

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

Form 10-Q

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

For the quarterly period ended March 31, 1999

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10932

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

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

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

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

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

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: As of May 5, 1999, registrant had outstanding 8,942,297 shares of Common Stock, \$.01 par value per share.

PART I. Financial Information

ITEM 1. Financial Statements

<TABLE>  
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INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(UNAUDITED)

ASSETS	March 31, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$4,985,688	\$4,752,587
Investments	419,061	877,231
Accounts receivable (net of allowances of \$404,183 in 1999 and \$391,328 in 1998)	2,562,651	2,356,126
Investment in discontinued operations (Note 2)	142,534	282,383
Prepaid expenses and other current assets	541,411	512,641
	-----	-----
Total current assets	8,651,345	8,780,968
Deferred subscription expense	398,172	576,237
Property and equipment - net	1,750,121	586,007
Security deposits	469,627	469,627
Other assets	311,958	374,404

Total assets	\$11,581,223	\$10,787,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$2,509,649	\$2,191,765
Accrued expenses	623,516	519,887
Deferred revenue	138,097	138,097
Total current liabilities	3,271,262	2,849,749
Deferred subscription revenue	2,348,351	2,246,422
Total liabilities	5,619,613	5,096,171
Stockholders' Equity:		
Preferred stock, \$.01 par value, authorized 2,000,000 shares, 10,000 issued and outstanding in 1999 and 1998	100	100
Common stock, \$.01 par value; authorized 18,000,000 shares; 8,890,964 issued and outstanding in 1999 and 8,490,851 shares in 1998	88,910	84,909
Additional paid-in capital	29,150,476	27,595,151
Accumulated deficit	(23,240,727)	(21,922,595)
Accumulated other comprehensive loss (Note 5)	(37,149)	(66,493)
Total stockholders' equity	5,961,610	5,691,072
Total liabilities and stockholders' equity	\$11,581,223	\$10,787,243

</TABLE>

See Notes to Consolidated Condensed Financial Statements

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

	For the Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Revenues:		
Print Publications	\$3,748,847	\$3,724,552
Online Services	252,969	229,421
Total revenues	4,001,816	3,953,973
Operating expenses:		
Editorial, production and distribution	2,755,718	2,900,474
Promotion and selling	1,851,476	1,642,669
General and administrative	1,172,491	1,149,660
Depreciation and amortization	96,830	73,311
Total operating expenses	5,876,515	5,766,114
Operating loss from continuing operations	(1,874,699)	(1,812,141)
Interest and other income	556,567	29,955
Net loss from continuing operations	(1,318,132)	(1,782,186)
Discontinued operations (Note 2)		

Loss from discontinued operations	-	(377,460)
	-----	-----
Net loss	(\$1,318,132)	(\$2,159,646)
	=====	=====
Basic and dilutive loss per common share:		
Continuing operations	(\$0.15)	(\$0.25)
Discontinued operations	0.00	(0.05)
	-----	-----
Net loss per share	(\$0.15)	(\$0.30)
	=====	=====
Average number of common shares used in computing basic and dilutive loss per common share	8,786,599	7,203,199

</TABLE>

See Notes to Consolidated Condensed Financial Statements

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

	For the Three Months Ended March 31,	
	1999	1998
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net loss	(\$1,318,132)	(\$2,159,646)
Less:		
Loss from discontinued operations	-	(377,460)
	-----	-----
Loss from continuing operations	(1,318,132)	(1,782,186)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization	96,830	73,311
Stock option and warrant transactions	81,818	-
Loss on sale of equipment	-	1,258
Gain on sale of investments	(503,215)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(206,525)	391,957
Prepaid expenses and other current assets	(53,883)	(55,508)
Deferred subscription expense	178,065	41,208
Increase in:		
Accounts payable and accrued expenses	421,513	121,299
Deferred revenue	-	4,890
Deferred subscription revenue	101,929	69,735
	-----	-----
Net cash used in operating activities	(1,201,600)	(1,134,036)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(1,255,203)	(38,559)
Proceeds from sale of equipment	-	1,051
Proceeds from sale of investments	990,729	-
Net cash provided by discontinued operations	139,849	62,853
	-----	-----
Net cash (used in) provided by investing activities	(124,625)	25,345
	-----	-----
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,559,326	398,152
	-----	-----
Net cash provided by financing activities	1,559,326	398,152
	-----	-----
Net increase (decrease) in cash and cash equivalents	233,101	(710,539)
Cash and cash equivalents, beginning of period	4,752,587	3,533,622

Cash and cash equivalents, end of period

-----  
\$4,985,688  
=====

-----  
\$2,823,083  
=====

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See Notes to Consolidated Condensed Financial Statements

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998  
(UNAUDITED)

1. BASIS OF PRESENTATION

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

2. DISCONTINUED OPERATIONS

On April 30, 1998 the Company's Board of Directors decided to discontinue the Company's investment management services business. As a result, the operating results relating to investment management services have been segregated from continuing operations and reported as a separate line item on the consolidated condensed statements of operations. The Company has restated its consolidated condensed financial statements for the prior year to conform to the current year presentation.

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

In 1998, the Company recorded a provision of \$591,741 to accrue for its share of any net operating losses of the domestic fund and related costs that are expected to occur until the fund liquidates its investments. The Company believes that adequate provision has been made for any remaining net operating losses and related costs associated with these discontinued operations.

The Company, through WTCM and another wholly-owned subsidiary, also provided investment management services to an offshore private investment fund. On May 21, 1998 the sole voting shareholder of the offshore fund, in consultation with WTCM, resolved to wind up the fund and appointed a liquidator to distribute the assets of the fund to its investors in accordance with Cayman Islands law. Substantially all of

the fund assets were distributed in cash to its investors by December 31, 1998. The Company has no investment in the offshore fund.

In January 1999, the domestic investment fund distributed cash to its partners totaling \$1,189,510, of which \$139,849 was received by the Company and was used to reduce its net investment in discontinued operations. At March 31, 1999, the domestic investment fund had remaining net assets of approximately \$1,460,000. The Company's net investment in discontinued operations of \$142,534 at March 31, 1999, represents its share of the net assets of the domestic investment fund, less any costs associated with discontinuing the investment management services business.

3. STOCK OPTIONS

During the three months ended March 31, 1999, the Company granted 57,500 options to purchase the Company's Common Stock; 400,113 options were exercised (providing proceeds of \$1,559,326); and 15,333 options were canceled. Of the total options granted, 37,500 were granted under the Company's stock option plans, 20,000 shares were granted outside of the plans, and all expire at various dates through March 2009.

4. LOSS PER COMMON SHARE

Net loss per basic and dilutive common share for the three month periods ended March 31, 1999 and 1998 were computed using the weighted average number of common shares outstanding during each period. The exercise of stock options and warrants were not assumed in the computation of loss per common share, as the effect would have been antidilutive.

5. COMPREHENSIVE INCOME

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

Comprehensive loss for the three months ended March 31, 1999 and 1998, respectively, is presented in the following table:

	Three Months Ended March 31	
	1999	1998
Net loss	\$ (1,318,132)	\$ (2,159,646)
Accumulated other comprehensive gain:		
Net unrealized gain on investments	29,344	-
Total comprehensive loss	\$ (1,288,788)	\$ (2,159,646)

6. SEGMENT INFORMATION

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

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

expenses).

	Three Months Ended March 31,	
	1999	1998
Revenues:	-----	-----
Print Publications	\$3,748,847	\$3,724,552
Online Services	252,969	229,421
	-----	-----
	\$4,001,816	\$3,953,973
	=====	=====
Operating contribution (before G&A and depreciation and amortization expenses):		
Print Publications	(\$123,271)	(\$121,646)
Online Services	(482,107)	(467,524)
	-----	-----
	(605,378)	(589,170)
G&A and depreciation and amortization expenses	(1,269,321)	(1,222,971)
Interest and other income	556,567	29,955
	-----	-----
Net loss from continuing operations	(\$1,318,132)	(\$1,782,186)
	=====	=====

Net property and equipment as of March 31, 1999 increased approximately \$1.2 million as compared to December 31, 1998. The increase is primarily due to capital expenditures (primarily leasehold improvements and furniture) in connection with the relocation of the Company's corporate office in March 1999. The capital expenditures allocable to Print Publications, Online Services and Corporate are approximately \$0.8 million, \$0.2 million and \$0.2 million respectively. There were no other material changes from year-end 1998 in total assets, the basis of segmentation, or in the basis of measurement of segment profit or loss.

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

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

1. "Forward-looking Statements." Certain parts of this Report describe historical information (such as operating results for the quarters ended March 31, 1999 and March 31, 1998, respectively), and the Company believes the descriptions to be accurate. In contrast to describing the past, various sentences of this Report indicate that the Company believes that certain results are likely to occur after the first quarter of 1999. These sentences typically use words or phrases like "believes," "expects," "anticipates," "estimates," "will continue" and similar expressions. Statements using those words or similar expressions are intended to identify "forward-looking statements" as that term is used in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include, but are not limited to, projections of operating results for periods after the first quarter of 1999, either concerning a specific segment of the Company's business, or concerning the Company as a whole. For example, projections concerning the following are forward-looking statements: net revenues, operating expenses, net income or loss, contribution to overhead, number of subscribers, subscription revenues, revenues per advertising page, number of advertising pages, production expense per copy, page views, revenues per page view, marketing expenses, sales expenses, and general and administrative expenses. Any statement in this Report that does not describe a historical fact is deemed to be a forward-looking statement.

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

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

Three Months Ended March 31, 1999 as Compared to the Three Months Ended March 31, 1998

Loss from Continuing Operations

The Company's loss from continuing operations for the three months ended March 31, 1999 decreased by \$464,054, or 26%, to \$1,318,132, as compared to \$1,782,186 in 1998. The decrease is due primarily to realized gains on the sale of investments in the first quarter of 1999.

Print Publications operations provided a negative operating contribution (before deducting general and administrative ("G&A") and depreciation and amortization expenses) of \$123,271 for the three months ended March 31, 1999, as compared to a negative operating contribution of \$121,646 in 1998. Individual Investor magazine provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of \$189,957 for the three months ended March 31, 1999, as compared to a negative operating contribution of \$49,495 in 1998. This change is primarily due to a 17% decrease in advertising revenues, offset in part by a 20% decrease in production and distribution costs. Ticker (sm) magazine provided a positive operating contribution (before deducting G&A and depreciation and amortization expenses) of \$42,201 for the three months ended March 31, 1999, as compared to a negative operating contribution of \$96,889 in 1998. This change is primarily attributable to a 79% increase in Ticker advertising revenues, offset in part by a 39% increase in operating expenses primarily attributable to increased promotion and selling costs associated with the increase in revenues. Special Situations Report provided a positive operating contribution (before deducting G&A and depreciation and amortization expenses) of \$24,485 for the three months ended March 31, 1999, as compared to a positive operating contribution of \$24,738 in 1998. The Company currently anticipates that the Print Publishing operations as a whole will provide a positive contribution to overhead before year-end.

Online Services operations provided a negative operating contribution (before deducting G&A and depreciation and amortization expenses) of \$482,107 for the three months ended March 31, 1999, as compared to a negative operating contribution of \$467,524 in 1998. This increase is primarily due to lower advertising revenues for the Company's website, Individual Investor Online (www.iionline.com), offset in part by lower production and development expenses.

Operating Revenues

Total revenues from continuing operations for the three months ended March 31, 1999 increased by 1%, to \$4,001,816, as compared to \$3,953,973 in 1998. Revenues for the Print Publications operations for the three months ended March 31, 1999 increased by 1%, to \$3,748,847, as compared to \$3,724,552 in 1998. Revenues for the Online Services operations for the three months ended March 31, 1999 increased by 10%, to \$252,969, as compared to \$229,421 in 1998.

Print Publications advertising revenues for the three months ended March 31, 1999 increased by \$3,065, to \$2,566,908, as compared to \$2,563,843 in 1998. Ticker advertising revenues for the three months ended March 31, 1999 increased by 79%, to \$802,517, as compared to \$448,932 in 1998. This increase relates primarily to an increase in advertising pages of approximately 60%. Individual Investor advertising revenues for the three months ended March 31, 1999 decreased 17%, to \$1,764,391, as compared to \$2,114,911 in 1998. The decline is primarily attributable to a 22% decrease in advertising pages, offset in part by an increase in the advertising net rate per page of approximately 13%.

Print Publications circulation revenues for the three months ended March 31, 1999 increased 1%, to \$857,554, as compared to \$850,957 in 1998. This increase is attributable to Individual Investor newsstand sales, which, for the three months ended March 31, 1999 increased 16%, to \$200,631, as compared to \$173,519 for the prior year period, mostly due to increased newsstand sell-through of the January 1999 Individual Investor "Magic 25 (TM)" issue. This increase was partially offset by a 2% reduction in Individual Investor subscription revenues, which resulted from the Company's use of subscription-generation sources that provide for continuing numbers of new subscribers with low marketing expenses but little or no subscription revenue. The Company believes that the reduction in subscription revenues has stabilized and expects the full year subscription revenues to increase.

Print Publications list rental and other revenues for the three months ended March 31, 1999, increased 5%, to \$324,385, as compared to \$309,752 in 1998. List rental revenue for the three months ended March 31, 1999 increased 47%, to \$236,873, as compared to \$160,767 in 1998. The increase in list rental revenue is primarily attributable to increased demand, partially offset by the decrease in the number of subscribers to Special Situations Report. Other revenues for the three months ended March 31, 1999 decreased 41%, to \$87,512, as compared to \$148,985 in 1998. The decrease is primarily attributable to reduced demand for reprints of Individual Investor magazine.

Online Services subscription and advertising revenues for the three months ended March 31, 1999 were \$48,977 and \$203,992, respectively, as compared to \$0 and \$229,421 in 1998. The increase in subscription revenues is

attributable to InsiderTrader.com (www.insidertrader.com), which the Company purchased in November 1998. The decrease in advertising revenues is attributable to a decline in advertising sponsorship sales by the Company's independent sales agent, along with lower rates earned on advertising impressions for Individual Investor Online (www.iionline.com), offset in part by advertising revenue earned by InsiderTrader.com. As a result of the decrease in advertising sponsorships for Individual Investor Online, in April 1999 the Company reorganized and strengthened its sales efforts and is now selling sponsorship advertisements directly as opposed to through a sales agent. During the first quarter of 1999, traffic to the Company's web sites averaged approximately 4 million page views per month. In April 1999, traffic to the Company's web sites reached a record for the fifth consecutive month with approximately 6 million page views. The Company expects that Online Services advertising revenues should trend higher in the future (with sequential fluctuations), and expects that gross margins associated with such revenues will increase in light of reduced dependence upon outside sales agents.

#### Operating Expenses

Total operating expenses from continuing operations for the three months ended March 31, 1999 increased 2%, to \$5,876,515, as compared to \$5,766,114 in 1998. The increase is due to several factors, including increased advertising salaries and commissions and marketing expenses, partially offset by reduced editorial, production, and distribution costs related to the Company's print publications, and moving costs related to the relocation of the Company's corporate office in March 1999.

Editorial, production and distribution expenses for the three months ended March 31, 1999, decreased 5%, to \$2,755,718, as compared to \$2,900,474 in 1998. Print Publications editorial, production and distribution expenses decreased 7%, to \$2,214,127, as compared to \$2,381,382 in 1998. The decrease relates primarily to Individual Investor magazine, which had fewer pages and less copies printed, along with lower paper costs and reduced manufacturing expenses resulting from a renegotiated agreement with the Company's printer. Online Services production and editorial expenses for the three months ended March 31, 1999 increased 4%, to \$541,591, as compared to \$519,092 in 1998. The increase is primarily related to production and research costs for InsiderTrader.com, which the Company purchased in November 1998.

Promotion and selling expenses for the three months ended March 31, 1999, increased 13%, to \$1,851,476, as compared to \$1,642,669 in 1998. Print Publications promotion and selling expenses for the three months ended March 31, 1999 increased by 13%, to \$1,657,991, as compared to \$1,464,816 in 1998. The increase was primarily due to increased advertising salaries and commissions as a result of hiring additional in-house sales personnel, as well as increased marketing expenses. Online Services promotion and selling expenses for the three months ended March 31, 1999 increased 9%, to \$193,485, as compared to \$177,853 in 1998. This increase is primarily attributable to advertising commissions for InsiderTrader.com.

General and administrative expenses for the three months ended March 31, 1999, increased 2%, to \$1,172,491, as compared to \$1,149,660 in 1998. The increase resulted primarily from moving costs related to relocation of the Company's corporate office in March 1999.

Depreciation and amortization expense for the three months ended March 31, 1999 increased 32%, to \$96,830, as compared to \$73,311 in 1998. The increase is primarily attributable to additional depreciation for computer equipment purchased for the Company's Online Services operations.

#### Interest and Other Income

Interest and other income for the three months ended March 31, 1999, increased to \$556,567, as compared to \$29,955 in 1998. The increase is primarily attributable to realized gains from the sale of investments.

#### Discontinued Operations

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

Net loss from discontinued operations for the three months ended March 31, 1999 was \$0, as compared to a net loss of \$377,460 for 1998. No additional loss amounts were recorded by the Company for the three months ended March 31, 1999 for discontinued operations because the Company believes that any remaining net operating losses and related costs associated with these discontinued operations have been adequately provided for by provisions established in 1998.

The Company's net investment in discontinued operations of \$142,534 at March 31, 1999, represents its share of the net assets of the domestic investment fund, less any costs associated with discontinuing the investment management services business.

#### Net Loss

The Company's net loss for the three months ended March 31, 1999 decreased 39%, to \$1,318,132, as compared to a net loss of \$2,159,646 in 1998. No income taxes were provided in 1999 or 1998 due to the net loss. The basic and dilutive net loss per weighted average common share for the three months ended March 31, 1999 was \$0.15, as compared to \$0.30 in 1998.

#### Liquidity and Capital Resources

During the three months ended March 31, 1999, the Company received \$1,559,326 from exercises of stock options, \$990,729 from sales of investments, and \$139,849 from the liquidation of the domestic fund. These inflows more than funded the Company's net cash used in operating activities of \$1,201,600 during the quarter. The Company also had approximately \$1.2 million of capital expenditures (primarily leasehold improvements and furniture) during the first quarter of 1999 in connection with the relocation of its corporate office.

As of March 31, 1999, the Company had working capital of \$5,380,083, which included cash and cash equivalents totaling \$4,985,688 and investments of \$419,061. In addition, in the second quarter of 1999 through May 11, the Company received approximately \$0.5 million from the exercise of stock options.

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

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

The Company plans to continue investing in its Online Services because it believes that this line of business offers the greatest opportunity for generating substantial revenues and shareholder value over the longer term. The Company expects to realize higher revenues from operations of its flagship online service, Individual Investor Online, primarily due to the anticipated continuation of traffic growth to the site. There can be no assurance, however, that such traffic growth will be realized, or that, even if realized, such traffic growth will result in higher revenues or shareholder value. The Company also expects to launch additional subscription-based online products during 1999. There can be no assurance, however, that such products in fact will be launched, or that if launched, such products will be successful.

Based on the Company's business plan, the Company believes that its working capital and its investments will be sufficient to fund its operations and capital requirements through 1999. Thereafter, the Company may need to raise additional capital in order to sustain operations unless the Company achieves profitability through the generation of revenues beyond those currently anticipated. The Company is currently exploring its ability to obtain additional financing. No assurance can be given as to the availability of additional financing or, if available, the terms upon which it may be obtained. Any such additional financing may result in dilution of an investor's equity investment in the Company. Failure to obtain additional financing on favorable terms, or at all, could have a substantial adverse effect on the Company's future ability to conduct operations.

The Company currently owns 250,000 shares of Series A Preferred Stock of Wit Capital Group, an online investment banking and brokerage firm. These shares will convert into 250,000 shares of Wit Capital Common Stock in the event of an initial public offering ("IPO") of Wit Capital. The Company's stake in Wit Capital was acquired in 1997, and is recorded on the Company's March 31, 1999

balance sheet at \$375,000. On March 18, 1999, Wit Capital filed an S-1 registration statement for an IPO and announced that it expected to complete its IPO, for which Bear, Stearns & Co. Inc. is acting as lead underwriter, prior to June 30, 1999. On March 29, 1999, Wit Capital and the Goldman Sachs Group announced that Goldman Sachs had agreed to acquire an approximately 22% stake in Wit Capital. In the event that Wit Capital completes its IPO, the Company will be subject to a 180-day lock-up preventing any sale of the Wit Capital stock. The Company could record a significant gain with respect to this investment, although there can be no assurance that the Company ultimately will realize any value with respect to its shares of Wit Capital.

#### Year 2000

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

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

As of March 31, 1999, the Company has incurred direct costs of approximately \$15,000 relating to the development and implementation of its Year 2000 Plan. The Company currently believes that total direct costs associated with making the Company's systems Year 2000 Ready should not exceed \$30,000 and that such costs, together with any lost revenue associated with making the Company's systems Year 2000 Ready, should not have a material adverse effect on the Company's operating results or financial condition. The Company does not believe that the diversion of employee resources required to address the Year 2000 Issue will have a material effect on the Company's operating results or financial condition. The Company does not have in place a contingency plan of action in the event that it is not able to make its computer systems Year 2000 Ready, but will consider on an ongoing basis whether a contingency plan should be developed.

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

The Company also faces risks and uncertainties to the extent that the third party suppliers of products, services and systems on which the Company relies or customers do not have business systems or products that are Year 2000 Ready. The Company has initiated communications with all of its significant suppliers to determine the extent to which the Company's systems and products are vulnerable to those third parties' failure to remediate their own systems' Year 2000 Issues. The Company has received assurances from certain of its

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

<TABLE>  
<CAPTION>

INDIVIDUAL INVESTOR GROUP, INC. AND SUBSIDIARIES

PART II- OTHER INFORMATION

ITEM 2. Changes in Securities

Sales of Unregistered Securities

<S>	<C>	<C>	<C>	<C>	<C>
warrant or Date of sale security, terms or conversion	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, convertible of exercise
1/99 - 3/99 period of from date of subject to certain of continued exercisable for a lasting ten years grant at prices ranging to \$8.1875	Options to purchase common stock granted to employees	57,500	Exercise price would be received upon exercise	Section 4(2)	Vesting over a four years grant, conditions service; period from date of exercise from \$3.3125 per share

</TABLE>

ITEM 5. Other Information

In July 1997 certain former limited partners of WisdomTree Associates, L.P. ("WTA"), a domestic private investment fund of which WisdomTree Capital Management, Inc., a wholly-owned subsidiary of the Company, is the general partner, initiated an action in the Supreme Court of the State of New York, County of New York, captioned Richard Tarlow and Sandra Tarlow v. WisdomTree Associates, L.P., Bob Schmidt and Jonathan Steinberg, Index No. 113819/97. Defendants moved to dismiss the action based on plaintiffs' failure to file a complaint, and the action was dismissed without prejudice in October 1997. In

October 1998, plaintiffs moved to vacate the default judgment. Defendants opposed the motion. On April 20, 1999, the court denied plaintiffs' motion with respect to Messrs. Schmidt and Steinberg, but granted the motion with respect to WTA, and plaintiffs will be permitted to file and serve a complaint and proceed with the action solely with respect to this defendant. In their motion plaintiffs alleged that defendants did not timely process plaintiffs' request for redemption of their interest in WTA, which delay allegedly caused plaintiffs to suffer approximately \$470,000 in damages. WTA is currently awaiting service of the complaint and intends to continue conducting a vigorous defense. Due to the inherent uncertainty of litigation, the Company is not able to reasonably estimate the potential losses, if any, that may be incurred in relation to this litigation.

In April 1999 a stockholder of the Company initiated an action in the Court of Chancery of the State of Delaware, New Castle County, captioned Michele S. Criden v. Jonathan L. Steinberg, Bruce L. Sokoloff, Peter M. Ziemba and S. Christopher Meigher III (C.A. No. 17082). The Company is named as a nominal defendant in the action. Plaintiff alleges that the four individual defendants, who comprise the entire Board of Directors of the Company, took improper action (i) on November 19, 1998, in determining to amend the terms of options previously granted to Jonathan Steinberg to reduce their exercise prices (which ranged from \$4.9375 to \$7.50) to \$1.25 (11% higher than the last sale price on the trading date immediately preceding the date of such amendment), and (ii) on December 23, 1998, in determining to grant replacement options to each of Messrs. Sokoloff, Ziemba and Meigher, conditioned upon cancellation of their existing options, which replacement options had an exercise price of \$2.00 per share (the last sale price of the Common Stock on the trading date immediately preceding the date of the new grant), which was less than the exercise price of options previously granted to them (which exercise prices ranged from \$4.375 to \$10.50). Plaintiff claims that such actions constituted corporate waste and a diversion of corporate assets for improper and unnecessary purposes and that the directors breached their fiduciary duties, including their duty of loyalty, to the Company and its stockholders. Plaintiff demands judgment (i) enjoining the four directors from exercising any options at the reduced exercise price, (ii) declaring a constructive trust of any proceeds resulting from the directors' exercise of such options, (iii) damages, on behalf of the Company, for losses and damages suffered and to be suffered in connection with the option repricings, including interest thereon, and (iv) awarding plaintiffs the costs of this action, including reasonable attorney's fees. The Board of Directors believed at the time, and continues to believe, that the actions taken on November 19, 1998 and December 23, 1998, were proper.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation of Registrant, as amended, through June 18, 1997	Incorporated by reference to Exhibit 3.4 to the Form 10-Q for the quarter ended September 30, 1998
3.2	Bylaws of Registrant	Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-18 (File No. 33-43551-NY) (the "Form S-18")
4.1	Specimen Certificate for Common Stock of Registrant	Incorporated by reference to Exhibit 4.1 to the Form S-18
10.1	Indemnification Agreement, dated June 17, 1998, between Registrant and S. Christopher Meigher III	Filed herewith
27	Financial Data Schedule March 31, 1999	Filed only with the electronic submission of Form 10-Q in accordance with the EDGAR requirement

(b) The Company did not file any reports on Form 8-K during the Quarter Ended March 31, 1999.

SIGNATURES

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

DATE: May 17, 1999

INDIVIDUAL INVESTOR GROUP, INC. (Registrant)

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

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

This Agreement, made and entered into effective as of the 17th day of June, 1998 ("Agreement"), by and between Individual Investor Group, Inc., a Delaware corporation ("Corporation"), and S. Christopher Meigher III ("Indemnitee"):

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

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

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

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

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

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

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

1. Definitions. For purposes of this Agreement:

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

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

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

1.4 "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service

fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

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

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

## 2. Services by Indemnitee.

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

## 3. Indemnification - General.

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

## 4. Proceedings Other Than Proceedings by or in the Right of the Corporation.

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

## 5. Proceedings by or in the Right of the Corporation.

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

## 6. Indemnification for Expenses of Party Who is Wholly or Partly Successful.

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

## 7. Indemnification for Expenses as a Witness.

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

8. Advancement of Expenses.

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

9. Procedure for Determination of Entitlement to Indemnification.

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

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

9.3 If required, Independent Counsel shall be selected as follows: (i) if a Change of Control shall not have occurred, Independent Counsel shall be selected by the Board, and the Corporation shall give written notice to Indemnitee advising him of the identity of Independent Counsel so selected or (ii) if a Change of Control shall have occurred, Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event (i) shall apply), and Indemnitee shall give written notice to the Corporation advising it of the identity of Independent Counsel so selected. In either event, Indemnitee or the Corporation, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Corporation or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 9.1 hereof, no Independent Counsel shall have been selected and not objected to, either the Corporation or Indemnitee may petition the Court of Chancery of the State of Delaware, or other court of competent jurisdiction, for resolution of any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom an objection

is so resolved or the person so appointed shall act as Independent Counsel under Section 9.2 hereof. The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with its actions pursuant to this Agreement, and the Corporation shall pay all reasonable fees and expenses incident to the procedures of this Section 9.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement date of any judicial proceeding or arbitration pursuant to Section 11.1(iii) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

10. Presumptions and Effects of Certain Proceedings.

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

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

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

11. Remedies of Indemnitee.

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

11.2 In the event that a determination shall have been made pursuant to Section

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

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

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

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

## 12. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

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

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

12.3 In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

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

## 13. Duration of Agreement.

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

## 14. Severability.

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be

affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

15. Exception to Right of Indemnification or Advancement of Expenses.

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

16. Identical Counterparts.

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

17. Headings.

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

18. Modification and Waiver.

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

19. Notice by Indemnitee.

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

20. Notices.

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

If to Indemnitee, to:

S. Christopher Meigher III  
c/o Meigher Communications  
100 Avenue of the Americas  
7th Floor  
New York, NY 10013

If to the Corporation, to:

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

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

21. Governing Law.

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

22. Miscellaneous.

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

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

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

INDEMNITEE

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S. Christopher Meigher III

Dated: May 13, 1999

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

We have a history of losses and we anticipate that our losses will continue in the future. As of March 31, 1999, we had an accumulated deficit of \$23.2 million. In the past ten years, the only calendar year we were profitable was 1995. We expect to continue to incur net losses in 1999 and in subsequent fiscal periods. We expect to continue to incur significant operating expenses and, as a result, will need to generate significant revenues to achieve profitability, which may not occur. Even if we do achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future.

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

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

The market value of our common stock may not appreciate as much as the stock of Internet companies because we have two business segments. Our company has two distinct segments. One is print publications and the other is online services operations. We believe these business activities are complementary and each will benefit the other. However, the stock prices of many companies whose only business Internet-related recently have gone up much more than the stock prices of companies that have multiple lines of business that are not all Internet-related. Because our company is not a pure Internet company - and in fact the large majority of our total revenues are from our print publications - our common stock may not be valued by investors in the stock market as highly as the common stock of pure Internet companies.

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

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

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

- -- online services or web sites focused on business, finance and investing, such as CBS MarketWatch.com; The Wall Street Journal Interactive Edition; TheStreet.com; The Motley Fool; Yahoo! Finance; Silicon Investor; Microsoft Investor; SmartMoney.com; Money.com and Multex.com;

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

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

Many of our existing competitors, as well as a number of potential new competitors, have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than we do. This may allow them to devote greater resources than we can to the development and promotion of their services and products. These competitors may also engage in more extensive research and development, undertake more far-reaching marketing campaigns, adopt more aggressive pricing policies to attract advertisers and make more attractive offers to existing and potential employees, outside contributors, strategic partners and advertisers. Our competitors may develop content that is equal or superior to ours or that achieves greater market acceptance than ours. It is also possible that new competitors may emerge and rapidly acquire significant market share. We may not be able to compete successfully for advertisers, readers, staff or outside contributors. Increased competition could result in price reductions, reduced margins or loss of our market share. Any of these could materially adversely affect our business, results of operations and financial condition.

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

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

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

Our company may not be able to attract and retain qualified employees for our online service business. There is a general perception in the employment market that pure Internet companies offer a more attractive work environment for a youthful workforce. This is based on the belief that the Internet is a new and growing industry that offers a great future. In addition, employees in the Internet industry seek and often receive significant portions of their compensation through stock options. The stock prices of many pure Internet companies recently have increased dramatically. Although we believe our company

offers an attractive work environment and employment opportunity in our online services business, we may be perceived by many people as a less attractive employer than a pure Internet company. If we are unable to attract and retain qualified employees for our online services business, that business could suffer materially.

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

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

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

If we do not continue to increase our revenue from financial services advertisers or attract advertisers from non-financial industries, our business, results of operations and financial condition could be materially adversely affected. With respect to our online services in particular, advertising rates are frequently measured on a "cost per thousand" clicks, or "CPM," basis. CPM rates have fluctuated in the past and we expect CPM rates to continue to fluctuate. CPM rates may experience industry-wide declines in the future, as the supply of desirable online advertising space may be increasing at a rate greater than the demand for that space by advertisers. We believe that we charge advertising rates that are among the highest of financial web sites. However, we cannot guarantee that we will be able to command premium rates in the future.

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

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

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

Risks associated with our list rental revenue. The ability to earn revenue from list rental depends in large degree upon three factors: first, the number of

subscribers on this list; second, the demographic characteristics of the subscribers on the list (such as age, income and wealth); and third, the degree to which previous rentals of the list have produced favorable results for the renter. This last factor is affected by the manner in which the subscribers have been added. For example, new subscribers from direct-to-publisher sources (such as direct mail and insert cards in the magazine) typically are more valuable than subscribers obtained from subscription agencies by means of reduced introductory rates or use airline frequent flyer miles. Our list rental revenue has declined in the recent past, and we cannot assure you that our list rental revenue will not decline in the future.

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

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

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

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

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

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

We depend on independent parties to manage our subscriber files. We depend upon an independent party to manage our subscriber files. This party receives subscription orders and payments for our print publications, sends renewal and invoice notices to subscribers and generates subscribers' labels and circulation reports for us. If the business of this party is disrupted, we may become unable to process subscription requests, or send out renewal notices or invoices, or

deliver our print publications. If this were to happen, our insurance might not cover all of our losses. Any of those developments could cause our operating results to suffer materially.

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

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

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

We face a risk of system failure for our online services business. Our ability to provide timely information and continuous news updates depends on the efficient and uninterrupted operation of our computer and communications hardware and software systems. Similarly, our ability to track, measure and report the delivery of advertisements on our site depends on the efficient and uninterrupted operation of a third-party system maintained by DoubleClick. These systems and operations are vulnerable to damage or interruption from human error, natural disasters, telecommunication failures, break-ins, sabotage, computer viruses, intentional acts of vandalism and similar events. We do not have a formal disaster recovery plan for the event of such damage or interruption. Any system failure that causes an interruption in our service or a decrease in responsiveness of our web site could result in reduced traffic, reduced revenue and harm to our reputation, brand and our relations with our advertisers. Our insurance policies may not adequately compensate us for any losses that we may incur because of any failures in our system or interruptions in our delivery of content. Our business, results of operations and financial condition could be materially adversely affected by any event, damage or failure that interrupts or delays our operations.

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

We depend on the continued growth in use and efficient operation of the web. The web-based information market is new and rapidly evolving. Our business would be

materially adversely affected if web usage does not continue to grow or grows slowly. Web usage may be inhibited for a number of reasons, such as:

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

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

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

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

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

In order to build positive brand recognition, it is very important that we maintain our reputation as a trustworthy source of investment ideas, research, analysis and news. The occurrence of certain events, including our misreporting a news story or the non-disclosure of a financial interest by one or more of our employees in a security that we write about, could harm our reputation for trustworthiness. These events could result in a significant reduction in the number of our readers, which could materially adversely affect our business, results of operations and financial condition.

Control of the Company by Principal Stockholders. At the present time, Jonathan Steinberg, Wise Partners, L.P. (a partnership controlled by Jonathan Steinberg), Saul Steinberg (who is Jonathan's father) and Reliance Financial Services Corporation (a substantial portion of the common stock of Reliance Financial Services Corporation's parent, Reliance Group Holdings, Inc., is beneficially owned by Saul Steinberg, members of his family and affiliated trust), own

approximately 44.4% of the outstanding shares of common stock of our Company. As a result of their ownership of common stock, they will be able to significantly influence all matters requiring approval by our stockholders, including the election of our directors. Because it would be very difficult for another company to acquire our company without the approval of the Steinbergs, other companies might not view our company as an attractive takeover candidate. Our stockholders therefore may have less of a chance to benefit from any possible takeover of our company, than they would if the Steinbergs did not have as much influence.

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

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

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

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

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

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

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

that happens, we also could incur liabilities to third parties.

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

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