Period, whichever is shorter; unless specifically provided otherwise in the Option Schedule. The portion of the Option, if any, that is not exercisable as of the date of termination of employment, as above provided, shall immediately terminate upon the termination of employment.

(B) If Executive's employment is terminated by the Company for Just Cause the Option, including vested and unvested aspects, shall thereupon terminate, and the Company may also require Executive to return to the Company the Premium Value of any Option Shares purchased under this Agreement by Executive within the Six (6) month period prior to the date of such termination.

(C) In the event of Executive's death or Disability, the portion, if any, of the Option that was exercisable as of the date of death may thereafter be exercised by Executive's guardian, legal representative or legatee under the will, as the case may be, of Executive for a period of One (1) year from the

44

date of death or Disability, or the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately terminate upon Executive's death or Disability. (D) In the event (i) of a Change of Control, (ii) following a Substantial Transaction, Executive is terminated by the Company for any reason or for no reason but other than for Just Cause, and/or (iii) Executive terminates employment at any time for Good Reason; the Option shall be accelerated and be immediately exercisable as to all the Option Shares under this Option and remain exercisable throughout the Exercise Period.

4. Exercise and Company Option to Acquire

(A) Subject to the terms and conditions of the Agreement, during the Exercise Period the Option, once vested in whole or in part, may be exercised in whole or in part to the extent it has become vested, and on such occasion or occasions as Executive may desire, by written notice to the Company, in substantially the form attached hereto as Exhibit B, directed to the Company at its principal place of business accompanied by full payment, as hereinafter provided, of the exercise price for the number of Option Shares specified in the notice. Such notice shall state the election to exercise the Option and the number of Option Shares in respect to which it is being exercised, and shall contain a representation and agreement by the person or persons so exercising the Option that the Option Shares are being purchased for investment and not with a view to the distribution or resale thereof, and shall be signed by the person or persons so exercising the Option.

(B) Payment of the purchase price shall be made by wire transfer, check, bank draft or money order payable to the order of the Company; provided however, that at the election of Executive and in Executive's sole discretion, the purchase price for any or all of the Option Shares to be acquired may be paid in whole or in parts by: (i) the surrender of shares of Common Stock of the Company held by or for the account of Executive with a Fair Market Value equal to the exercise price multiplied by the number of Option Shares to be purchased, or (ii) the surrender of an exercisable but unexercised portion of the Option in addition to that portion of the Option being exercised, having a Premium Value equal to the Option exercise price of the Option being exercised multiplied by the number of Option Shares to be purchased, or (iii) the surrender of only the Option being exercised (with no further consideration as to the exercise price), whereupon Executive shall receive from the Company a number of shares of Common Stock with a Fair Market Value equal to the Premium Value of the Option Shares being so tendered (rather than the Fair Market Value of the Option Shares). Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Exchange Act; (ii) such tendered shares of Common Stock may not be sold or transferred to the Company or counsel to the Company otherwise determines that such transfer is illegal or objectionable.

(C) Company Option to Acquire

45

In the case of each Option exercise hereunder, the Company shall have the superseding option and right of acquiring the Option rights being exercised and the Option Shares to be otherwise issued thereunder at a price equal to the Premium Value of the exercised Option Shares on the date of Notice of Exercise. To elect this option/right, the Company shall tender such payment to Executive within Five (5) business days of the Notice of Exercise.

(D) The Company shall promptly issue Common Stock certificates for any Option Shares purchased hereunder, after the Five (5) business day period following exercise set forth in paragraph (C) above. Executive shall have all of the rights of a stockholder with respect to the Option Share Common Stock purchased hereunder as of the close of business on the date of exercise, provided such exercise is in accordance with the terms of this Agreement subject to forfeiture if the Company shall have elected to exercise its option/right in paragraph (C) above.

(E) The Company hereby represents and warrants to Executive that the Option Shares, when issued and delivered by the Company to Executive in accordance with the terms and conditions hereof, will be fully paid, duly and validly issued, and non-assessable.

5. Non-Transferability and Registration

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

(B) Anything in this Agreement to the contrary notwithstanding, Executive hereby agrees that Executive shall not sell, transfer by any means, or otherwise dispose of the Option Shares acquired by Executive without registration under the Act, or in the event that they are not so registered, unless an exemption from the Act is available thereunder and same is evidenced by an opinion of counsel to Executive satisfactory to the Company

(C) Executive hereby acknowledges that:

(i) All reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Exchange Act within the last Twelve (12) months have been made available to Executive for inspection;

(ii) In Executive's position with the Company, Executive has had both the opportunity to ask questions of and receive answers from the Officers of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to subparagraph (i) above;

46

(iii) The Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the Act or an exemption therefrom, and;

(iv) The certificate evidencing the Option Shares may bear an appropriate legend as reasonably determined by counsel to the Company. . 7. Miscellaneous

(A) Anti-Dilution

In the event of any change in the number of outstanding shares of Common Stock or other capital stock of the Company occurring as the result of a reorganization, recapitalization, combination or exchange of shares, stock split, reverse stock split or stock dividend on the Common Stock or other capital stock, or similar change in the corporate structure or capitalization of the Company or in its shares, then in any such event, the number of shares of Common Stock that may be purchased upon exercise of the Option shall be appropriately adjusted in number, exercise price and/or kind as determined in good faith by the Board of Directors of the Company so as to avoid any dilutive effect any such transaction(s) may have on the holding and relative position and rights of the shares underlying the Option. If the Company shall not be the surviving corporation in any merger, combination or consolidation, then, as a condition of such merger, combination or consolidation, lawful and fair provision shall be made whereby the Executive shall thereafter have the right to purchase and receive, upon the terms and conditions specified in the Agreement and in lieu of the Common Stock of the Company immediately theretofore purchasable upon the exercise of the rights represented thereby, such shares of

stock or other securities of the surviving corporation(s) as may be issued or payable with respect to or in exchange of the number of shares of Common Stock of the Company immediately theretofore purchasable upon the exercise of the rights represented hereby. The Company shall not effect any such merger, combination or consolidation unless prior to or at the consummation thereof the surviving corporation shall assume by written instrument executed and delivered to the Executive evidence of the surviving corporation's obligation to deliver such shares of stock or other securities of the surviving corporation in accordance with the foregoing provisions. If the Company shall be the surviving corporation in any merger, combination or consolidation, this Option shall pertain and apply to the Option Shares to which the Executive is entitled hereunder, without adjustment for issuance by the Company of any securities in the merger, combination or consolidation. In the event of a change in the par value of the shares of Common Stock which are subject to this Option, this Option will be deemed to pertain to the shares resulting from any such change.

47

(B) Withholding Tax

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

(C) Notices

All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall either be delivered personally or sent by certified mail, return receipt requested, postage prepaid, or by Federal Express next business day service with signed receipt required, to the parties at their respective addresses set forth below, or to such other address as either shall have specified by notice in the writing to the other, and shall be deemed duly given hereunder when so delivered.

(D) Waiver

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

(E) Binding Effect

This Agreement shall inure to the benefit of and be binding upon the parties hereto and to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expresses or implied, is intended to confer on any person other than the parties hereto, their respective heirs, successors, assignees and representatives, any rights, remedies, obligations or liabilities.

(F) Choice of Law

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles.

(G) Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof.

48

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

INDIVIDUAL INVESTOR GROUP, INC.:

Jonathan Steinberg, Chairman and CEO

EXECUTIVE:

JONATHAN STEINBERG
OPTION SCHEDULE

<TABLE>
<CAPTION>

| Date of Grant <S> | Number of Shares <C> | Vested as of 5/9/97 <C> | Date Additional Vesting <C> | Number <C> | Per Share Exercise <C> | Special Terms <C> |
|----------------------|-------------------------|----------------------------|--------------------------------|---------------|---------------------------|----------------------|
| 4/7/94 | 500,000 | 250,000 | | | 4.9375 | |
| | | | 4/7/98 | 125,000 | 6.65 | |
| | | | 4/7/99 | 125,000 | 7.50 | |
| 6/23/95 | 80,000 | 26,667 | | | 5.75 | |
| | | | 6/23/97 | 26,667 | 5.75 | |
| | | | 6/23/98 | 26,666 | 5.75 | |
| 11/4/96 | 100,000 | | | | | (1) |
| | | | 11/4/97 | 33,333 | 7.50 | |
| | | | 11/4/98 | 33,333 | 7.50 | |
| | | | 11/4/99 | 33,334 | 7.50 | |
| 5/9/97 | Not Applicable | | | | | |

</TABLE>

(1) Issued under the 1996 Management Incentive Program.

ROBERT SCHMIDT
OPTION SCHEDULE

<TABLE>
<CAPTION>

| Date of Grant <S> | Number of Shares <C> | Vested as of 5/9/97 <C> | Date Additional Vesting <C> | Number <C> | Per Share Exercise <C> | Special Terms <C> |
|----------------------|-------------------------|----------------------------|--------------------------------|---------------|---------------------------|----------------------|
| 7/27/94 | 400,000 | 283,333.33 | | | 5.25 | (1) |
| | | | 6/1/97 | 8,333.33 | 5.25 | (1) |
| | | | 7/1/97 | 8,333.33 | 5.25 | (1) |
| | | | 8/1/97 | 8,333.33 | 5.75 | (1) |
| | | | 9/1/97 | 8,333.33 | 5.75 | (1) |
| | | | 10/1/97 | 8,333.33 | 5.75 | (1) |
| | | | 11/1/97 | 8,333.33 | 5.75 | (1) |
| | | | 12/1/97 | 8,333.33 | 5.75 | (1) |
| | | | 1/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 2/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 3/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 4/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 5/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 6/1/98 | 8,333.33 | 5.75 | (1) |
| | | | 7/1/98 | 8,333.33 | 5.75 | (1) |
| 6/23/95 | 80,000 | 26,667 | | | 5.75 | |
| | | | 6/23/97 | 26,667 | 5.75 | |
| | | | 6/23/98 | 26,666 | 5.75 | |
| 11/4/96 | 80,000 | | | | | (2) |
| | | | 11/4/97 | 26,667 | 7.50 | (2) |
| | | | 11/4/98 | 26,667 | 7.50 | (2) |
| | | | 11/4/99 | 26,666 | 7.50 | (2) |
| 5/9/97 | 80,000 | | | | | (2) |
| | | | 5/9/98 | 26,667 | 5.88 | (2) |

| | | | |
|--------|--------|------|-----|
| 5/9/99 | 26,667 | 5.88 | (2) |
| 5/9/00 | 26,666 | 5.88 | (2) |

</TABLE>

- (1) In the event of a termination of Mr. Schmidt's employment pursuant to the conditions of Sections 3(A) and/or 3(D)(iii) above, the then vested portion of the Option, plus the lesser of (i) One Hundred Thousand (100,000) additional Option Shares, or (ii) the total number of Option Shares scheduled to become exercisable under the Option on and after the date of termination of employment, may be exercised until the expiration of the Exercise Period; provided that the remainder, if any, of the Option that was not exercisable as of the date of termination of employment, as hereinbefore qualified, shall immediately terminate upon the termination of employment.
- (2) Issued under the 1996 Management Incentive Plan.

51

SCOT ROSENBLUM
OPTION SCHEDULE

<TABLE>
<CAPTION>

| Date of Grant <S> | Number of Shares <C> | Vested as of 5/9/97 <C> | Date Additional Vesting <C> | Number <C> | Per Share Exercise <C> | Special Terms <C> |
|----------------------|-------------------------|----------------------------|--------------------------------|---------------|---------------------------|----------------------|
| 10/3/90 | 20,935 29,728 | 20,935 29,728 | | | 0.24 0.41 | |
| 12/4/91 | 135,000 | 135,000 | | | 3.00 | (1) |
| 8/31/94 | 100,000 | 66,666.33 | 6/1/97 | 2,083.33 | 4.25 | |
| | | | 7/1/97 | 2,083.33 | 4.25 | |
| | | | 8/1/97 | 2,083.33 | 4.25 | |
| | | | 9/1/97 | 2,083.33 | 6.75 | |
| | | | 10/1/97 | 2,083.33 | 6.75 | |
| | | | 11/1/97 | 2,083.33 | 6.75 | |
| | | | 12/1/97 | 2,083.33 | 6.75 | |
| | | | 1/1/98 | 2,083.33 | 6.75 | |
| | | | 2/1/98 | 2,083.33 | 6.75 | |
| | | | 3/1/98 | 2,083.33 | 6.75 | |
| | | | 4/1/98 | 2,083.33 | 6.75 | |
| | | | 5/1/98 | 2,083.33 | 6.75 | |
| | | | 6/1/98 | 2,083.33 | 6.75 | |
| | | | 7/1/98 | 2,083.33 | 6.75 | |
| | | | 8/1/98 | 2,083.33 | 6.75 | |
| | | | 9/1/98 | 2,083.33 | 6.75 | |
| 6/23/95 | 50,000 | 16,667 | 6/23/97 | 16,667 | 5.75 | |
| | | | 6/23/98 | 16,666 | 5.75 | |
| 11/4/96 | 60,000 | | 11/4/97 | 20,000 | 7.50 | (2) |
| | | | 11/4/98 | 20,000 | 7.50 | (2) |
| | | | 11/4/99 | 20,000 | 7.50 | (2) |
| 5/9/97 | 75,000 | | 5/9/98 | 25,000 | 5.88 | (2) |
| | | | 5/9/99 | 25,000 | 5.88 | (2) |
| | | | 5/9/00 | 25,000 | 5.88 | (2) |

</TABLE>

- (1) Issued under the 1991 Stock Option Plan, and intended to qualify as an Incentive Stock Option with respect to 99,999 shares (35,001 non-qualified shares).
- (2) Issued under the 1996 Management Incentive Plan.

52

MICHAEL KAPLAN
OPTION SCHEDULE

<TABLE>
<CAPTION>

| Date of Grant <S> | Number of Shares <C> | Vested as of 5/9/97 <C> | Date Additional Vesting <C> | Number <C> | Per Share Exercise <C> | Special Terms <C> |
|----------------------|-------------------------|----------------------------|--------------------------------|---------------|---------------------------|----------------------|
| 9/30/96 | 25,000 | | | | | |

| | | | | | |
|--------|--------|----------|----------|------|-----|
| | | 9/30/97 | 8,333.33 | 8.00 | (1) |
| | | 9/30/98 | 8,333.33 | 8.00 | (1) |
| | | 9/30/99 | 8,333.33 | 8.00 | (1) |
| 1/1/97 | 25,000 | | | | |
| | | 1/1/98 | 8,333.33 | 7.25 | (1) |
| | | 1/1/99 | 8,333.33 | 7.25 | (1) |
| | | 1/1/00 | 8,333.33 | 7.25 | (1) |
| 5/9/97 | 50,000 | | | | |
| | | 12/31/97 | 16,667 | 5.88 | (2) |
| | | 12/31/98 | 16,667 | 5.88 | (2) |
| | | 12/31/99 | 16,666 | 5.88 | (2) |
| 5/9/97 | 50,000 | | | | |
| | | 5/9/98 | 16,667 | 5.88 | (2) |
| | | 5/9/99 | 16,667 | 5.88 | (2) |
| | | 5/9/00 | 16,666 | 5.88 | (2) |

</TABLE>

(1) Issued under the 1996 Performance Equity Plan, and intended to qualify as Incentive Stock Options.

(2) Issued under the 1996 Management Incentive Plan.

<TABLE> <S> <C>

<ARTICLE>

5

<S>

<C>

| | | |
|------------------------------|-------|-------------|
| <PERIOD-TYPE> | 6-MOS | |
| <FISCAL-YEAR-END> | | DEC-31-1997 |
| <PERIOD-END> | | JUN-30-1997 |
| <CASH> | | 2,798,430 |
| <SECURITIES> | | 0 |
| <RECEIVABLES> | | 2,694,738 |
| <ALLOWANCES> | | 575,368 |
| <INVENTORY> | | 0 |
| <CURRENT-ASSETS> | | 5,214,834 |
| <PP&E> | | 1,152,229 |
| <DEPRECIATION> | | 447,522 |
| <TOTAL-ASSETS> | | 9,447,976 |
| <CURRENT-LIABILITIES> | | 2,447,239 |
| <BONDS> | | 0 |
| <PREFERRED-MANDATORY> | | 0 |
| <PREFERRED> | | 0 |
| <COMMON> | | 66,107 |
| <OTHER-SE> | | 4,202,108 |
| <TOTAL-LIABILITY-AND-EQUITY> | | 4,268,215 |
| <SALES> | | 7,064,889 |
| <TOTAL-REVENUES> | | 5,830,912 |
| <CGS> | | 4,324,876 |
| <TOTAL-COSTS> | | 9,596,789 |
| <OTHER-EXPENSES> | | 0 |
| <LOSS-PROVISION> | | 0 |
| <INTEREST-EXPENSE> | | 0 |
| <INCOME-PRETAX> | | (3,734,688) |
| <INCOME-TAX> | | 0 |
| <INCOME-CONTINUING> | | (3,734,688) |
| <DISCONTINUED> | | 0 |
| <EXTRAORDINARY> | | 0 |
| <CHANGES> | | 0 |
| <NET-INCOME> | | (3,734,688) |
| <EPS-PRIMARY> | | (0.59) |
| <EPS-DILUTED> | | (0.59) |

</TABLE>