

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

/x/ Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

**For the fiscal year ended December 31, 2002
or**

// 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 000-30527

OPTIMARK HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

22-3730995
(I.R.S.-Employer
Identification No.)

**1114 Avenue of the Americas, 22nd Floor,
New York, NY**
(Address of Principal Executive Offices)

10036
(Zip Code)

(212) 575-9314
(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, Par Value \$.01 Per Share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 / / No / **X** /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation SK is not contained herein, and will not be contained, to the best registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. //

No sales of the common equity of the Registrant have been consummated within sixty days of this filing and the Registrant's common equity is not publicly traded on an exchange for purposes of establishing bid and ask prices. Therefore, the Registrant is unable to state the aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant.

As of March 31, 2003, there were 33,369,913 shares of the Registrant's common stock outstanding.

Documents Incorporated by Reference

None.

**OPTIMARK HOLDINGS, INC.
FORM 10-K
DECEMBER 31, 2002**

TABLE OF CONTENTS

	Page No.
PART I	
Item 1. Business	3
Item 2. Properties	10
Item 3. Legal Proceedings	10
Item 4. Submission of Matters to a Vote of Security Holders	11
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	12
Item 6. Selected Financial Data	14
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 7A. Quantitative and Qualitative Disclosure About Market Risk	23
Item 8. Financial Statements	23
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	23
PART III	
Item 10. Directors and Executive Officers of the Registrant	24
Item 11. Executive Compensation	25
Item 12. Security Ownership of Certain Beneficial Owners and Management	27
Item 13. Certain Relationships and Related Transactions	31
Item 14. Controls and Procedures	32
PART IV	
Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K	33
Signatures	40
Certification	41

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on our beliefs and assumptions, and on information currently available to us. Forward-looking statements include the information concerning our possible or assumed future results of operations set forth in Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements also include statements in which words such as "expect", "anticipate", "contemplate", "intend", "plan", "believe", "estimate", "consider" or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions, including the risks discussed under the heading, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Form 10-K. Such risks, uncertainties and assumptions include, but are not limited to, those factors described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the sub-heading "Factors that may affect future results." The factors described in that section are incorporated herein by reference.

Our future results and stockholder values may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. Investors are cautioned not to put undue reliance on any forward-looking statements. In addition, we disclaim any intention or obligation to update forward-looking statements after the filing of this Annual Report, even if new information, future events or other circumstances have made them incorrect or misleading. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 21E of the Exchange Act.

Statements made in this Annual Report on Form 10-K as to the contents of any contract, agreement or other document referred to are not necessarily complete. With respect to each such contract, agreement or other document filed as an exhibit to this Annual Report on Form 10-K, we refer you to the exhibit to this Annual Report on Form 10-K referencing the item for a more complete description of the matter involved, and each such statement is qualified in its entirety by such reference.

PART I

ITEM 1. BUSINESS

OptiMark Holdings, Inc. ("Holdings") was established as a holding company on June 12, 2000 as the result of a reorganization of the company formerly known as OptiMark Technologies, Inc. OptiMark Technologies, Inc. was the successor to the company founded in 1996 to begin development of software for use in an electronic system for trading stocks and other financial instruments, goods and services.

Holdings has two wholly-owned subsidiaries: (1) OptiMark, Inc. ("OptiMark") and (2) OptiMark US Equities, Inc. ("Equities"). On December 28, 2001, OptiMark formed a majority-owned subsidiary, OptiMark Innovations Inc. (formerly known as OTSH, Inc. and referred to below as "Innovations"). Innovations was capitalized on December 31, 2001, and OptiMark currently holds 33% of the voting interests in Innovations as more fully described below.

In this report, Holdings, OptiMark and Equities are referred to collectively as the "Company," "our," and/or "we."

HOLDINGS

Holdings' principal business is to hold the securities of OptiMark and, through OptiMark, Innovations. Until September 19, 2000, Holdings operated in two segments, the Exchange Solutions Services Business and the US Equities Business. The Exchange Solutions Services Business operated by OptiMark was formerly referred to as the Electronic Markets Business and developed software and provided design, development and maintenance services for building and operating electronic markets and exchanges. On or about January 30, 2002, OptiMark effectively suspended development, sales and marketing efforts related to its Exchange Solutions Services Business.

The second segment, the US Equities Business, was operated by Equities. Prior to September 19, 2000, the US Equities Business owned and operated exchanges or exchange facilities which used the OptiMark software and services. This business was discontinued on September 19, 2000 due to high fixed costs and lack of revenue resulting from the failure of these proprietary exchange facilities to attract users or liquidity.

As a result of the suspension of the Exchange Solutions Services Business and the discontinuation of the US Equities Business, the future value of Holdings' common stock will depend principally on the value of the investment that Innovations made in Vie Financial Group, Inc. ("Vie," formerly known as The Ashton Technology Group, Inc.) on May 7, 2002 and on other transactions that the Company may consummate.

OptiMark continues to attempt to solicit interest from or opportunities with third parties concerning possible additional investments or strategic alliances. However, no binding or definitive arrangements have been reached with any third parties and there can be no assurances that any such transactions will be consummated.

In the event that the Company cannot obtain additional financing or capital contributions by the end of May 2003, Holdings would not have access to sufficient financial capital to permit continued business operations. Accordingly, Holdings would face the imminent and likely potential for bankruptcy or liquidation. If Holdings is forced to declare bankruptcy or pursue liquidation, the value of Holdings' assets may not be sufficient to pay its creditors in full and, accordingly, Holdings' common and preferred stock would have no value.

INNOVATIONS

Formation of Innovations

Innovations was incorporated in Delaware on December 28, 2001. Innovations has authorized capital stock of 7,000 shares of common stock, par value \$.01 per share (the "Innovations Common Stock"), and 3,000 shares of preferred stock, par value \$.01 per share (the "Innovations Preferred Stock"). Innovations has designated 2,000 shares of the Innovations Preferred Stock as "Non-Qualified Preferred Stock," which has a cumulative preferred dividend at an annual rate of \$500 per share, payable when and if declared by the Board of Directors of Innovations. The liquidation preference of the Non-Qualified Preferred Stock is equal to \$10,000 per share plus the aggregate amount of accrued and unpaid dividends or distributions. The Non-Qualified Preferred Stock is also subject to a mandatory redemption, at a price equal to the liquidation preference amount, in four equal quarterly installments on December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017.

Innovations has designated 1,000 shares of the Innovations Preferred Stock as "Series B Preferred Stock," which has a cumulative preferred dividend at an annual rate of \$519.21 per share, payable when and if declared by the Board of Directors of Innovations. The liquidation preference of the Innovations Series B Preferred Stock is equal to \$10,389.61 per share plus the aggregate amount of accrued and unpaid dividends or distributions.

All of the Innovations Preferred Stock is non-voting.

Investment Structure

On December 31, 2001, OptiMark received 200 shares of Innovations Common Stock in exchange for a cash payment of \$500,000 and 2,000 shares of Non-Qualified Preferred Stock in exchange for the transfer to Innovations of certain intangible assets consisting of software, a patent application and other assets relating to a securities trading technology which is under development (the "Assets"). The stated value of the Non-Qualified Preferred Stock was the result of the evaluation by the board of directors of Innovations of the value of the Assets based, in part, upon preliminary discussions with independent parties regarding an approximate \$10,000,000 investment for a one-third interest in Innovations (see below). SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (collectively, "SOFTBANK") received 100 shares of Innovations Common Stock (the "SOFTBANK Shares") for \$250,000 cash. Simultaneously, SOFTBANK's remaining obligation to purchase shares of Series E Cumulative Preferred Stock ("Series E Preferred Stock") from Holdings pursuant to that certain Series E Preferred Stock Purchase Agreement, dated as of June 29, 2001 (as amended on August 16, 2001 and November 16, 2001), by and among Holdings and SOFTBANK was reduced by \$250,000. Upon its formation and initial capitalization, Innovations' aggregate assets consisted of the Assets and \$750,000 in cash.

On April 30, 2002, Draper Fisher Jurvetson ePlanet Ventures, L.P., Draper Fisher Jurvetson ePlanet Partners Fund, L.L.C. and Draper Fisher Jurvetson ePlanet Ventures GmbH & Co. KG (collectively, "Draper") purchased 150 shares of the Innovations Common Stock for an aggregate cash purchase price of \$375,000. On May 7, 2002, Draper purchased 963 shares of the Innovations Series B Preferred Stock for an aggregate cash purchase price of \$9,630,000.

In connection with the Series B Preferred Stock subscription, Holdings, OptiMark, Innovations, Draper and SOFTBANK entered into an amended and restated Investors' Rights Agreement (the "Innovations Rights Agreement"). Pursuant to the terms of the Innovations Rights Agreement, Draper received (i) preemptive rights to subscribe for future sales by Innovations of any shares of, or securities convertible into or exercisable for any shares of, any class of Innovations capital stock, (ii) registration rights and (iii) the right to designate two (2) directors to Innovations' board of directors.

Through the subscription for Innovations Common Stock and Series B Preferred Stock by Draper, Innovations obtained the cash financing necessary to (a) pay the approximately \$7.3 million portion of the purchase price for Vie's common stock and (b) provide the principal amount of approximately \$2.7 million for the senior loan to Vie evidenced by Vie's secured convertible note.

Put and Call Rights of SOFTBANK and Holdings

Pursuant to the terms of the Innovations Rights Agreement, SOFTBANK and Holdings agreed to certain put and call rights applicable to the SOFTBANK Shares as follows:

First Call Right of Holdings on SOFTBANK Shares

The Independent Committee (the "Independent Committee") of Holdings' Board of Directors has the right commencing October 1, 2002 and exercisable until September 30, 2003, to recommend to the Board of Directors that Holdings purchase all, but not less than all, of the SOFTBANK Shares for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings. If the Board of Directors accepts such recommendation, SOFTBANK would be obligated to sell the SOFTBANK shares for that consideration.

Liquidity Event Discretionary Call of Holdings on SOFTBANK Shares

Upon the occurrence of a Liquidity Event (defined below) on or before September 30, 2003, the SOFTBANK Shares will be purchased by Holdings for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings. A "Liquidity Event" means any of the following: (i) Innovations' sale, conveyance or other disposition of all or substantially all of its assets; (ii) the acquisition of Innovations by another entity by means of merger or consolidation resulting in the exchange of the outstanding shares of Innovations for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, unless the stockholders of Innovations immediately prior to the consummation of such transaction hold at least 50% of the voting power of the surviving corporation as a result of such transaction; (iii) the consummation by Innovations of a transaction or series of related transactions, including the issuance or sale of voting securities, if the stockholders of Innovations immediately prior to such transaction (or, in the case of a series of transactions, the first of such transactions) hold less than 50% of the voting power of Innovations immediately after the consummation of such transaction (or, in the case of a series of transactions, the last of such transactions); or (iv) any initial underwritten public offering of Innovations Common Stock. Notwithstanding the foregoing, Holdings will not exercise this call option in the event that the Independent Committee recommends that Holdings not purchase the SOFTBANK Shares.

Mandatory Call of Holdings on SOFTBANK Shares

In the event that: (i) the call rights of Holdings described above have not been exercised on or before September 30, 2003, (ii) the Independent Committee no longer exists and (iii) no independent directors serve on the Holdings Board of Directors and, after reasonable good faith efforts by the remaining members of the Holdings Board of Directors, no independent persons qualified to serve on the Holdings Board of Directors have been found or, if found, are not willing to serve on the Holdings Board of Directors, then the Holdings Board of Directors will engage an independent investment banking, accounting or third party valuation firm to evaluate whether or not it is in the best interests of Holdings that it purchase the SOFTBANK Shares. If such third party determines it is in the best interests of Holdings to purchase the SOFTBANK Shares, Holdings will be obligated to purchase such shares on or before December 31, 2003 for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings.

First Put Right to Holdings of SOFTBANK Shares

SOFTBANK has the right, commencing on October 1, 2002 and continuing until September 30, 2003, to put all, but not less than all, of the SOFTBANK Shares to Holdings in exchange for 16,667 shares of Series E Preferred Stock of Holdings.

Second Put Right to Holdings of SOFTBANK Shares

In the event that no put of, or call on, the SOFTBANK Shares has been exercised by October 31, 2003, then commencing on November 1, 2003 and continuing until November 30, 2003, SOFTBANK has the right to require Holdings to purchase all, but not less than all, of the SOFTBANK Shares for 16,667 shares of Series E Preferred Stock of Holdings.

Business of Innovations

The principal business of Innovations is to hold Vie's common stock for the benefit of the shareholders of Holdings and Innovations. Holdings believes that the future value of its stock will depend principally on the value of Ashton's common stock held by Innovations and its ability to consummate financing and strategic transactions with other parties.

On February 4, 2002, Vie and Innovations entered into a securities purchase agreement (as amended on March 6, 2002 and May 3, 2002, the "Securities Purchase Agreement"). Pursuant to the terms of the Securities Purchase Agreement, Innovations agreed to purchase up to 633,433,600 shares of Vie common stock, par value \$.01 per share (the "Vie Common Stock"), in exchange for \$7,272,727 in cash and intellectual property and other non-cash assets of Innovations valued by Vie and Innovations for the purposes of the Securities Purchase Agreement at \$20 million. The value ascribed to the intellectual property and other non-cash assets by OptiMark Innovations was based in part on preliminary discussions with a potential investor in Innovations. Vie did not obtain an appraisal or other third party valuation of the fair market value of the intellectual property and other non-cash assets. There can be no assurance that the fair market value of the intellectual property and other non-cash assets is equal to the value ascribed to these assets by Innovations in the Securities Purchase Agreement.

On May 7, 2002 (the "Closing Date"), Innovations and Vie closed the transactions contemplated by the Securities Purchase Agreement.

In addition, pursuant to the terms of the Securities Purchase Agreement, Innovations loaned approximately \$2.7 million in cash to Vie in exchange for a senior secured convertible note (the "Note"). The Note will mature in five years, and may, at the option of Innovations, be convertible into shares of Vie Common Stock at a rate of \$.0515838 per share (subject to customary anti-dilution adjustments after the closing) and will accrue interest at a rate of 7.5% per annum. Currently, the Note is convertible into 52,870,757 shares of Vie Common Stock. The Note is secured by a pledge and security agreement pursuant to which Innovations has received a blanket lien on Vie's assets, including, without limitation, the pledge of the equity interests of Vie and Universal Trading Technologies Corporation, a Delaware corporation and majority-owned subsidiary of Vie ("UTTC"), in each of Vie Securities, LLC (formerly known as ATG Trading LLC), wholly-owned subsidiary of Vie, Electronic Market Center, Inc., a majority-owned subsidiary of Vie, Ashton Technology Canada, Inc., a majority-owned subsidiary of Vie, Vie Institutional Services, Inc. (formerly known as Croix Securities, Inc.), a wholly-owned subsidiary of UTTC, REB Securities Inc., a wholly-owned subsidiary of UTTC; and NextExchange, Inc., a wholly-owned subsidiary of UTTC.

As of the Closing Date, Innovations owns approximately 80% of the fully -diluted outstanding shares of Vie Common Stock calculated as of May 3, 2002. Fully-diluted shares include the outstanding shares of the Vie Common Stock and (i) shares of any series of capital stock of Vie or its subsidiaries that vote together with the Vie Common Stock, (ii) any outstanding options issued to employees and third parties and (iii) shares of the Vie Common Stock, or any securities described in clause (i) above, issuable pursuant to or upon conversion or exercise of all rights granted to any party. Assuming conversion of the Note, Innovations would own approximately an additional 7% of the fully -diluted shares of the Vie Common Stock, calculated as of May 3, 2002.

The intellectual property and non-cash assets transferred to Vie by Innovations as partial consideration to purchase the Vie Common Stock are:

- U.S. provisional patent application (No. 60/323,940 entitled “Volume Weighted Average Price System and Method” filed on September 21, 2001) that relates to VWAP trading. The provisional patent application relates to processing orders for trading equity securities at the VWAP and guaranteeing the price and quantity of trades to users who submit orders. The patent application will not provide any exclusive rights to Ashton until such time as it issues into a patent. There can be no assurance that the patent application will issue into a patent.
- Trade secrets and know how relating to VWAP trading.
- An assignment to Vie of a license for technology for use in a system for VWAP trading (the “VWAP License”).
- An assignment to Vie of all rights, duties, and obligations under a bilateral nondisclosure agreement between the licensor of the technology described above and Innovations.
- Software developed to implement critical components of the VWAP trading system, including certain tools for testing, de-bugging and building source code.

The intellectual property and non-cash assets described above, with the exception of the VWAP License, constitute the Assets transferred from OptiMark to Innovations on December 31, 2001.

While Innovations expects Vie to benefit from the cash and non-cash assets transferred, Innovations cannot predict the extent to which those benefits will occur. Specifically, there can be no assurance that:

- the performance characteristics of the software and technology that is the subject of the VWAP License will scale to the increased level of operations anticipated in the New VWAP Service;
- the intellectual property can achieve the desired operational benchmarks; or
- integration of the existing Vie technologies and VWAP-related business models with the acquired technologies and associated business models will be feasible or possible.

As a result of obtaining the \$10 million financing in connection with the transactions contemplated by the Securities Purchase Agreement, OptiMark’s ownership percent of Innovations was reduced to less than 50%. As a result, we will not be able to include Innovations as a consolidated subsidiary, but will account for our investment using the equity method of accounting.

Vie

Because the future value of Holdings common stock is principally dependent on the value of Innovations’ investment in transaction with Vie, a brief description of the current business of Vie is provided.

The following description of Vie’s business has been adapted from the information contained in Vie’s Quarterly Report on Form 10-Q, filed with the SEC on February 14, 2003. We conducted limited due diligence with respect to Vie’s business. Based solely on that limited review, we have no reason to believe that Vie’s description of its business is incorrect in any material respect. The following description is not intended to amend, modify or supplement Vie’s disclosure regarding its business contained in its public filings.

Vie Financial Group, Inc., formerly The Ashton Technology Group, Inc., was formed as a Delaware corporation in 1994. Vie Financial Group and its subsidiaries provide electronic trading services to institutional investors and broker-dealers. Through its automated trading platform Vie removes human elements of the trading and order execution process, eliminating information leakage. Vie’s objective is to provide clients with high-performance electronic trading that is fast, efficient and nearly invisible to the market.

Vie conducts its business primarily through the following operating subsidiaries:

- Vie Securities, LLC (formerly ATG Trading, LLC)
- Vie Institutional Services, Inc. (formerly Croix Securities, Inc.)

Vie Institutional Services was formed in February 1999 as a broker-dealer registered with the Philadelphia Stock Exchange and the National Association of Securities Dealers (NASD). Vie Institutional Services provides liquidity for block trades to its buy-side institutional clients through its volume-weighted average price (VWAP) trading products, direct access service, and market-on-close products. Vie anonymously matches customers' orders with liquidity from various providers, thereby protecting its client trade information. Since May 2002, Vie launched four new trading products including Limit VWAP, Point-to-Point VWAP, Market on Close and Best Efforts VWAP. Vie operates Vie Institutional Services as an agency broker that matches buy-side institutional orders with other buy-side or liquidity provider orders. Vie collects commissions from its customers and pay fees to its liquidity providers on a per share basis.

Vie Securities was formed in July 2000 as a broker-dealer engaged in proprietary trading. On September 19, 2002, Vie Securities received approval to operate as a member of the NASD. Through Vie Securities, Vie is implementing its proprietary trading algorithm that allows Vie to minimize its cost of providing guaranteed liquidity at the VWAP to its broker-dealer customers, including Vie Institutional Services, and specialized trading firms.

OPTIMARK

On or about January 30, 2002, OptiMark effectively suspended development, sales and marketing efforts related to its Exchange Solutions Services Business. As of that date, OptiMark became a company whose primary purpose is to hold the securities of Innovations and to consummate financing and strategic transactions with other parties.

Prior to and since January 30, 2002, OptiMark has engaged in discussions with a number of potential investors and strategic partners concerning possible investments and/or alliances relative to the Exchange Solutions Services Business. To date, none of these discussions has resulted in any such investment or alliance. OptiMark continues to engage in discussions with third parties in an effort to secure funding for the Exchange Solutions Services Business; however, there can be no assurances that any such transactions will be consummated. OptiMark's VWAP assets utilized in the Vie transaction were part of a general effort to determine ways to utilize OptiMark's technology for trading venues to be owned and operated by OptiMark. OptiMark has suspended development of additional trading venues. At such time that either a third party provides funding or OptiMark can realize a gain in the value of its holdings in Innovations, OptiMark will determine whether to further develop these additional platforms. However, there are no assurances that these transactions will be consummated or that any further development will occur.

Clients of OptiMark

As of December 31, 2001, OptiMark had definitive agreements with two clients -- Asset International, Inc. ("Asset International") and The Nasdaq Stock Market, Inc. ("Nasdaq"). Under an agreement dated November 3, 2000 with Asset International, OptiMark has not received any revenues. For approximately the past twelve months, OptiMark has not performed, nor has Asset International requested that any services be performed under the agreement. The Nasdaq contract, as amended on April 27, 2001, expired on December 31, 2001. The agreement with Asset International was terminated on May 24, 2002. OptiMark does not anticipate receiving any additional revenues from either Asset International or Nasdaq.

Competition

Vie, Innovations, OptiMark and Holdings executed a non-competition agreement as of May 2, 2002. The parties currently do not compete. The Agreement precludes Innovations, OptiMark, Holdings or any entity that they control from competing on a worldwide basis with Vie in offering VWAP trading systems or related services in U.S. and Canadian securities. The agreement has a five-year term from the date of its execution.

As holding companies, Holdings, OptiMark and Innovations face no clearly defined competition, however, the value of Innovations' investment in Vie is, in part, contingent upon Vie's competing effectively in its industry and marketplace.

The following description relating to the competitive aspects of Vie's business has been adapted from the information contained in Vie's Quarterly Report on Form 10-Q, filed with the SEC on February 14, 2003. We have conducted limited due diligence with respect to Vie's business. Based solely on that limited review, we have no reason to believe that Vie's description of the competitive aspects of its business is incorrect in any material respect. The following description is not intended to amend, modify or supplement Vie's disclosure regarding competition contained in its public filings.

The SEC's regulations governing alternative trading systems have lowered the barriers to entering the securities trading markets. Vie faces competition from traditional securities exchanges, which could establish similar trading systems in an attempt to increase or retain their respective trade volumes. Vie also faces competition from other alternative trading systems and leading brokerage firms offering similar trade execution services. In particular, Vie's guaranteed liquidity program competes with services provided by traditional broker-dealers, proprietary trading firms such as Susquehanna, Timberhill/Interactive Brokers, and alternative trading systems established by companies such as Investment Technology Group, Instinet and Bloomberg.

Many of Vie's competitors have substantially greater financial, research, development, sales, marketing and other resources than Vie has and many of their products have established operating histories. While Vie believes that its products and services offer certain competitive advantages, its ability to maintain these advantages will require continued investment in product development, additional marketing, and customer support activities. Vie may not have sufficient resources to continue to make these investments, while its competitors may continue to devote significantly more resources to their services. Also, Vie cannot be sure that its products will result in a competitive advantage to our customers.

Intellectual property and proprietary rights

As of December 31, 2001, the Company owned or controlled six issued United States patents and nine pending United States patent applications. One of the pending United States patent applications was transferred to Vie as part of the consideration for the purchase of the Vie Common Stock. As of that date, the Company also owned or controlled seven pending international patent applications. The Company plans to file one additional patent application domestically and may file related patent applications internationally. The Company has discontinued prosecution of patent applications and maintenance of patents that were deemed to be strategically unimportant, either because of geography or subject matter.

The Company seeks to protect its trade secrets, service marks, trademarks and copyrights through a combination of laws and contractual restrictions, such as confidentiality and license agreements. The Company attempts to register our trademarks and service marks in the United States and internationally. The Company has registered a corporate logo and the mark "OPTIMARK," among others, in the United States and internationally in several countries. However, effective trademark, service mark, trade secret, and copyright protection may not be available in all countries. The Company also has discontinued prosecution of trademark applications and maintenance of trademarks that were deemed to be strategically unimportant, either because of geography or subject matter.

Employees

As of December 31, 2002, the Company had five full-time and one part time employee, all of whom were engaged in executive, finance, administration and personnel functions.

The Company has never had a work stoppage and our employees are not represented by any collective bargaining unit.

The Company plans to continue to retain personnel to carry out its duties and obligations as a holding company, including its administration and financial reporting obligations.

Financial information about industry segments

Please refer to the financial statements for financial information about our industry segments.

Discontinued operations

Until September 19, 2000, Holdings operated in two segments, the Exchange Solutions Services Business and the US Equities Business. The first segment, the Exchange Solutions Services Business, was formerly referred to as the Electronic Markets Business. On or about January 30, 2002, OptiMark effectively suspended development, sales and marketing efforts related to its Exchange Solutions Services Business, which developed software and provided design, development and maintenance services for building and operating electronic markets and exchanges. The second segment, the US Equities Business, was operated by Equities. Holdings discontinued the operations of the US Equities Business on September 19, 2000. As of that date all criteria for the measurement date per APB 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," had been met. The Company expects the process of disposing of the net liabilities of the discontinued business to be completed by December 31, 2003 as a result of the continuing settlement negotiations with certain companies from which we had previously leased equipment. Disposition includes negotiated payments to be made after December 31, 2003.

ITEM 2. PROPERTIES

The Company's headquarters are located in Jersey City, New Jersey. We sublease approximately 32,000 square feet under a sublease that expires in February 2014 and approximately 3,300 square feet with a remaining term to September 30, 2008. The foregoing space consists of standard commercial office premises in a metropolitan area. We believe that our present facilities exceed our current needs and are attempting to reduce our office space commitments.

ITEM 3. LEGAL PROCEEDINGS

Holdings and/or its subsidiaries are subject to the following legal proceedings which the Company believes arise out of the discontinuation of the business of Optimark Equities in September 2000:

1. Finova Capital Corporation (Plaintiff) v. OptiMark Technologies, Inc., OptiMark, Inc. and OptiMark Holdings, Inc. (Defendants), Superior Court of New Jersey - Hudson County. Plaintiff filed this action on June 15, 2001, asserting claims that allegedly arise out of an equipment lease agreement pursuant to which it is alleged that OptiMark Technologies, Inc. (now known as OptiMark US Equities, Inc.) agreed to lease certain equipment. Plaintiff contends that OptiMark Technologies, Inc. breached the equipment lease by, among other things, failing to pay the amounts due under the equipment lease. Based on these allegations, Plaintiff has made claims for breach of contract, tortious interference, fraudulent conveyance of such equipment lease agreement and/or the related equipment and/or other assets from OptiMark Technologies, Inc. to OptiMark, Inc. and/or OptiMark Holdings, Inc. and damages in unspecified amounts exceeding \$6,000,000, plus interest, late charges, litigation costs and expenses, and reasonable counsel fees. In the fourth quarter of 2001, most, if not all, of the equipment that was the subject of the equipment lease was returned consensually to Plaintiff. Pursuant to motions filed by the Plaintiff, Innovations and Vie were added as defendants in the case. On February 14, 2002, Plaintiff made a motion to add Innovations as a defendant in the case.

On March 19, 2003, subject to execution of definitive documentation, we reached a settlement with Finova. The terms of this settlement provide that we will pay Finova the combined sum of \$1,000,000 in the following manner: a) \$200,000 within thirty (30) days of the execution of the written settlement agreement; b) \$400,000 in January 2004; and c) \$400,000 in June 2004. We will provide Finova with a consent judgment for the outstanding balance due on the lease agreements in dispute - to be used only in the event of a default under the terms of the settlement agreement. The exact amount of the consent judgment shall be agreed to by the parties based upon the amount due and owing under the subject leases. In consideration of the foregoing, Finova, upon receipt of the first payment of \$200,000, will provide all defendants to the litigation (namely, Optimark U.S. Equities, Inc., Optimark, Inc., Optimark Holdings, Inc., Optimark Innovations, Inc. (plead as OTSH, Inc.) and Vie Financial Group (plead as Ashton Technology Group, Inc.)) a release for all claims arising out of the lease transaction between the parties as well as those additional claims asserted, or those that could have been asserted, by Finova against all defendants in the

pending litigation. Additionally, Finova also shall cause a Stipulation of Dismissal, with prejudice, to be filed in the pending action.

2. Comdisco, Inc. (Plaintiff) v. OptiMark Technologies, Inc. (now known as OptiMark US Equities, Inc.) (Defendant) and Avnet, Inc. State of Connecticut Superior Court, Judicial District of Fairfield at Bridgeport. Plaintiff filed a Complaint on December 18, 2000. The action seeks possession of leased equipment, proceeds from the sale of leased equipment, a deficiency judgment in an unspecified amount, and fees and costs and interest. Since the complaint was filed, most, if not all, of the equipment was returned consensually to Plaintiff. Based on the complaint filed in a related action in New Jersey (described below) and on other information received from Comdisco, it is believed that amount of damages claimed is approximately \$6,500,000. On March 30, 2001, the parties agreed to consolidate a related case captioned Comdisco, Inc. v. OptiMark Technologies, Inc., Superior Court of New Jersey Law Division Hudson County (filed on January 23, 2001) with the Connecticut proceeding. To effect the consolidation, on or about April 2, 2001, the parties filed a stipulation withdrawing Defendant's motion to dismiss Comdisco's Complaint filed in the Superior Court of New Jersey. That motion had sought dismissal principally on grounds that an identical action alleging breach of contract had previously been filed by Comdisco in Connecticut State Court. In exchange for Defendant's agreement to withdraw its motion, Comdisco agreed to withdraw its New Jersey Complaint without prejudice. In June 2001, Comdisco made a motion for summary judgment with respect to a claim against Avnet relating to a guaranty by Avnet of Defendant's obligations under a Master Lease Agreement for computer equipment leased from Comdisco. Avnet responded to Comdisco's motion by denying liability under the guaranty and asserting a variety of special defenses. In addition, Avnet filed a cross claim against Defendant. The cross claim alleges that if Avnet is found liable under the guaranty, then Avnet becomes subrogated to Comdisco's rights under the Master Lease Agreement to the extent of the payments Avnet makes to Comdisco and that OptiMark is liable to Avnet for any such payments. Defendant has responded to the complaint and cross-claim by denying its material allegations and asserting special defenses. In December of 2002, Avnet, Inc. amended its cross claim to include a claim for subrogation relating to a payment made on OptiMark's behalf on a guaranty to Finova and now also seeks to collect additional sums against Defendant in an unspecified amount. Defendant intends to defend this action vigorously. In the event a settlement is not reached, the case is scheduled for a jury trial commencing the week of June 25, 2003. The outcome of this litigation cannot be predicted at this time, although it may have a material affect on the Company's financial condition and results of operations.
3. The Company entered into a ten (10) year lease (the "Lease") with Montgomery Associates, L.P. ("Montgomery") on June 26, 1998, with respect to a data center at 30 Montgomery Street, Jersey City, New Jersey (the "Premises"). In December 2002, the Company defaulted on the Lease when it failed to pay its monthly rent. Montgomery commenced an action against the Company in the Superior Court of New Jersey to collect the outstanding rent due under the Lease.

On January 6, 2003, the Company and Montgomery entered into a Stipulation of Settlement to resolve this litigation. Pursuant to the terms of the Stipulation of Settlement, the Company agreed to cure its default under the Lease by paying Montgomery the sum of \$15,000.00 by January 10, 2003 and the sum of \$5,549.68 by January 31, 2003 (collectively, the "Back Rent"). The Company also agreed to continue to make future rental payments to Montgomery as they became due. The Stipulation of Settlement further provided that in the event the Company failed to timely remit the Back Rent, Montgomery could declare the Stipulation of Settlement void and immediately obtain an entry of Judgment for Possession and a Warrant for Removal.

The Company did not pay Montgomery the Back Rent as required by the Stipulation of Settlement. Accordingly, Montgomery obtained a Judgment for Possession and Warrant for Removal for the Premises, which denied the Company access to the Premises. The Company does not have any present need for this space. There is, however, certain computer equipment located at the Premises. The Company is presently negotiating with Montgomery to recover this equipment.

Although it has obtained a Judgment for Possession for the Premises, Montgomery may also seek monetary damages with respect to the Company's alleged breach of the Lease. However, as of the date hereof, Montgomery has not commenced an action against the Company to obtain such monetary damages.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public trading market for the shares of our common stock and we do not currently intend to seek inclusion of the shares of common stock in any established public trading market. As of December 31, 2002, we had 33,369,913 outstanding shares of common stock, including 740,000 shares of non-voting common stock, owned by approximately 860 holders.

Including shares of common stock issuable on conversion of outstanding shares of the Company's various series of preferred stock, there are 54,442,645 outstanding shares of common stock on an as converted basis that can be sold currently pursuant to Rule 144. As of December 31, 2002, we have

- issued options to purchase an aggregate of 1,996,600 shares of common stock and 3,470,199 shares of Series F Preferred Stock to our directors, officers and current and former employees;
- issued warrants to purchase an aggregate of 12,710,900 shares of common stock to investors, consultants and strategic partners; and
- granted registration rights to holders of approximately 40,113,000 shares of common stock, on an as converted basis.

Equity Compensation Plan Information

The following table provides, as of December 31, 2002, information with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
Common Stock:	1,478,100	\$1.27	12,672,624
Series F Preferred Stock:	2,138,012	\$.10	3,929,801
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	3,616,112	.45	16,602,425

Since our inception, we have not declared any dividends or other distributions on our shares of common stock. We do not anticipate paying any other cash dividends in the foreseeable future and anticipate that future earnings would be retained to finance operations.

On June 29, 2001, Holdings and certain stockholders entered into a Preferred Stock Purchase Agreement whereby the stockholders agreed to purchase up to an aggregate of 1,000,000 shares of the Series E Preferred Stock at a price of \$15.00 per share. The purchase of shares took place at approximately one-month intervals from June 2001 through January 2002.

In monthly closings from June 2001 through January 2002, investors purchased 983,335 shares of the Series E Preferred Stock for an aggregate amount of approximately \$14,750,000.

The Series E Preferred Stock is entitled to certain preferences over existing classes of the Company's stock in the event of liquidation, sale of assets or merger involving the Company equal to twice its purchase price plus 80% of proceeds above that amount up to \$200 million, plus 76.56% of proceeds above \$200 million up to and including \$304.5 million, plus 56% of amounts in excess of \$304.5 million. The Series E Preferred Stock will vote together with the Company's common stock and have 32 votes per share. Calculated based on shares outstanding as of December 31, 2002, the Series E Preferred Stock represents 36.9 % of the votes of the outstanding common stock (and shares entitled to vote with the common stock) and, in the aggregate, if fully subscribed to, could represent up to 37.3% of the votes of the outstanding common stock (and shares entitled to vote with the common stock). Holders of the Series E Preferred are entitled to preemptive and registration rights.

In 2001, the Company adopted a new stock option plan under which employees and others may receive options to acquire the Company's Series F Preferred Stock. The Series F Preferred Stock is entitled to certain preferences over existing classes of the Company's stock in the event of liquidation, sale of assets or merger involving the Company, equal to 20% of proceeds greater than \$30 million up to and including \$200 million, 19.14% of proceeds in excess of \$200 million up to and including \$304.5 million and 14% of proceeds in excess of \$304.5 million. Holders of Series F Preferred Stock will be entitled to one vote per share. No options on the Series F Preferred Stock have been exercised.

In connection with the settlement of litigation of the action captioned "Transamerica Business Credit Corporation, Wells Fargo Equipment Finance, Inc., Diamond Lease (U.S.A.), Inc. and Linc Capital, Inc. v. OptiMark US Equities, Inc. f/k/a OptiMark Technologies, Inc., OptiMark, Inc. and OptiMark Holdings, Inc.", Holdings authorized and issued 300,000 shares of a new Series G Preferred Stock of the Company, par value \$.01 per share (the "Series G Preferred Stock") to the plaintiffs that ranks junior to the existing Series E Preferred Stock and Series F Preferred Stock but senior to all other classes or series of capital stock with respect to liquidation. In particular, the Series G Preferred Stock is entitled to receive an amount, in the event of a liquidation, sale of assets or merger involving the Company, equal to 4.30% of the total amount distributed in excess of \$200,000,000 up to and including \$304,500,000.

The issuance of the Series E Preferred Stock and the Series G Preferred Stock was solely to accredited investors and exempt from registration pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA

Our selected financial data for and as of the end of each of the years ended December 31, 2002, 2001, 2000, 1999 and 1998 have been derived from our audited consolidated financial statements, including notes thereto. The information set forth below is qualified in its entirety by reference to, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

	Years Ended December 31,				
	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenue	\$ 706,118	\$ 11,425,722	\$ 15,234,063	\$ 1,620,454	-
Operating expenses	6,832,882	28,615,352	53,285,111	63,811,183	\$ 9,924,040
Other expense (income), net	6,024,213	40,335	(1,206,432)	(3,497,459)	(2,159,512)
Loss from continuing operations	(12,150,977)	(17,229,965)	(36,844,616)	(58,693,270)	(7,764,528)
Loss from continuing operations per share (basic and diluted)	\$ (0.36)	\$ (0.49)	\$(1.00)	\$(1.67)	\$ (0.25)
Weighted average common shares outstanding (basic and diluted)	33,369,913	35,004,561	36,603,854	35,193,208	31,067,059
Cash and cash equivalents	\$ 135,668	\$ 1,624,017	\$ 2,919,548	\$ 62,637,410	\$63,839,270
Working (deficit) capital	(14,889,532)	(13,671,141)	(2,942,555)	59,127,384	61,803,570
Property and equipment – net	22,692	1,381,435	5,845,760	12,881,116	6,085,506
Intangible assets – net	-	59,347	120,748	26,733,541	-
Total assets	605,291	5,122,962	13,841,498	114,511,939	63,806,571
Redeemable preferred stock	14,440,427	13,633,854	-	-	-
Stockholders' (deficiency) equity	(29,023,234)	(25,027,141)	4,561,688	106,524,760	59,318,827

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the accompanying audited financial statements and related footnotes. This document contains, in addition to historical information, forward-looking statements that involve risk and uncertainties. Our actual results could differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this document. See "Item 1 – Business."

Discontinued and Suspended Operations

On September 19, 2000, the Company discontinued its US Equities Business. The Company has discontinued all operations of the equities trading system for the US Equities Business and terminated all communications networks and other related systems that were necessary to support that business. Accordingly, results of this operation have been classified as discontinued operations in the consolidated financial statements and prior periods have been reclassified to conform to this presentation. The discussion of results of operations in this section relates only to the Company's Exchange Solutions Services Business, its only business segment in 2002. The Company expects the process of disposing of the net liabilities of the discontinued business to be completed by

December 31, 2003 as a result of the continuing settlement negotiations with certain companies from which we had previously leased equipment. This disposition includes negotiated payments to be made after December 31, 2003.

In January 2002, the Company effectively suspended development, sales and marketing efforts related to its Exchange Solutions Services Business. As of that date, OptiMark became a company whose primary purpose is to hold the securities of Innovations and to consummate financing and strategic transactions with other parties. OptiMark continues to engage in discussions with third parties in an effort to secure funding for the Exchange Solutions Services Business; however, there can be no assurances that any such transactions will be consummated. OptiMark's VWAP assets utilized in the Vie transaction were part of a general effort to determine ways to utilize OptiMark's technology for trading venues to be owned and operated by OptiMark. OptiMark has suspended development of additional trading venues. At such time that either a third party provides funding or OptiMark can realize a gain in the value of its holdings in Innovations, OptiMark will determine whether to further develop these additional platforms. However, there are no assurances that these transactions will be consummated or that any further development will occur.

Continuation as a Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has realized net losses from operations each year since inception. The Company's current cash and cash equivalents, plus the expected cash flows for 2003, are not expected to be sufficient to meet its 2003 operating and financial commitments. Accordingly, if the Company is unable by the end of May 2003 to raise additional cash either directly or through sale or borrowing against Innovations' holdings of Vie stock, the Company would face the imminent and likely potential for bankruptcy or liquidation. If the Company is forced to declare bankruptcy or pursue liquidation, the value of the Company's assets may not be sufficient to pay its creditors in full and, accordingly, the Company's common and preferred stock would have no value.

Critical Accounting Policies

As a result of the Company's having discontinued its US Equities Business and suspended its Exchange Solutions Services Business, the Company considers the two critical policies described below to be most important to the portrayal of its financial condition and that require the most subjective judgment and, as a result decrease the inherent level of precision in our financial statements.

Reserve Related to Contract Renegotiations and Terminations. At the time we discontinued the US Equities Business, this reserve was recorded to reflect the contingent liability to those companies from which we had previously contracted for leased equipment and related services. The reserve balance is substantially less than the gross claims made by the former suppliers and management must use substantial judgment based on, among other factors, disputing the size of the gross claims based on contractual provisions, asserting counterclaims and affirmative defenses, mitigating the claims through returns or sales of leased equipment and negotiating substantial reductions in the net amounts claimed after mitigation.

Impairment of Property and Equipment. As a result of the Company having discontinued its US Equities Business in September 2000 and having suspended its Exchange Solutions Services Business in January 2002, certain property and equipment is no longer in use and must be considered impaired. Some of these assets may be directly identifiable to the discontinued business; however many others are shared and/or non-specific and careful judgment is required to determine the appropriate impairment reserve.

History of Losses

We have experienced losses each quarter since our inception. Because we have discontinued one business segment and suspended operations in our other business segment, losses will continue for the foreseeable future. As of December 31, 2002, our accumulated deficit was approximately \$375,247,000.

Results of Operations

Year ended December 31, 2002 compared to year ended December 31, 2001

Revenue. Total revenue for the year ended December 31, 2002 was approximately \$706,000 as compared to approximately \$11,426,000 for the year ended December 31, 2001. Of these amounts, approximately \$0 and \$2,818,000 were derived from development services provided to our affiliate, Japan OptiMark Systems, Inc. ("JOS"), for the years ended December 31, 2002 and 2001, respectively. The balance in 2002 was derived from the recognition of revenue previously deferred and from services rendered to Vie. The balance in 2001 was derived from services to The Nasdaq Stock Market, Inc. ("Nasdaq") and the recognition of revenue previously deferred. The reduction in services to JOS resulted from completion of the development phase and initiation of an enhancement and maintenance phase with a lower level of monthly billing. Billings for enhancement and maintenance ceased as of August 31, 2001. The development contract with Nasdaq and the related billings terminated on December 31, 2001.

All of the approximately \$706,000 in revenue that was earned for the twelve months ended December 31, 2002 was from development services. Of the approximately \$11,426,000 in revenue that was earned for the twelve months ended December 31, 2001, \$9,287,000 was from development services, \$2,139,000 was from maintenance and support fees.

Operating Expenses. Operating expenses for the twelve months ended December 31, 2002 totaled approximately \$6,833,000 as compared to approximately \$28,615,000 for the twelve months ended December 31, 2001. The following is a discussion of the decrease as it relates to each of the expense components:

Cost of Sales. Cost of sales includes expenses incurred in order to develop and implement our products. Cost of sales for the twelve months ended December 31, 2002 totaled \$0 as compared to approximately \$6,417,000 for the twelve months ended December 31, 2001. The decrease of \$6,417,000 is due to the absence of revenue generating projects in 2002.

Sales and Marketing. Sales and marketing expense for the twelve months ended December 31, 2002 totaled approximately \$395,000 as compared to approximately \$1,738,000 for the twelve months ended December 31, 2001. The decrease of \$1,343,000 is primarily due to a decrease in personnel related expenses, communication expense, travel and entertainment expense and public relations expenses in connection with the decrease in resources utilized in promoting the company's products and headcount reductions within the marketing department.

Research and Development. Research and development expense totaled approximately \$1,861,000 for the twelve months ended December 31, 2002 as compared to approximately \$5,842,000 for the twelve months ended December 31, 2001. The decrease of \$3,981,000 is primarily due to reduced expenditures to customize and develop OptiMark's proprietary matching technology for use in future applications. The decrease consists primarily of personnel related expenses and communication expense.

General and Administrative. General and administrative expense totaled approximately \$3,213,000 for the twelve months ended December 31, 2002 as compared to approximately \$9,122,000 for the twelve months ended December 31, 2001. The decrease of \$5,909,000 is primarily due to a decrease in the cost of OptiMark's bonus program and decreases in personnel related expenses, corporate insurance expense, professional fees, recruiting expense, communication expense and other general office expenses, offset by an increase in rent expense. The cost of the bonus program was \$0 for the twelve months ended December 31, 2002 and approximately \$2,216,000 for the twelve months ended December 31, 2001.

Depreciation and Amortization. Depreciation and amortization expense totaled approximately \$798,000 for the twelve months ended December 31, 2002 as compared to approximately \$4,035,000 for the twelve months ended December 31, 2001. The decrease of \$3,237,000 is primarily due to the write off of assets deemed permanently impaired during the latter part of 2001 and the first quarter of 2002.

Impairment of Fixed Assets. The Company recorded charges of approximately \$566,000 and \$1,147,000 in 2002 and 2001, respectively, representing an impairment of various property and equipment in its continuing operations for items that no longer provided economic value.

Restructuring Expense. We recorded a restructuring charge of approximately \$316,000 for the twelve months ended December 31, 2001, representing severance costs associated with a workforce reduction of forty employees.

Other Income and Expense. Other income and expense includes interest income on cash and cash equivalents, interest expense on loans and capital leases, loss on equity investment, gain realized by the recovery of an investment previously written off and equity in the loss of an investee. Other expense, net, was approximately \$6,024,000 for the twelve months ended December 31, 2002 as compared to other expense, net, of approximately \$40,000 for the twelve months ended December 31, 2001. The increase of \$5,984,000 is primarily due to the equity in the loss of an investee, OptiMark Innovations, Inc., an increase in interest expense generated by shareholder loans, the financing of insurance policies and the beneficial conversion feature of the loans with certain of the Company's shareholders, loss realized on the partial disposal of an equity investment and a decrease in interest income and the gain on the recovery on an investment realized in 2001.

Year ended December 31, 2001 compared to year ended December 31, 2000

Revenue. Total revenue for the year ended December 31, 2001 was approximately \$11,426,000 as compared to approximately \$15,234,000 for the year ended December 31, 2000. Of these amounts, approximately \$2,818,000 and \$11,684,000 were derived from development services provided to our affiliate, Japan OptiMark Systems, Inc. ("JOS"), for the years ended December 31, 2001 and 2000, respectively. The balance in 2001 was derived from services to The Nasdaq Stock Market, Inc. ("Nasdaq") and the recognition of revenue previously deferred. The reduction in services to JOS resulted from completion of the development phase and initiation of an enhancement and maintenance phase with a lower level of monthly billing. Billings for enhancement and maintenance ceased as of August 31, 2001. The development contract with Nasdaq and the related billings terminated on December 31, 2001.

Of the approximately \$11,426,000 in revenue that was earned for the twelve months ended December 31, 2001, \$9,287,000 was from development services, \$2,139,000 was from maintenance and support fees. Of the approximately \$15,234,000 in revenue that was earned for the twelve months ended December 31, 2000, \$15,033,000 was from development services, \$201,000 was from maintenance and support fees.

Operating Expenses. Operating expenses for the twelve months ended December 31, 2001 totaled approximately \$28,615,000 as compared to approximately \$53,285,000 for the twelve months ended December 31, 2000. The following is a discussion of the decrease as it relates to each of the expense components:

Cost of Sales. Cost of sales includes expenses incurred in order to develop and implement our products. Cost of sales for the twelve months ended December 31, 2001 totaled approximately \$6,417,000 as compared to approximately \$8,256,000 for the twelve months ended December 31, 2000. The decrease of \$1,839,000 was primarily due to the decrease in resources utilized in the JOS project. The decrease consisted of lower personnel related expenses incurred in connection with JOS and equipment lease expense due to the termination of the majority of the Company's operating leases in the third quarter of 2000, offset by increases in warranty expense, communication expense and rent expense allocated to the Nasdaq project.

Sales and Marketing. Sales and marketing expense for the twelve months ended December 31, 2001 totaled approximately \$1,738,000 as compared to approximately \$1,893,000 for the twelve months ended December 31, 2000. The decrease of \$155,000 was attributable to a decrease in costs associated with JOS. The decrease consisted primarily of personnel related expenses and travel and entertainment expenses offset by increases in public relations expenses and communication expense associated with marketing the Company's new product offerings.

Research and Development. Research and development expense totaled approximately \$5,842,000 for the twelve months ended December 31, 2001 compared to approximately \$3,460,000 for the twelve months ended December 31, 2000. The increase of \$2,382,000 was primarily due to expenditures to customize and develop OptiMark's proprietary matching technology for use in future applications. The increase consisted primarily of personnel related expenses.

General and Administrative. General and administrative expense totaled approximately \$9,122,000 for the twelve months ended December 31, 2001 as compared to approximately \$9,601,000 for the twelve months ended December 31, 2000. The decrease of \$479,000 was primarily due to a decrease in professional fees, personnel related expenses, travel and entertainment expenses and other general office expenses offset by an increase in

corporate insurance expense, recruiting expense, communication expense and rent expense. In addition to general and administrative expenses, OptiMark also includes the total cost of its employee bonus program in this cost classification. The cost of this program was approximately \$2,216,000 for the twelve months ended December 31, 2001 and approximately \$2,169,000 for the twelve months ended December 31, 2000.

Depreciation and Amortization. Depreciation and amortization expense totaled approximately \$4,035,000 for the twelve months ended December 31, 2001 as compared to approximately \$3,950,000 for the twelve months ended December 31, 2000. The increase of \$85,000 was primarily due to the Company's decision to identify assets, chiefly computer equipment, previously used in the discontinued business, and redeploy them in the continuing business, offset by the absence in 2001 of amortization from certain non-securities industries rights, which were written off in the fourth quarter of 2000 as well as lower depreciation resulting from certain property and equipment, written off in the second half of 2000.

Impairment of Fixed Assets. The Company recorded charges of approximately \$1,147,000 and \$1,879,000 in 2001 and 2000, respectively, representing an impairment of various property and equipment in its continuing operations for items that no longer provided economic value.

Write-off of Intangible Asset. The Company recorded a charge of \$23,940,000 in 2000 to write off the net book value of an intangible asset. The write off was based on the Company's analysis, which indicated that the asset presented no future economic value.

Restructuring Expense. We recorded a restructuring charge of approximately \$316,000 for the twelve months ended December 31, 2001, representing severance costs associated with a workforce reduction of forty employees. We had taken a restructuring charge of approximately \$292,000 for the twelve months ended December 31, 2000. Included in this amount was approximately \$1,890,000 representing charges associated with the revaluation of employee options, \$750,000 related to a settlement payment to a vendor, approximately \$4,000 related to the write off of security deposits and the remaining approximately \$268,000 included notice period salaries of approximately \$167,000, severance of approximately \$68,000 and vacation pay and other related employee costs of approximately \$33,000. The restructuring charges were reduced by approximately \$2,620,000 from a net reduction in vendor obligations.

Warrant Compensation Expense. We incurred a non-cash warrant compensation expense for the twelve months ended December 31, 2000 of approximately \$15,000. This amount was attributable to certain warrants being charged to expense in accordance with the Emerging Issues Task Force 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with, Selling Goods or Services."

Other Income and Expense. Other income and expense includes interest income on cash and cash equivalents, interest expense on capital leases, corporate insurance vendor financing and stockholder notes, writedown of an investment and gain realized by the recovery of an investment previously written off. Other expense, net, was approximately \$40,000 for the twelve months ended December 31, 2001 as compared to other income, net, of approximately \$1,206,000 for the twelve months ended December 31, 2000. The decrease of \$1,246,000 was due to (a) a reduction in interest bearing deposits over the course of the prior twelve months, (b) payments on capital leases over the same period of time, which reduced the interest portion of current payments (c) interest incurred on financing provided by a vendor in connection with the Company's corporate insurance policy and (d) interest incurred on the stockholder notes. In addition, the Company wrote off its investment in a customer. These were offset by a gain realized by the recovery of an investment written off in a prior year.

Liquidity and Capital Resources

As of December 31, 2002, our principal sources of liquidity consisted of approximately \$136,000 of cash and cash equivalents as compared to approximately \$1,624,000 of cash and cash equivalents as of December 31, 2001.

Net cash used in continuing operating activities was approximately \$5,629,000 and approximately \$11,061,000 for the twelve months ended December 31, 2002 and 2001, respectively. The change in net operating cash flows was attributable to net losses in both periods, partially reduced by non-cash charges including depreciation and amortization, non-cash loan repayment, equity in loss of unconsolidated subsidiary, impairment of fixed assets, non-cash interest expense, loss on equity investment and gain/loss on disposal of assets. The fluctuation between periods was also affected by net changes in working capital.

Net cash provided by investing activities was approximately \$454,000 for the twelve months ended December 31, 2002 and net cash used in investing activities was approximately \$696,000 for the twelve months ended December 31, 2001. The cash provided by investing activities in 2002 primarily consisted of the proceeds received from the sale of assets, chiefly computer equipment. The uses of cash in 2001 for investing activities primarily consisted of the purchase of a mainframe computer as part of a settlement of all amounts owed to a company from which OptiMark had previously leased equipment and the purchase of software licenses.

Net cash provided by financing activities was approximately \$4,231,000 and approximately \$14,161,000 for the twelve months ended December 31, 2002 and 2001, respectively. In 2002, cash was provided from the sale of Series E Preferred Stock and shareholder loans. In 2001, cash was provided from the sale of Series E Preferred Stock, stockholder loans, the recovery of an investment previously written off and the issuance of a minority interest in a subsidiary of the Company. Uses of cash in 2001 consisted of principal payments on capital leases. On June 29, 2001, the obligation to repay the stockholder loans was cancelled in exchange for shares of Series E Preferred Stock.

On March 21, 2002, the Company entered into a loan agreement with certain of its shareholders (SOFTBANK). Under the terms of the agreement, the Company borrowed \$500,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer eight shares of Innovations Common Stock and forty-eight shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the loan agreement with accrued interest payable in cash at maturity.

On April 11, 2002, the Company entered into a second loan agreement with these shareholders. Under this second loan agreement, the Company borrowed \$570,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The second loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer twelve shares of Innovations Common Stock and fifty-four shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the second loan agreement with accrued interest payable in cash at maturity. The value of the securities transferred at the time of repayment for the loan exceeded the value of the loan by \$570,000, which was recorded as a beneficial conversion feature. This amount was charged as interest expense ratably over the life of the loan.

On May 31, 2002, the Company entered into a third loan agreement with these shareholders. Under this third loan agreement, the Company borrowed \$1,650,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The third loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer twenty-eight shares of Innovations Common Stock and one hundred fifty-eight shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the third loan agreement with accrued interest payable in cash at maturity. The value of the securities transferred at the time of repayment for the loan exceeded the value of the loan by \$1,640,000, which was recorded as a beneficial conversion feature. This amount was charged as interest expense ratably over the life of the loan.

On September 17, 2002, the loan the Company executed with these shareholders on March 21, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer eight shares of Innovations' common stock and forty-eight shares of Innovations' Non-Qualified Preferred Stock. The Company recorded a loss of approximately \$945,000 on the exchange, which is included in loss on equity investment on the accompanying statement of operations and other comprehensive loss.

On October 8, 2002, the loan the Company executed with these shareholders on April 11, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer twelve shares of Innovations' common stock and fifty-four shares of Innovations' Non-Qualified Preferred Stock.

On November 27, 2002, the loan the Company executed with these shareholders on May 31, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer twenty-eight shares of Innovations' common stock and one hundred fifty-eight shares of Innovations' Non-Qualified Preferred Stock.

The repayment of the loans resulted in additional paid in capital of \$1,433,150.

On November 27, 2002, the Company entered into a fourth loan agreement with these shareholders. Under this fourth loan agreement, the Company borrowed \$750,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The fourth loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders may require the Company to repay the principal amount of the loan by causing OptiMark to transfer twelve shares of Innovations Common Stock and seventy-two shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the fourth loan agreement with accrued interest payable in cash at maturity. The value of the securities to be given in consideration at the time of repayment for the loan will exceed the value of the loan by \$92,000, which was recorded as a beneficial conversion feature. This amount is being charged as interest expense ratably over the life of the loan.

On December 17, 2002, the lenders and the Company executed a Letter Agreement pursuant to which the lenders will receive three shares of Innovations Common Stock and fifteen shares of Innovations Non-Qualified Preferred Stock in lieu of cash payment of all remaining obligations, including accrued and unpaid interest, the Company owed the lenders under the terms of the first three loan agreements.

On February 6, 2003, the Company entered into a fifth loan agreement with these shareholders. Under this fifth loan agreement, the Company borrowed \$940,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The fifth loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders may require the Company to repay the principal amount of the loan by causing OptiMark to transfer eighty-nine shares of the Non-Qualified Preferred Stock of Innovations and the reduction of the Company's First Call Right by twenty shares subject to adjustment as provided in the fifth loan agreement with accrued interest payable in cash at maturity.

Pursuant to the Innovations Rights Agreement, Holdings and SOFTBANK have certain call and put rights described below. The Independent Committee of the Board has the right commencing October 1, 2002 and exercisable until September 30, 2003, to recommend to the Board that Holdings purchase all, but not less than all, of the SOFTBANK Shares for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings. If the Board of Directors accepts such recommendation, SOFTBANK would be obligated to sell the SOFTBANK shares for that consideration.

Upon the occurrence of a Liquidity Event (defined below) on or before September 30, 2003, the SOFTBANK Shares will be purchased by Holdings for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings. A "Liquidity Event" means any of the following: (i) Innovations' sale, conveyance or other disposition of all or substantially all of its assets; (ii) the acquisition of Innovations by another entity by means of merger or consolidation resulting in the exchange of the outstanding shares of Innovations for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, unless the stockholders of Innovations immediately prior to the consummation of such transaction hold at least 50% of the voting power of the surviving corporation as a result of such transaction; (iii) the consummation by Innovations of a transaction or series of related transactions, including the issuance or sale of voting securities, if the stockholders of Innovations immediately prior to such transaction (or, in the case of a series of transactions, the first of such transactions) hold less than 50% of the voting power of Innovations immediately after the consummation of such transaction (or, in the case of a series of transactions, the last of such transactions); or (iv) any initial underwritten public offering of Innovations Common Stock. Notwithstanding the foregoing, Holdings will not exercise this call option in the event that the Independent Committee recommends that Holdings not purchase the SOFTBANK Shares.

In the event that: (i) the call rights of Holdings described above have not been exercised on or before September 30, 2003, (ii) the Independent Committee no longer exists and (iii) no independent directors serve on the Holdings Board of Directors and, after reasonable good faith efforts by the remaining members of the Holdings Board of Directors, no independent persons qualified to serve on the Holdings Board of Directors have been found or, if found, are not willing to serve on the Holdings Board of Directors, then the Holdings Board of Directors will engage an independent investment banking, accounting or third party valuation firm to evaluate whether or not it is in the best interests of Holdings that it purchase the SOFTBANK Shares. If such third party determines it is in the best interests of Holdings to purchase the SOFTBANK Shares, Holdings will be obligated to purchase such shares on or before December 31, 2003 for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings.

SOFTBANK has the right, commencing on October 1, 2002 and continuing until September 30, 2003, to put all, but not less than all, of the SOFTBANK Shares to Holdings in exchange for 16,667 shares of Series E Preferred Stock of Holdings.

In the event that no put of, or call on, the SOFTBANK Shares has been exercised by October 31, 2003, then commencing on November 1, 2003 and continuing until November 30, 2003, SOFTBANK has the right to require Holdings to purchase all, but not less than all, of the SOFTBANK Shares for 16,667 shares of Series E Preferred Stock of Holdings.

During 2001, the Company raised additional capital and settled certain liabilities through the sale or issuance of its Series E and Series G Preferred Stock. These issuances contained certain provisions and rights for the preferred stockholder that required that they be classified as redeemable stock on our balance sheet. These terms were part of the negotiated provisions of these preferred stock financings.

Factors that may affect future results

The following factors may affect our future results:

WE ARE DEPENDENT ON THE SUCCESS OF VIE AND/OR FUTURE TRANSACTIONS

Holdings, OptiMark and Innovations do not have any revenue generating operations. The business of Equities was discontinued in September 2000. As such, the Company believes that the future value of Holdings' stock will depend principally on the value of the Vie Common Stock held by Innovations or on other transactions that the Company can consummate.

The Company's investment in Vie is subject to additional risks including the risks attendant to Vie's business. Innovations has conducted limited due diligence with respect to Vie's business. Based solely on that limited review, Innovations has no reason to believe that Vie's description of its business is incorrect in any material respect.

There may be additional risks of which we and/or Vie do not currently know or of which are deemed to be immaterial based on the information available. All of these risks may impair business operations.

There are no assurances that the value of the Vie Common Stock will appreciate or other transactions will occur.

The Company continues to attempt to solicit interest from or opportunities with third parties concerning possible additional investments or strategic alliances. However, no binding or definitive arrangements have been reached with any third parties and there can be no assurances that any such transactions will be consummated. OptiMark's VWAP assets utilized in the Vie transaction were part of a general effort to determine ways to utilize OptiMark's technology for trading venues to be owned and operated by OptiMark. OptiMark has suspended development of additional trading venues. At such time that either a third party provides funding or OptiMark can use a gain in the value of its holdings in Innovations, OptiMark will determine whether to further develop these additional platforms. However, there are no assurances that these transactions will be consummated or that any further development will occur.

WE DO NOT HAVE SUFFICIENT WORKING CAPITAL TO CONTINUE AS A GOING CONCERN

The Company's current cash and cash equivalents, plus the expected cash flows for 2003, are not expected to be sufficient to meet its 2003 operating and financial commitments. We will need working capital to fund the relatively limited operations necessary to carry out our duties and obligations as a holding company, including the administration and financial reporting obligations. We currently do not generate any revenues from continuing operations in order to provide this working capital. We will need to raise additional capital to meet our operating requirements. Accordingly, if the Company is unable by the end of May 2003 to raise additional cash either directly or through sale or borrowing against Innovations' holdings of shares of the Vie Common Stock or the Note, the Company would face the imminent and likely potential for bankruptcy or liquidation. If the Company is forced to declare bankruptcy or pursue liquidation, the value of the Company's assets may not be sufficient to pay its creditors in full and, accordingly, the Company's common stock and preferred stock would have no value. The Company will continue to seek additional funding both to support its operation as a holding company as well as its very limited efforts related to potential new product development. While the Company hopes to be able to obtain additional financing for these limited product development activities, continue to borrow money from SOFTBANK or raise capital through the sale or borrowing against the shares of Innovations related to its holdings of shares of the Vie

Common Stock and the Note, the Company may not be able to raise this capital before it runs out of cash. In addition, the Company has pledged a portion of its shares of Capital Stock in Innovations to SOFTBANK as payment for loans that have already been provided. In the event that the Company does not have enough cash to pay the principal and interest on these loans as they come due, the Company's holdings in Innovations would be reduced accordingly. This would reduce the Company's ability to utilize these assets to raise additional capital necessary to ensure continuation as a going concern. There is no assurance that the Company's holdings in Innovations, as represented by Innovations' holdings of shares of the Vie Common Stock, will have any value as collateral for a loan or that could be sold to raise cash at any time or in a time frame that would let the Company continue as a going concern.

If we raise additional funds through the issuance of securities, these securities may have rights, preferences or privileges senior to those of our common stock and existing series of preferred stock, and our stock holders may experience dilution to their equity ownership.

WE DO NOT GENERATE REVENUES FROM CLIENTS

We currently do not have any clients who generate revenues for the Company. We may not seek to re-start the development, sales, and marketing efforts related to our Exchange Solutions Services Business and therefore may not have clients from whom we can generate revenues in the future. As such, there are no assurances that we can generate revenues to support operations.

WORKOUT AND DEBT RESTRUCTURING

We are currently engaged in litigation and/or settlement negotiations with, or may face unasserted claims from, certain large creditors of Equities. The aggregate gross claims of these creditors are approximately \$14,500,000. The Company is attempting to conclude the negotiations in a manner which allows the Company as a whole to continue to pursue its business. The negotiated settlements are attempting to be achieved through a combination of disputing the size of the gross claims based on contractual provisions, asserting counterclaims and affirmative defenses, mitigating the claims through returns or sales of leased equipment, negotiating substantial reductions in the net amounts claimed after mitigation, agreeing on deferred payment of the net claims and converting some of the debt into equity. To the extent that we can and do settle with these creditors, the ability to make payments to them under any settlement agreement would depend upon securing additional financing. There can be no assurance that these negotiations will be successful or that the creditors will not seek to put Equities or the Company into bankruptcy in the near future. A bankruptcy proceeding will materially and negatively affect the ability of the Company to continue operations.

On January 25, 2002, OptiMark Holdings, Inc. and its subsidiaries, OptiMark US Equities, Inc. (f/k/a OptiMark Technologies, Inc.) and OptiMark, Inc. (collectively, "OptiMark Parties"), settled, without any admission of liability, the arbitration captioned International Exchange Networks, Ltd. ("IXNET") against OptiMark Technologies, Inc., OptiMark Holdings, Inc., OptiMark, Inc. and OptiMark US Equities, Inc., (American Arbitration Association Case No. 131170016601). Under the terms of the settlement, the OptiMark Parties agreed to pay IXNET, on or before eleven (11) business days after December 31, 2006, the amount of \$6,000,000. However, if the OptiMark Parties have paid to IXNET (a) \$500,000 immediately upon execution of a settlement agreement (which it did on January 30, 2002), and pay (b) \$1,000,000 on or before December 31, 2003 and (c) \$1,000,000 on or before December 31, 2004, then in that event, IXNET has agreed to accept such payments as full and complete satisfaction of the OptiMark Parties' obligations under the settlement and to forgo and forgive irrevocably any and all other sums due to IXNET under the settlement. The OptiMark Parties currently intends to make payments to IXNET in accordance with this payment schedule. However, our ability to make the two payments of \$1 million dollars on or before December 31, 2003 and 2004, respectively, will depend on the Company securing additional financing or realizing additional value from our current assets.

On March 19, 2003, subject to execution of definitive documentation, we reached a settlement with Finova Capital Corporation ("Finova") in the litigation captioned Finova Capital Corporation v. OptiMark Technologies, Inc. OptiMark, Inc. and OptiMark Holdings, Inc., which is described in "Item 3 – Legal Proceedings." The terms of this settlement provide as follows. We will pay Finova the combined sum of \$1,000,000 in the following manner: a) \$200,000 within thirty (30) days of the execution of the written settlement agreement; b) \$400,000 in January 2004; and c) \$400,000 in June 2004. We will provide Finova with a consent judgment for the outstanding balance due on the lease agreements in dispute - to be used only in the event of a default under the terms of the settlement agreement. The exact amount of the consent judgment shall be agreed to by the parties based upon the amount due

and owing under the subject leases. In consideration of the foregoing, Finova, upon receipt of the first payment of \$200,000, will provide all defendants to the litigation (namely, Optimark U.S. Equities, Inc., Optimark, Inc., Optimark Holdings, Inc., Optimark Innovations, Inc. (plead as OTSH, Inc.) and Vie Financial Group (plead as Ashton Technology Group, Inc.)) a release for all claims arising out of the lease transaction between the parties as well as those additional claims asserted, or those that could have been asserted, by Finova against all defendants in the pending litigation. Additionally, Finova also shall cause a Stipulation of Dismissal, with prejudice, to be filed in the pending action.

Recent Accounting Pronouncements

Management does not believe any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our only exposure to market risk is related to changes in interest rates and foreign currency exchange rates. As of December 31, 2002, we did and do not consider these risks to be material. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those mentioned in Part I above.

Interest Rate Risk. As of December 31, 2002, we had cash and cash equivalents of \$135,668 that consisted of cash and highly liquid short-term investments. These investments may be subject to interest rate risk and would decrease in value if interest rates increased in the marketplace. A hypothetical increase or decrease of 10 percent from market interest rates in effect at December 31, 2002 would have caused the fair value of these short-term investments to change by an immaterial amount. Declines in interest rates over time would, however, reduce our interest income.

Equity Price Risk. As of December 31, 2002, we were not subject to equity price risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the accompanying consolidated financial statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On September 26, 2002, Deloitte & Touche LLP ("D&T") resigned as the independent auditors for the Company. The reports of D&T on the balance sheets of the Company as of December 31, 2001 and 2000 and the related statements of operations, stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they modified as to uncertainty, audit scope or accounting principles, except for disclosures of going concern uncertainties.

In connection with the audits by D&T of the periods described above, and the subsequent interim period through September 26, 2002, there were no disagreements between the Company and D&T on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to D&T's satisfaction, would have caused D&T to make reference to the subject matter of the disagreement(s) in connection with its reports.

The Company has selected Goldstein Golub Kessler LLP as independent auditors for the year ending December 31, 2002. The decision to change independent auditors and the selection of Goldstein Golub Kessler LLP as independent auditors for the year ending December 31, 2002 was approved by the Board of Directors.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following list sets forth certain biographical information concerning the Board of Directors of OptiMark Holdings, Inc. ("OptiMark" or the "Company") as of December 31, 2002.

WILLIAM A. LUPIEN (61), Chairman of the Board of Directors since 2000. Mr. Lupien was the founder and co-inventor of the OptiMark matching engine technology. Mr. Lupien has served as Chairman of the Board of Directors of OptiMark Technologies, Inc. and its predecessor, MJT Holdings, Inc., since its formation in 1988. From inception through November 1998, Mr. Lupien served as the Chief Executive Officer of OptiMark Technologies, Inc. Mr. Lupien also serves as a Director of Broker Tec Futures Exchange, L.L.C. Mr. Lupien received his Bachelor of Science degree from San Diego State University.

RONALD D. FISHER (55), Director since November 1999. Mr. Fisher is the Vice Chairman of SOFTBANK Holdings Inc. and a Managing Partner of SOFTBANK Capital Partners. Mr. Fisher also serves as a member of the boards of directors of SOFTBANK Corp., E*Trade Group, InsWeb Corporation, GSI Commerce, Key3Media and Vie Financial Group. Mr. Fisher received his M.B.A. from Columbia University, New York and Bachelor of Commerce degree from the University of Witwatersand in South Africa.

ROBERT J. WARSHAW (49), Chief Executive Officer since March 2001. Mr. Warshaw also serves as Chief Executive Officer of OptiMark, Inc. Mr. Warshaw previously served as Co-Chief Executive Officer, Executive Vice President and Chief Technology Officer of OptiMark, Inc. From November 1999 to June 2000, Mr. Warshaw served as Executive Vice President and Chief Technology Officer of OptiMark Technologies, Inc. From October 1993 to October 1999, Mr. Warshaw was Chief Information Officer at Lazard Frères & Co. LLC., an international investment banking firm. Mr. Warshaw received his bachelor's degree in English from the University of Pennsylvania and a Masters in Management from Northwestern University's Kellogg School of Management.

The executive officers serve at the discretion of the Board of Directors. The following table sets forth certain information concerning the executive officers of the Company as of December 31, 2002 (none of whom has a family relationship with another executive officer).

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert J. Warshaw	49	President, Chief Executive Officer and Director
Matthew L. Morgan	31	Secretary

Information regarding the business experience of Mr. Warshaw is set forth above.

MATTHEW L. MORGAN (31), Controller and Corporate Secretary since July 10, 2002. Prior to joining OptiMark, Mr. Morgan was an auditor with Deloitte and Touche LLP from 1998 to 2000 and Richard A. Eisner LLP from 1997 to 1998. While at these firms, Mr. Morgan concentrated on the technology and service-related industries. Mr. Morgan has an undergraduate degree from the City University of New York, Queens College and is a certified public accountant.

Section 16(a) Beneficial Ownership Reporting Compliance

The Company's executive officers, directors and ten percent shareholders are required under Section 16(a) of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the Commission. Copies of these reports must also be furnished to the Company. Based upon its review of copies of such reports furnished to the Company through the date hereof, or written representations that no reports were required to be filed, the Company believes that during the year ended December 31, 2002, all filing requirements applicable to its officers, directors and ten percent shareholders were complied within a timely manner, with the exception of one Form 4 for Mr. William A. Lupien and one Form 4 for Ronald D. Fisher, which were not filed in a timely manner.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors

Upon initial election to the Board of Directors, each non-employee Director was granted an option to purchase 50,000 shares of common stock, par value \$.01 per share (the "Common Stock"), pursuant to the OptiMark Holdings, Inc. 1999 Stock Plan (the "Common Stock Plan"). In addition, on the first business day following each annual meeting of OptiMark's shareholders, each non-employee Director was granted an option to purchase 10,000 shares of Common Stock pursuant to the Common Stock Plan. Options granted under the Common Stock Plan to non-employee Directors vest ratably over five years, subject to continuing service on the Board of Directors, and have a term of ten years.

In November 2001, the Company adopted OptiMark Holdings, Inc. 2001 Series F Preferred Stock Plan (the "Series F Stock Plan") pursuant to which certain individuals would receive grants of options to purchase Series F Preferred Stock. Following the adoption of the Series F Stock Plan in November 2001, no further options have been or will be granted to non-employee Directors under the Common Stock Plan. In November 2001, each current non-employee Director (Messrs. Fisher, Lupien and Riese) was granted an option to purchase 25,000 shares of Series F Preferred Stock pursuant to the Series F Stock Plan, which vested immediately following stockholder approval of the Series F Stock Plan and has a term of ten years. Thereafter, upon initial election to the Board of Directors and on the first business day following each annual meeting of OptiMark's shareholders, each non-employee Director will be granted an option to purchase 10,000 shares of Series F Preferred Stock pursuant to the Series F Stock Plan. Options granted under the Series F Stock Plan to non-employee Directors in accordance with the preceding sentence shall fully vest on the first anniversary of the date of grant, subject to continuing service on the Board of Directors, and have a term of ten years. In addition, each non-employee Director shall have one year from resignation or expiration of his term as a Director to exercise vested options granted under the Series F Stock Plan.

Directors do not receive cash compensation for service as members of the Board of Directors or committees thereof. All Directors are reimbursed for out-of-pocket expenses.

Executive Summary Compensation Table

The following table provides a summary of compensation earned by the named executive officers of the Company, which include the Company's Chief Executive Officer and the other former executives whose total salary and bonus for 2002 exceeded \$100,000, for services rendered in all capacities to the Company and its subsidiaries for each of the last three fiscal years:

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Annual Compensation</u>			<u>Long Term Compensation Awards</u> <u>Securities Underlying Options</u> <u>(#)</u>
		<u>Salary</u> <u>(\$)</u>	<u>Bonus</u> <u>(\$)</u>	<u>Other Compensation</u> <u>(\$)</u>	
Robert J. Warshaw Chief Executive Officer	2002	250,000	325,000	—	—
	2001	257,291	175,000	—	1,950,000 ⁽¹⁾
	2000	225,000	175,000	—	250,000 ^(2,3)
Matthew L. Morgan Secretary & Controller	2002	127,000	—	—	—
	2001	104,374	8,063	—	30,000 ⁽¹⁾
	2000	48,747	—	—	25,000 ^(2,3)
Neil G. Cohen Former Secretary & General Counsel ⁽⁴⁾	2002	92,948	50,000	—	—
	2001	200,000	38,374	—	185,000 ⁽¹⁾
	2000	162,500	21,875	—	55,000 ^(2,3)

- (1) Options to purchase shares of Series F Preferred Stock.
- (2) Options to purchase shares of Common Stock.
- (3) All outstanding options on Common Stock of Executive Officer were repriced to an exercise price of \$0.50 per share in December 2000 upon the execution of Amendment No. 1 to Stock Option Agreements.
- (4) Mr. Cohen resigned as Secretary and General Counsel effective May 31, 2002.

Option Grants

During fiscal year 2002 there were no options granted to any of the Company's executive officers.

Fiscal 2002 Year End Option Values

No options were exercised during fiscal year 2002 by the named executive officers. The following table describes the named executive officers' exercisable and unexercisable options held as of December 31, 2002. The "Value of Unexercised In-the-Money Options at Fiscal Year End" is the value as of December 31, 2002, in each case as determined by the Board of Directors, less the exercise price. All options were granted under either the Series F Stock Plan or the Common Stock Plan as indicated.

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Fiscal Year End (\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Robert J. Warshaw	853,125 ⁽¹⁾	1,096,875	-0-	-0-
	460,000 ⁽²⁾	290,000	-0-	-0-
Matthew L. Morgan	13,125 ⁽¹⁾	16,875	-0-	-0-
	10,000 ⁽²⁾	15,000	-0-	-0-
Neil G. Cohen	92,500 ⁽¹⁾	185,000	-0-	-0-
	34,000 ⁽²⁾	41,000	-0-	-0-

- (1) Options to purchase shares of Series F Preferred Stock.
- (2) Options to purchase Common Stock.

Repricing Discussion

On September 19, 2000, the Company's Board of Directors authorized a repricing of options on Common Stock. The repricing reduced the exercise price of all outstanding options on Common Stock that had been granted to those employees, officers, and directors who remained with the Company after that date from exercise prices ranging from \$1.50-\$14.00 per share to \$0.50 per share.

The options on Common Stock were intended to provide incentives for option holders to continue as employees, officers, and directors of the Company based on the potential for appreciation of the stock price of the Company to a level in excess of the exercise price of the options. The Board of Directors determined that the fair market value as of September 19, 2000 of a share of Common Stock of the Company was \$0.50 per share, which was significantly below the prices at which options on Common Stock had originally been granted. The Board of Directors further determined that the fair market value caused the stock options to lose much of their intended motivating effect on employees, officers, and directors. The repricing was intended to reinstate the original intent of the options on Common Stock.

Options to purchase 500,000 shares of Common Stock at an exercise price of \$12.00 per share and options to purchase 250,000 shares of Common Stock at an exercise price of \$10.00 per share held by Mr. Warshaw were repriced to an exercise price of \$0.50 per share and have remaining terms of one year and two years, respectively.

Management Contracts

On August 16, 2001, OptiMark entered into a written employment agreement with Robert J. Warshaw that replaced an earlier oral agreement reached on September 19, 2000. On August 8, 2002, OptiMark amended the agreement dated August 16, 2001. Under the terms of the amended agreement, Mr. Warshaw retained the position of Chief Executive Officer of the Company, received a base salary of \$250,000 per year, and was granted a bonus in the amount of \$200,000, which was to be paid bi-monthly through August, 2003. In addition, the amendment provided Mr. Warshaw with the right to receive a bonus in the amount of \$45,000 upon execution of the agreement and a bonus in the amount of \$80,000 upon the employment of a full-time Chief Executive Officer of Vie. These bonus amounts were paid in full by December 16, 2002. On January 31, 2003, OptiMark further amended the agreement dated August 16, 2001 to change Mr. Warshaw's employment status to part-time as of January 15, 2003. Mr. Warshaw retains the position of Chief Executive Officer and will work the equivalent of one day per week. Under the terms of the agreement, Mr. Warshaw is to receive \$125,000 in cash and make himself available for service to the Company for ten days from February 1, 2003 to March 31, 2003. After the tenth day of service during this period, Mr. Warshaw is entitled to receive \$2,000 per day. Commencing April 1, 2003, Mr. Warshaw will receive a salary \$2,000 per week and will receive \$2,000 per day if he works more than one day in any given week. Under the terms of the agreement, the Company will pay for the continued coverage of Mr. Warshaw and each of his dependents in the Company's medical, dental, vision and hospitalization programs until December 31, 2003.

The Company, on May 31, 2002, made a loan to Mr. Warshaw in the amount of \$45,000. The principal and accrued interest (at 6% per annum) on such loan is due and payable on May 31, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth, as of December 31, 2002, certain information regarding the beneficial ownership of the Common Stock, Series A Convertible Participating Preferred Stock, \$.01 par value (the "Series A Preferred Stock"), Series B Convertible Participating Preferred Stock, \$.01 par value (the "Series B Preferred Stock"), Series C Convertible Preferred Stock, \$.01 par value (the "Series C Preferred Stock"), Series D Convertible Preferred Stock, \$.01 par value (the "Series D Preferred Stock"), the Series E Preferred Stock and the Series G Preferred Stock (collectively, the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock and the Series G Preferred Stock are referred to herein as the "Preferred Stock") for (i) each of the Company's executive officers named in the Executive Summary Compensation Table in Item 11; (ii) each current Director of the Company; (iii) each person who is known to the Company to own beneficially more than 5% of the voting securities of the Company of any class; and (iv) all executive officers and Directors of the Company as a group. Such information is based, in part, upon the information provided by certain shareholders of the Company. In the case of persons other than executive officers and Directors of the Company, such information is based solely on an internal review of the Company's files, the filings made by such shareholders pursuant to the Exchange Act and information received from the Company's transfer agent.

Except as indicated in the footnotes to these tables, all persons listed have sole voting and investment power for all shares shown as beneficially owned. With respect to each series of Preferred Stock, only those executive officers and Directors who beneficially own shares of that series are named in the tables. Unless otherwise indicated, the address of each person named in the following tables is c/o OptiMark Holdings, Inc., 10 Exchange Place, 24th Floor, Jersey City, New Jersey 07302.

COMMON STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent</u>
The Nasdaq Stock Market, Inc.	11,250,000 ⁽¹⁾	25.6
Ronald D. Fisher	8,270,000 ⁽²⁾	20.2
SOFTBANK Affiliates	8,250,000 ⁽²⁾	20.2
William A. Lupien	5,624,914 ⁽³⁾	17.2
Dow Jones & Company, Inc.	5,459,592 ⁽⁴⁾	15.3
Richard W. Jones	4,767,427 ⁽⁵⁾	14.6
American Century Companies, Inc.	2,800,000 ⁽⁶⁾	8.4
Robert J. Warshaw	460,000 ⁽⁷⁾	1.4
Neil G. Cohen	34,000 ⁽⁸⁾	*
Matthew L. Morgan	10,000 ⁽⁹⁾	*
All current directors and executive officers as a group (4 persons)	14,364,914 ⁽¹⁰⁾	34.7

* Less than one percent

(1) Represents shares of Common Stock issuable on exercise of warrants exercisable within 60 days of December 31, 2002. The address of The Nasdaq Stock Market, Inc. is 1735 K Street, N.W., Washington, D.C. 20006.

(2) Represents 4,101,264, 4,030,761, and 117,975 shares of Common Stock issuable currently on conversion of 4,101,264, 4,030,761, and 117,975 shares of Series C Preferred Stock held by SOFTBANK Capital Partners L.P. ("SOFTBANK Partners"), SOFTBANK Capital L.P. ("SOFTBANK Capital") and SOFTBANK Capital Advisors Fund L.P. ("SOFTBANK Advisors"), respectively. SOFTBANK Partners, SOFTBANK Capital and SOFTBANK Advisors are referred to collectively herein as the "SOFTBANK Affiliates." In addition, Mr. Fisher's amount includes 20,000 shares of Common Stock which could be acquired upon exercise of options within 60 days of December 31, 2002 held by him. Mr. Fisher, a Director of the Company, is a managing director of the general partner of each of the SOFTBANK Affiliates. Mr. Fisher disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest. The address of the SOFTBANK Affiliates is 1188 Centre Street, Newton Center, MA 02459.

(3) Includes 4,725,676 shares held jointly by Mr. Lupien and his spouse, 792,400 shares held by a family partnership controlled by Mr. Lupien and 52,419 shares held by Mr. Lupien's spouse. Mr. Lupien disclaims beneficial ownership of the shares held by his spouse.

(4) Includes 3,157,028 shares of Common Stock issuable currently on conversion of 789,257 shares of Series A Preferred Stock. The address of Dow Jones & Company, Inc. is 200 Liberty Street, New York, NY 10281.

(5) Includes 3,772,047 shares held by a trust of which Mr. Jones is the trustee and 90,004 shares held in an IRA of which Mr. Jones is the beneficiary. Mr. Jones' term as a Director of the Company expired on May 21, 2001. The address of Mr. Jones is 442 S. Marengo Avenue, Pasadena, CA 91101.

(6) Includes 740,000 shares of Common Stock issuable currently on conversion of 740,000 shares of non-voting Common Stock. The address of American Century Companies, Inc. is 4500 Main Street, Kansas City, MO 64141.

(7) Represents 460,000 shares of Common Stock issuable on exercise of options exercisable within 60 days of December 31, 2002.

(8) Represents 34,000 shares of Common Stock issuable on exercise of options exercisable within 60 days of December 31, 2002.

(9) Represents 10,000 shares of Common Stock issuable on exercise of options exercisable within 60 days of December 31, 2002.

(10) Includes 524,000 shares of Common Stock issuable upon exercise of options exercisable within 60 days of December 31, 2002.

SERIES A CONVERTIBLE PARTICIPATING PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of</u>	<u>Percent</u>
	<u>Shares</u>	
Alice L. Walton	136,426 ⁽¹⁾	14.7
Dow Jones & Company, Inc.	789,257	85.3

(1) The address of Alice L. Walton is 10587 Highway 281, South Mineral Wells, TX 76067.

SERIES B CONVERTIBLE PARTICIPATING PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of</u>	<u>Percent</u>
	<u>Shares</u>	
Merrill Lynch affiliates	1,500,000 ⁽¹⁾	17.5
PaineWebber Capital, Inc.	1,060,000 ⁽²⁾	12.4
Credit Suisse First Boston	1,000,000 ⁽³⁾	11.7
The Goldman Sachs Group, Inc.	1,000,000 ⁽⁴⁾	11.7
CIBC Wood Gundy Capital Corp.	850,000 ⁽⁵⁾	10.0
Nihon Keizai Shimbun, Inc.	800,000 ⁽⁶⁾	9.3
Bankers Trust Investment Partners	500,000 ⁽⁷⁾	5.8

(1) Represents 750,000 shares held by ML IBK Positions, Inc., 562,500 shares held by Merrill Lynch KECALP L.P. 1997 and 187,500 shares held by Merrill Lynch KECALP International L.P. 1997. The address of the Merrill Lynch entities is 250 Vesey Street, 5th Floor, New York, NY 10281.

(2) The address of PaineWebber Capital, Inc., is 1285 Avenue of the Americas, 14th Floor, New York, NY 10019.

(3) The address of Credit Suisse First Boston is c/o OptiMark Investors, Inc. 11 Madison Avenue, 3rd Floor, New York, NY 10004.

(4) The address of The Goldman Sachs Group, Inc. is 85 Broad Street, 12th Floor, New York, NY 10004.

(5) The address of CIBC Wood Gundy Capital Corp. is 425 Lexington Avenue, 9th Floor, New York, NY 10017.

(6) The address of Nihon Keizai Shimbun, Inc. is 9-5, Ohtemachi 1-chome, Chiyoda-ku Tokyo 100-0004, Japan.

(7) The address of Bankers Trust Investment Partners is 130 Liberty Street, 24th Floor, New York, New York 10006.

SERIES C CONVERTIBLE PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent</u>
SOFTBANK Affiliates	8,250,000 ⁽¹⁾	100
Ronald D. Fisher	8,250,000 ⁽¹⁾	100
All directors and executive officers as a group (1 person)	8,250,000	100

(1) Represents 4,101,264, 4,030,761, and 117,975 shares held by SOFTBANK Partners, SOFTBANK Capital and SOFTBANK Advisors, respectively. Each share of Series C Preferred Stock is convertible into one share of Common Stock. Mr. Fisher, a Director of the Company, is a managing director of the general partner of each of these SOFTBANK Affiliates. Mr. Fisher disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest.

SERIES D CONVERTIBLE PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent</u>
BancBoston Capital	250,000 ⁽¹⁾	100

(1) Represents shares held by BancBoston Capital Inc., whose address is 175 Federal Street, Boston, MA 02110.

SERIES E CUMULATIVE PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent</u>
SOFTBANK Affiliates	973,333 ⁽¹⁾	99.0
Ronald D. Fisher	973,333 ⁽¹⁾	99.0
All directors and executive officers as a group (1 person)	983,333	100.0

(1) Represents 486,647 shares held by SOFTBANK Partners, 478,286 shares held by SOFTBANK Capital and 8,400 shares held by SOFTBANK Advisors. Ronald D. Fisher, a Director of the Company, is a managing director of the general partner of each of the SOFTBANK Affiliates. Mr. Fisher disclaims beneficial ownership of these shares, except to the extent of his pecuniary interest.

SERIES G PREFERRED STOCK

<u>Name and Address of Beneficial Owners</u>	<u>Number of Shares</u>	<u>Percent</u>
Transamerica Technology Finance Co.	249,330 ⁽¹⁾	83.1
Linc Equipment Receivables Trust 1999-1	20,820 ⁽²⁾	6.9
Diamond Lease (U.S.A.), Inc.	17,040 ⁽³⁾	5.7

(1) Represents shares held by Transamerica Technology Finance Co., whose address is 76 Batterson Park Road, Farmington, CT 06032.

(2) Represents shares held by Linc Equipment Receivables Trust 1999-1, whose address is c/o Cash Recovery LLC, 180 N. LaSalle #3120, Chicago, IL 60601.

(3) Represents shares held by Diamond Lease (U.S.A.), Inc., whose address is 350 5th Ave., Empire State Building, Suite 616, New York, NY 10118.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On June 29, 2001, OptiMark and the SOFTBANK Affiliates entered into a Preferred Stock Purchase Agreement whereby the SOFTBANK Affiliates agreed to purchase up to an aggregate of 1,000,000 shares of Series E Preferred Stock at a price of \$15.00 per share (as amended on August 16, 2001 and November 16, 2001, the “Series E Preferred Stock Purchase Agreement”). The purchase of shares took place at approximately one-month intervals from June 2001 through January 2002. The SOFTBANK Affiliates purchased 983,333 shares of Series E Preferred Stock for an aggregate amount of approximately \$14,750,000.

On December 31, 2001, OptiMark, Inc. received 200 shares of Innovations Common Stock in exchange for a cash payment of \$500,000 and 2,000 shares of Innovations Preferred Stock, in exchange for the transfer to Innovations of the Assets. The stated value of the Innovations Preferred Stock was the result of the evaluation by the board of directors of Innovations of the value of the Assets based, in part, upon preliminary discussions with independent parties regarding a \$10,000,000 investment for a one-third interest in Innovations. The SOFTBANK Affiliates received 100 shares of Innovations Common Stock for \$250,000 cash. Simultaneously, the SOFTBANK Affiliates’ remaining obligation to purchase shares of Series E Preferred Stock from OptiMark pursuant to the Series E Preferred Stock Purchase Agreement was reduced by \$250,000. Upon completion of the transaction, Innovations’ aggregate assets consisted of the Assets and \$750,000 in cash.

The Company and the SOFTBANK Affiliates agreed to certain put and call rights applicable to the SOFTBANK Shares as more fully described in “Item 1 - Business.”

On April 30, 2002, Draper purchased 150 shares of the Innovations Common Stock for an aggregate cash purchase price of \$375,000. On May 3, 2002, Draper purchased 963 shares of the Innovations Series B Preferred Stock for an aggregate cash purchase price of \$9,630,000.

During fiscal year 2002, SOFTBANK loaned the Company an aggregate of \$3,470,000. These lending transactions are more fully described under “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources.”

ITEM 14. CONTROLS AND PROCEDURES

(a) Within 90 days prior to the date of the filing of this report, our principal financial and accounting officer reviewed and evaluated the effectiveness of the design and operations of our disclosure controls and procedures, with the participation of our management. Based on his evaluation, he concluded that our disclosure controls and procedures are effective and sufficient to ensure that we record, process, summarize and timely report information required to be disclosed by the Company under the Securities Exchange Act of 1934.

(b) There have not been any significant changes in our internal controls or in other factors that could significantly affect these controls, including any corrective actions with regard to significant deficiencies and material weaknesses subsequent to the date of our most recent evaluation of our internal controls. Internal controls and procedures are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. FINANCIAL STATEMENTS

Consolidated Financial Statements and Financial Statement Schedules are contained in the financial statements and accompanying notes.

2. REPORTS ON FORM 8-K

The Company filed a Current Report on Form 8-K on October 3, 2002, reporting the resignation of Deloitte and Touche LLP as the Company's auditors and the selection of Goldstein Golub Kessler LLP as auditors for the year ending December 31, 2002 under Item 4.

3. EXHIBITS

The exhibits listed on the accompanying index to exhibits immediately following are filed as part of, or incorporated by reference into, this Form 10-K and are numbered in accordance with the Exhibit Table of Item 601 of regulation S-K:

EXHIBIT NO. -----	DESCRIPTION -----
2.1	Agreement and Plan of Merger dated June 12, 2000 (incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form 10/A-1 (No. 000-30527)).
2.2	Subscription Agreement dated December 31, 2001 between SOFTBANK Capital Partners LP, SOFTBANK Capital LP, SOFTBANK Capital Advisors Fund LP and OptiMark Innovations Inc. (f/k/a OTSH, Inc.) (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K dated December 31, 2001 (Commission File No. 000-30527)).
2.3	Subscription Agreement dated December 31, 2001 between OptiMark, Inc. and OptiMark Innovations Inc. (f/k/a OTSH, Inc.) (incorporated by reference to Exhibit 2.2 to Registrant's Current Report on Form 8-K dated December 31, 2001 (Commission File No. 000-30527)).
2.4	Investors' Rights Agreement dated December 31, 2001 by and among OptiMark Innovations Inc. (f/k/a OTSH, Inc.), OptiMark Holdings, Inc., OptiMark, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (incorporated by reference to Exhibit 2.3 to Registrant's Current Report on Form 8-K dated December 31, 2001 (Commission File No. 000-30527)).
2.5	Novation to Series E Preferred Stock Purchase Agreement dated as of June 29, 2001 (as amended on August 16, 2001 and November 16, 2001), dated December 31, 2001, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (incorporated by reference to Exhibit 2.4 to Registrant's Current Report on Form 8-K dated December 31, 2001 (Commission File No. 000-30527)).
2.6	Securities Purchase Agreement, dated as of February 4, 2002, by and between The Ashton Technology Group, Inc. and OptiMark Innovations Inc. (f/k/a OTSH, Inc.) (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K dated February 4, 2002 (Commission File No. 000-30527)).
2.7	Amendment No. 1 to Securities Purchase Agreement, dated as of March 6, 2002, by and between The Ashton Technology Group, Inc. and OptiMark Innovations Inc. (f/k/a OTSH, Inc.) (incorporated by reference to Exhibit 2.2 to Registrant's Current Report on Form 8-K filed May 23, 2002 (Commission File No. 000-30527)).

- 2.8 Amendment No. 2 to Securities Purchase Agreement, dated as of May 3, 2002, by and between The Ashton Technology Group, Inc. and OptiMark Innovations Inc. (f/k/a OTSH, Inc.) (incorporated by reference to Exhibit 2.3 to Registrant's Current Report on Form 8-K filed May 23, 2002 (Commission File No. 000-30527)).
- 3.1 Certificate of Incorporation of OptiMark Holdings, Inc. as amended to December 14, 2001 (incorporated by reference to Exhibit 3(i) to Registrant's Current Report on Form 8-K dated December 20, 2001 (Commission File No. 000-300527)).
- 3.2 By-Laws of OptiMark Holdings, Inc. (incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form 10/A-1 (No. 000-30527)).
- 4.1 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.2 Specimen Preferred Stock Certificate (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.3 Series A Preferred Stock Purchase Agreement, dated August 27, 1996, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.3 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.4 Registration Rights Agreement, dated August 27, 1996, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.4 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.5 Amendment to Stock Purchase Agreement and Registration Rights Agreement, dated March 19, 1997, by and among OptiMark and the parties named there in (incorporated by reference to Exhibit 4.5 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.6 Amendment to Stock Purchase Agreement, Stockholders Agreement and Registration Rights Agreement, dated May 29, 1997, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.6 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.7 Amendment to Series A Registration Rights Agreement, dated January 1999, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.7 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.8 Series B Preferred Stock Purchase Agreement, dated December 22, 1998, by and among OptiMark and parties named therein (incorporated by reference to Exhibit 4.8 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.9 Registration Rights Agreement, dated April 23, 1998, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.9 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.10 Series C Preferred Stock Purchase Agreement, dated June 11, 1999, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.10 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.11 Registration Rights Agreement, dated July 26, 1999, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.11 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.12 Series D Preferred Stock Purchase Agreement, dated July 30, 1999, by and between OptiMark and BancBoston Capital Inc. (incorporated by reference to Exhibit 4.12 to Registrant's Registration Statement on Form 10 (No. 000-30527)).

- 4.13 Registration Rights Agreement dated, July 30, 1999, by and between OptiMark and BancBoston Capital Inc. (incorporated by reference to Exhibit 4.13 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.14 Registration Rights Agreement, dated September 19, 1998, by and between OptiMark and The NASDAQ Stock Market, Inc. (incorporated by reference to Exhibit 4.14 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.15 Amended and Restated Stockholders Agreement, dated April 23, 1998, by and among OptiMark and the parties named therein (incorporated by reference to Exhibit 4.15 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 4.16 Series E Preferred Stock Purchase Agreement, dated as of June 29, 2001, by and among OptiMark Holdings, Inc. and the entities set forth in the Schedule of Purchasers thereto (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2001 (Commission File No. 000-30527)).
- 4.17 Registration Rights Agreement, dated as of June 29, 2001, by and among OptiMark Holdings, Inc. and the holders of Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2001 (Commission File No. 000-30527)).
- 4.18 Amendment to the Series E Preferred Stock Purchase Agreement, dated as of August 16, 2001, by and among OptiMark Holdings, Inc. and the entities set forth in the Schedule of Purchasers thereto (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001 (Commission File No. 000-30527)).
- 4.19 Amendment to the Registration Rights Agreement, dated as of August 16, 2001, by and among OptiMark Holdings, Inc. and the holders of Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001 (Commission File No. 000-30527)).
- 4.20 Loan Agreement, dated as of March 21, 2002, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.21 Promissory Note, dated March 21, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital Partners LP in the principal amount of \$249,990 (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.22 Promissory Note, dated March 21, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital LP in the principal amount of \$245,695 (incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.23 Promissory Note, dated March 21, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital Advisors Fund LP in the principal amount of \$4,315 (incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.24 Loan Agreement, dated as of April 11, 2002, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (incorporated by reference to Exhibit 4.5 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.25 Promissory Note, dated April 11, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital Partners LP in the principal amount of \$284,989 (incorporated by reference to Exhibit 4.6

to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).

- 4.26 Promissory Note, dated April 11, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital LP in the principal amount of \$280,092 (incorporated by reference to Exhibit 4.7 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.27 Promissory Note, dated April 11, 2002, of OptiMark Holdings, Inc. in favor of SOFTBANK Capital Advisors Fund LP in the principal amount of \$4,919 (incorporated by reference to Exhibit 4.8 to Registrant's Current Report on Form 8-K filed April 30, 2002 (Commission File No. 000-30527)).
- 4.28 Investors' Rights Agreement, dated as of May 3, 2002, by and between The Ashton Technology Group, Inc. and OptiMark Innovations Inc. (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed May 23, 2002 (Commission File No. 000-30527)).
- 4.29 Amended and Restated Investors' Rights Agreement, dated May 3, 2002, by and between OptiMark Innovations Inc., Draper Fisher Jurvetson ePlanet Ventures, L.P., Draper Fisher Jurvetson ePlanet Partners Fund, L.L.C., Draper Fisher Jurvetson ePlanet Ventures GmbH & Co. KG, SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP (incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed May 23, 2002 (Commission File No. 000-30527)).
- 4.30 Senior Secured Convertible Note of The Ashton Technology Group, Inc. in favor of OptiMark Innovations Inc., dated May 3, 2002 (incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed May 23, 2002 (Commission File No. 000-30527)).
- 4.31 Loan Agreement, dated as of November 27, 2002, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP with respect to loan of \$750,000 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 filed December 19, 2002 (Commission File No. 000-30527)).
- 4.32 Loan Agreement, dated as of May 31, 2002, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP with respect to loan of \$1,650,000.
- 4.33 Loan Agreement, dated as of February 3, 2003, by and among OptiMark Holdings, Inc., SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors Fund LP with respect to \$940,000 loan (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 12, 2003 (Commission File No. 000-30527)).
- 4.34 Promissory Note from Robert J. Warshaw to OptiMark, Inc. dated May 31, 2002, in the principal amount of \$45,000.
- 10.1 OptiMark 1999 Stock Plan (adopted November 29, 1999) (incorporated by reference to Exhibit 10.5(a) to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.2 Amendment No. 1 to OptiMark 1999 Stock Plan (incorporated by reference to Exhibit 10.5(b) to Registrant's Registration Statement on Form 10/A-1 (No. 000-30527)).
- 10.3 Amendment No. 2 to OptiMark 1999 Stock Plan (incorporated by reference to Exhibit 10.5(c) to Registrant's Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 000-30527)).
- 10.4 OptiMark Stock Option Plan (Amended & Restated January 27, 1999) (incorporated by reference to Exhibit 10.6 to Registrant's Registration Statement on Form 10 (No. 000-30527)).

- 10.5 Form of Stock Option Agreement (1999 Stock Plan) (incorporated by reference to Exhibit 10.7 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.6 Form of Stock Option Agreement (Amended and Restated Stock Option Plan) (incorporated by reference to Exhibit 10.8 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.7 Form of Amendment No. 1 to Stock Option Agreements (incorporated by reference to Exhibit 10.8(b) to Registrant's Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 000-30527)).
- 10.8 Form of Non-Employee Director Option Agreement(incorporated by reference to Exhibit 10.9 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.9 Employment, Trade Secret and Non-Competition Agreement, dated August 27, 1996, by and between OptiMark and William A. Lupien (incorporated by reference to Exhibit 10.11 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.10 Severance Agreement dated January 5, 2001 by and between John T. Rickard and OptiMark, Inc. (incorporated by reference to Exhibit 10.12(b) to Registrant's Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 000-30527)).
- 10.11 Consulting Agreement dated January 15, 2001 by and among Orincon Industries, Inc., John T. Rickard and OptiMark, Inc. (incorporated by reference to Exhibit 10.12(c) to Registrant's Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 000-30527)).
- 10.12 Restricted Stock Purchase Agreement, dated December 1, 1998, by and between OptiMark and Phillip J. Riese (incorporated by reference to Exhibit 10.14 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.13 Stock Purchase Agreement, dated December 18, 1998, by and between OptiMark and Phillip J. Riese (incorporated by reference to Exhibit 10.15 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.14+ Services Agreement, dated January 1, 1999, by and between OptiMark and ISM Information Systems Management Corporation (incorporated by reference to Exhibit 10.18 to Registrant's Registration Statement on Form 10/A-1 (No. 000-30527)).
- 10.15+ OptiMark/IBM Ops Agreement, dated February 2, 1999, by and between OptiMark and the parties named therein (incorporated by reference to Exhibit 10.19 to Registrant's Registration Statement on Form 10/A-1 (No. 000-30527)).
- 10.16 License Termination Agreement, dated March 19, 1999, by and between OptiMark and High Performance Markets, Ltd. (incorporated by reference to Exhibit 10.21 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.17 Common Stock Purchase Warrant, dated August 27, 1996, in favor of The Pacific Exchange, Inc. (incorporated by reference to Exhibit 10.22 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.18 Common Stock Purchase Warrant, dated December 31, 1996, in favor of The Chicago Board Options Exchange, Inc. (incorporated by reference to Exhibit 10.23 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.19 Common Stock Purchase Warrant, dated April 23, 1998, in favor of Virginia Surety Company, Inc. (incorporated by reference to Exhibit 10.24 to Registrant's Registration Statement on Form 10 (No. 000-30527)).

- 10.20 Common Stock Purchase Warrant, dated June 19, 1998, in favor of Transamerica Business Credit Corporation (incorporated by reference to Exhibit 10.25 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.21 Common Stock Purchase Warrant, dated August 24, 1998, by and between OptiMark and Francis X. Egan (incorporated by reference to Exhibit 10.26 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.22 NASDAQ Warrant Agreement, dated September 1, 1998, by and between OptiMark and The NASDAQ Stock Market, Inc. (incorporated by reference to Exhibit 10.27 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.23 Common Stock Purchase Warrant, dated January 27, 1999, by and between OptiMark and BIOS Group LP (incorporated by reference to Exhibit 10.28 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.24 Warrant Agreement, dated October 27, 1999, by and between OptiMark and Knight/Trimark Group, Inc. (incorporated by reference to Exhibit 10.29 to Registrant's Registration Statement on Form 10 (No. 000-30527)).
- 10.25+ Development, Subcontract, and Operations Agreement, dated May 17, 1999, by and among OptiMark, Inc. and Japan OptiMark Systems, Inc., as amended (incorporated by reference to Exhibit 10.31 to Registrant's Amendment No. 2 to Annual Report on Form 10-K for the year ended December 31, 2000 (Commission File No. 000-30527)).
- 10.26 Letters, dated May 23, 2001, amending OptiMark, Inc.'s agreement with Japan OptiMark Systems, Inc. (incorporated by reference to Exhibit 9.1 to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2001 (Commission File No. 000-30527)).
- 10.27 Employment Agreement, dated August 16, 2001, by and between OptiMark Holdings, Inc. and Robert J. Warshaw (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001 (Commission File No. 000-30527)).
- 10.28 Amendment No.1 to Employment Agreement, dated August 16, 2001, by and between OptiMark Holdings, Inc. and Robert J. Warshaw (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001 (Commission File No. 000-30527)).
- 10.29 Separation Agreement, dated August 15, 2001, by and between OptiMark, Inc. and James G. Rickard (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2001 (Commission File No. 000-30527)).
- 10.30 OptiMark Holdings, Inc. 2001 Series F Preferred Stock Plan (incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 333-73356)).
- 10.31 Second Amended and Restated Promissory Note, dated October 12, 2002, executed by OptiMark Holdings, Inc. in favor of Robert J. Warshaw (incorporated by reference to Exhibit 10.31 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.32 Employment Letter, dated June 19, 2001, from OptiMark, Inc. to Neil G. Cohen (incorporated by reference to Exhibit 10.32 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.33 Employee Agreement, dated December 1, 2002, by and between OptiMark, Inc. and James Pak (incorporated by reference to Exhibit 10.33 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).

- 10.34 Employment Letter, dated April 9, 2001, from OptiMark, Inc. to Trevor B. Price (incorporated by reference to Exhibit 10.34 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.35 Employee Agreement, dated May 16, 2001, by and between OptiMark, Inc. and Trevor B. Price (incorporated by reference to Exhibit 10.35 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.36 Amendment to Employee Agreement, dated June 19, 2001, by and between OptiMark, Inc. and Trevor B. Price (incorporated by reference to Exhibit 10.36 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.37 Employment Letter, dated April 17, 2001, by and between OptiMark, Inc. and Gary Meshell (incorporated by reference to Exhibit 10.37 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.38 Employee Agreement, dated May 15, 2001, by and between OptiMark, Inc. and Gary B. Meshell (incorporated by reference to Exhibit 10.38 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.39 Amendment to Employee Agreement, dated June 19, 2001, by and between OptiMark, Inc. and Gary B. Meshell (incorporated by reference to Exhibit 10.39 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.40 Separation Agreement, dated February 16, 2002, by and between OptiMark, Inc. and Gary B. Meshell (incorporated by reference to Exhibit 10.40 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 10.41 Employment Letter, dated January 16, 2002, from OptiMark, Inc. to James Pak (incorporated by reference to Exhibit 10.41 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 21.1 Subsidiaries of OptiMark Holdings, Inc. (incorporated by reference to Exhibit 21.1 to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (Commission File No. 000-30527)).
- 23.1 Consent of Deloitte & Touche LLP dated April 23, 2003.

+ Confidential treatment has been requested for certain confidential portions of this exhibit pursuant to Rule 24b-2 under the Exchange Act. In accordance with Rule 24b-2, these confidential portions have been omitted from this exhibit and filed separately with the Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPTIMARK HOLDINGS, INC.

Dated May 2, 2003

/s/ Robert J. Warshaw
By: _____
Name: Robert J. Warshaw
Title: Chief Executive Officer,
Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated May 2, 2003

/s/ Robert J. Warshaw
By: _____
Name: Robert J. Warshaw
Title: Chief Executive Officer,
Director and Principal Financial
and Accounting Officer

/s/ William A. Lupien
By: _____
Name: William A. Lupien
Title: Chairman

/s/ Ronald D. Fisher
By: _____
Name: Ronald D. Fisher
Title: Director

**CERTIFICATION
BY PRINCIPAL EXECUTIVE AND
FINANCIAL OFFICER
PURSUANT TO RULE 13a-14**

I, Robert J. Warshaw, Certify that:

1. I have reviewed this annual report on Form 10-K of Optimark Holdings, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14 and 15d-14) for the registrant and have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - (c) presented in this annual report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date.
5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.
6. I have indicated in this annual report whether there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

/s/ Robert J. Warshaw

Robert J. Warshaw
Chief Executive Officer, Director
and Principal Financial and
Accounting Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
OptiMark Holdings, Inc.
New York, New York

We have audited the accompanying consolidated balance sheet of OptiMark Holdings, Inc. and subsidiaries as of December 31, 2002, and the related consolidated statements of operations and comprehensive loss, cash flows, and stockholders' deficiency for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OptiMark Holdings, Inc. and subsidiaries as of December 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's recurring losses from operations and stockholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ GOLDSTEIN GOLUB KESSLER LLP

New York, New York
March 25, 2003

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
OptiMark Holdings, Inc.
New York, New York

We have audited the accompanying consolidated balance sheet of OptiMark Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2001, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficiency), and cash flows for each of the two years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2001, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's recurring losses from operations and stockholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP

New York, New York
May 31, 2002

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2002	December 31, 2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 135,668	\$ 1,624,017
Accounts receivable, less allowance for doubtful accounts of \$0 at 2002 and \$73,002 at 2001	95,808	774,180
Other current assets	67,090	446,911
Total current assets	298,566	2,845,108
PROPERTY AND EQUIPMENT - NET	22,692	1,381,435
SOFTWARE LICENSES - NET	-	59,347
OTHER ASSETS	284,033	837,072
TOTAL ASSETS	\$ 605,291	\$ 5,122,962
LIABILITIES, MANDATORILY REDEEMABLE STOCK AND STOCKHOLDERS' DEFICIENCY		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 711,429	\$ 678,901
Accrued compensation	229,024	1,141,246
Loan payable	682,003	-
Net liabilities of discontinued operations (Note 3)	13,460,791	13,816,260
Other current liabilities	<u>104,851</u>	<u>879,842</u>
Total current liabilities	15,188,098	16,516,249
COMMITMENTS AND CONTINGENCIES		
(Notes 10 and 15)		
MANDATORILY REDEEMABLE STOCK		
Series E preferred stock, convertible, \$0.01 par value: 1,000,000 shares authorized; 983,335 and 926,665 issued and outstanding at December 31, 2002 and December 31, 2001, respectively	14,437,427	13,630,854
Series F preferred stock, \$0.01 par value; 7,400,000 shares authorized and no shares issued and outstanding at December 31, 2002	-	-
Series G preferred stock, \$0.01 par value; 300,000 shares authorized, issued and outstanding	<u>3,000</u>	<u>3,000</u>
TOTAL MANDATORILY REDEEMABLE STOCK	<u>14,440,427</u>	<u>13,633,854</u>
STOCKHOLDERS' DEFICIENCY:		
Preferred stock, authorized and unissued 8,577,932		
Series A preferred stock, convertible and participating, \$0.01 par value; 3,222,068 shares authorized; 925,683 shares issued and outstanding at December 31, 2002 and December 31, 2001, respectively	9,257	9,257
Series B preferred stock, convertible, \$0.01 par value: 11,000,000 shares authorized; 8,570,000 and 10,820,000 shares issued and outstanding at December 31, 2002 and December 31, 2001, respectively	85,700	108,200
Series C preferred stock, convertible, \$0.01 par value: 8,250,000 shares authorized, issued and outstanding at December 31, 2002 and December 31, 2001	82,500	82,500
Series D preferred stock, convertible, \$0.01 par value: 250,000 shares authorized, issued and outstanding at December 31, 2002 and December 31, 2001	2,500	2,500
Common stock, \$0.01 par value; 150,000,000 shares authorized; issued 36,612,057 shares at December 31, 2002 and December 31, 2001, respectively, of which 3,242,644 shares are held as treasury stock at December 31, 2002 and December 31, 2001	366,126	366,126
Warrants, common stock	35,686,523	35,686,523
Additional paid-in capital	310,074,976	301,687,065
Accumulated deficit	(375,247,045)	(362,906,807)
Accumulated other comprehensive income	(83,770)	(62,504)
Treasury stock, at cost; 3,242,644 shares at December 31, 2002 and December 31, 2001, respectively	<u>(1)</u>	<u>(1)</u>
TOTAL STOCKHOLDERS' DEFICIENCY	<u>(29,023,234)</u>	<u>(25,027,141)</u>
TOTAL LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIENCY	\$ 605,291	\$ 5,122,962

The accompanying notes and independent auditor's report should be read in conjunction with the consolidated financial statements

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

	2002	2001	2000
REVENUE:			
Revenue	\$ 706,118	\$ 8,607,881	\$ 3,549,999
Revenue from affiliate	-	2,817,841	11,684,064
Total revenue	706,118	11,425,722	15,234,063
EXPENSES:			
Cost of sales	-	6,416,634	8,255,553
Sales and marketing	395,053	1,738,235	1,893,389
Research and development	1,860,949	5,841,592	3,459,558
General and administrative	3,212,804	9,121,735	9,600,923
Depreciation and amortization	797,612	4,034,887	3,949,551
Impairment of fixed assets	566,464	1,146,656	1,878,961
Write off of intangible asset	-	-	23,940,000
Restructuring expense	-	315,613	292,634
Warrant compensation expense	-	-	14,542
Total operating expenses	6,832,882	28,615,352	53,285,111
OTHER (INCOME) EXPENSE:			
Interest income	(9,335)	(51,024)	(1,518,932)
Interest expense	1,842,123	121,368	312,500
Writedown of investment	2,062,125	499,991	-
Gain on recovery of investment	-	(530,000)	-
Equity in loss of investee	2,129,300	-	-
Total other expense (income)	6,024,213	40,335	(1,206,432)
LOSS FROM CONTINUING OPERATIONS	(12,150,977)	(17,229,965)	(36,844,616)
DISCONTINUED OPERATIONS:			
Loss from discontinued operations	-	-	(51,205,297)
Gain (loss) on disposal of discontinued operations	(189,261)	(12,306,451)	(16,036,155)
Gain (loss) from discontinued operations	(189,261)	(12,306,451)	(67,241,452)
NET LOSS	(12,340,238)	(29,536,416)	(104,086,068)
OTHER COMPREHENSIVE INCOME (LOSS):			
Foreign currency translation adjustments	(21,266)	(53,410)	27,817
COMPREHENSIVE LOSS	<u>\$ (12,361,504)</u>	<u>\$ (29,589,826)</u>	<u>\$ (104,058,251)</u>
LOSS PER SHARE - BASIC AND DILUTED:			
Continuing operations	\$ (0.36)	\$ (0.49)	\$ (1.00)
Discontinued operations	(0.01)	(0.36)	(1.84)
Basic and diluted loss per share	<u>\$ (0.37)</u>	<u>\$ (0.85)</u>	<u>\$ (2.84)</u>
Weighted average number of common shares outstanding - basic and diluted	33,369,913	35,004,561	36,603,854

The accompanying notes and independent auditor's report should be read in conjunction with the consolidated financial statements

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000

	2002	2001	2000
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES			
Net loss	\$ (12,340,238)	\$ (29,536,416)	\$ (104,086,068)
Deduct loss from discontinued operations	(189,261)	(12,306,451)	(67,241,452)
Loss from continuing operations	(12,150,977)	(17,229,965)	(36,844,616)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operations:			
Value assigned to warrants issued as compensation	-	-	14,542
Value assigned to options in connection with restructuring	-	-	1,890,315
Value assigned to preferred shares issued in connection with settlement	-	3,000	-
Depreciation and amortization	797,612	4,034,887	3,949,551
Non-cash loan repayment	(500,000)	-	-
Equity in loss of unconsolidated subsidiary	2,129,300	-	-
Write off of intangible asset	-	-	23,940,000
Write-down of investment	-	499,991	-
Gain on recovery of investment	-	(530,000)	-
Allowance for doubtful accounts	-	73,002	-
Impairment of fixed assets	566,464	1,146,656	1,878,961
Non-cash interest expense	1,831,888	-	-
Loss on equity investment	2,062,125	-	-
(Gain)/Loss on disposal of assets	(400,441)	39,773	171,484
Changes in operating assets and liabilities:			
Receivables	678,372	1,519,231	(1,844,833)
Other assets	1,032,140	805,055	425,318
Accounts payable and accrued liabilities	(900,960)	(1,243,163)	598,200
Accrued restructuring	-	-	(1,360,761)
Other liabilities	(774,991)	(179,844)	580,774
Net cash used in continuing operating activities	(5,629,468)	(11,061,377)	(6,601,065)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(27,000)	(503,582)	(857,707)
Purchase of software licenses	-	(204,560)	(293,331)
Proceeds from disposal of assets	481,456	12,520	57,060
Net cash used in investing activities	454,456	(695,622)	(1,093,978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of preferred stock	806,572	9,630,854	-
Proceeds from stockholders' notes	3,470,000	4,000,000	-
Payments on capital leases	-	(249,437)	(1,403,351)
Proceeds from the issuance of minority interest	-	250,000	-
Proceeds from recovery of investment	-	530,000	-
Payments for issuance costs	(42,677)	-	-
Payments for purchases of preferred stock	(2,502)	(2)	-
Proceeds from exercise of options for common stock	-	-	205,864
Net cash provided by (used in) financing activities	4,231,393	14,161,415	(1,197,487)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(943,619)	2,404,416	(8,892,530)
NET CASH USED IN DISCONTINUED OPERATIONS	(544,730)	(3,699,947)	(50,825,332)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	1,624,017	2,919,548	62,637,410
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 135,668</u>	<u>\$ 1,624,017</u>	<u>\$ 2,919,548</u>
Supplemental disclosure of cash flow information:			
Cash payments for interest - continuing operations	\$ 10,325	\$ 121,368	\$ 317,249
Cash payments for interest - discontinued operations	-	-	406,063
Non-cash financing activities:			
Conversion of stockholders' notes to Series E preferred stock	\$ -	\$ 4,000,000	-
Supplemental schedule of non-cash investing and financing activities:			
Net reduction in vendor obligations	-	-	\$ 2,619,608

The accompanying notes and independent auditor's report should be read in conjunction with the consolidated financial statements

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
STOCKHOLDERS' EQUITY (DEFICIENCY)
PERIOD ENDED DECEMBER 31, 2002

	Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Series D Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
BALANCE, JANUARY 1, 2000	3,472,068	34,721	11,000,000	110,000	8,250,000	82,500	250,000	2,500
Retirement of Treasury Stock	(250,000)	(2,500)						
Warrants forfeited								
Options exercised								
Restructuring charge								
Net loss								
Other comprehensive loss								
BALANCE, DECEMBER 31, 2000	3,222,068	32,221	11,000,000	110,000	8,250,000	82,500	250,000	2,500
Purchase of Preferred Shares	(2,296,385)	(22,964)	(180,000)	(1,800)				
Purchase of Common Shares								
Net loss								
Other comprehensive loss								
BALANCE, DECEMBER 31, 2001	925,683	9,257	10,820,000	108,200	8,250,000	82,500	250,000	2,500
Legal fees in connection with Softbank loan								
Disposal of majority interest								
Enhancement of equity investment								
Purchase of Preferred Shares			(2,250,000)	(22,500)				
Beneficial conversion feature of loans								
Non cash loan repayment								
Net loss								
Other comprehensive loss								
BALANCE, DECEMBER 31, 2002	925,683	\$ 9,257	8,570,000	\$ 85,700	8,250,000	\$ 82,500	250,000	\$ 2,500

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
STOCKHOLDERS' EQUITY (DEFICIENCY)
PERIOD ENDED DECEMBER 31, 2002

	Common Stock					
	Voting Shares	Amount	Non-Voting Shares	Amount	Total Shares	Amount
BALANCE, JANUARY 1, 2000	35,756,057	357,561	740,000	7,400	36,496,057	364,961
Retirement of Treasury Stock						
Warrants forfeited						
Options exercised	116,500	1,165			116,500	1,165
Restructuring charge						
Net loss						
Other comprehensive loss						
BALANCE, DECEMBER 31, 2000	35,872,557	358,726	740,000	7,400	36,612,557	366,126
Purchase of Preferred Shares						
Purchase of Common Shares						
Net loss						
Other comprehensive loss						
BALANCE, DECEMBER 31, 2001	35,872,557	358,726	740,000	7,400	36,612,557	366,126
Legal fees in connection with Softbank loan						
Disposal of majority interest						
Enhancement of equity investment						
Purchase of Preferred Shares						
Beneficial conversion feature of loans						
Non cash loan repayment						
Net loss						
Other comprehensive loss						
BALANCE, DECEMBER 31, 2002	35,872,557	\$ 358,726	740,000	\$ 7,400	36,612,557	\$ 366,126

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
STOCKHOLDERS' EQUITY (DEFICIENCY)
PERIOD ENDED DECEMBER 31, 2002

	Common Stock Warrants		Additional Paid-In Capital	Accumulated Deficit	Notes Receivable- Officer
	Shares	Amount			
BALANCE, JANUARY 1, 2000	46,389,819	35,686,523	309,564,789	(229,284,323)	-
Retirement of Treasury Stock			(9,997,500)		
Warrants forfeited	(124,000)				
Options exercised			204,699		
Restructuring charge			1,890,315		
Net loss				(104,086,068)	
Other comprehensive loss					
BALANCE, DECEMBER 31, 2000	46,265,819	35,686,523	301,662,303	(333,370,391)	-
Purchase of Preferred Shares			24,762		
Purchase of Common Shares					
Net loss				(29,536,416)	
Other comprehensive loss					
BALANCE, DECEMBER 31, 2001	46,265,819	35,686,523	301,687,065	(362,906,807)	-
Legal fees in connection with Softbank loan			(42,677)		
Disposal of majority interest			4,290,705		
Enhancement of equity investment			944,800		
Purchase of Preferred Shares			19,998		
Beneficial conversion feature of loans			2,302,000		
Non cash loan repayment			1,433,150		
Net loss				(12,340,238)	
Other comprehensive loss					
BALANCE, DECEMBER 31, 2002	46,265,819	\$ 35,686,523	310,635,041	\$ (375,247,045)	\$ -

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
STOCKHOLDERS' EQUITY (DEFICIENCY)
PERIOD ENDED DECEMBER 31, 2002

	Treasury Stock				Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	SeriesA Preferred Shares	SeriesA Preferred Amount	Common Shares	Common Amount		
BALANCE, JANUARY 1, 2000	(250,000)	(10,000,000)	-	-	(36,911)	106,524,760
Retirement of Treasury Stock	250,000	10,000,000				-
Warrants forfeited						-
Options exercised						205,864
Restructuring charge						1,890,315
Net loss						(104,086,068)
Other comprehensive loss					27,817	27,817
BALANCE, DECEMBER 31, 2000	-	-	-	-	(9,094)	4,562,688
Purchase of Preferred Shares						(2)
Purchase of Common Shares			(3,242,644)	\$ (1)		(1)
Net loss						(29,536,416)
Other comprehensive loss					(53,410)	(53,410)
BALANCE, DECEMBER 31, 2001	-	-	(3,242,644)	\$ (1) \$	(62,504)	\$(25,027,141)
Legal fees in connection with Softbank loan						(42,677)
Disposal of majority interest						4,290,705
Enhancement of equity investment						944,800
Purchase of Preferred Shares						(2,502)
Beneficial conversion feature of loans						2,302,000
Non cash loan repayment						1,433,150
Net loss						(12,340,238)
Other comprehensive loss					(21,266)	(21,266)
BALANCE, DECEMBER 31, 2002	-	\$ -	(3,242,644)	\$ (1) \$	(83,770)	\$(29,023,234)

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

1. BASIS OF PRESENTATION AND REORGANIZATION

OptiMark Holdings, Inc. (“Holdings”) was established on May 19, 2000, and became the sole stockholder of two operating subsidiaries on June 12, 2000 pursuant to the reorganization of the legal structure of the company formerly known as OptiMark Technologies, Inc. (“OTI”). OTI was the successor to a company that had been founded in 1996 to begin development of the OptiMark matching engine technology for use in an electronic trading system for equity securities and related technologies. The reorganization was effected pursuant to which (i) OTI formed Holdings as a direct wholly-owned subsidiary of OTI, (ii) Holdings formed OTI Acquisition Corporation (“OTIA”) as a direct wholly-owned subsidiary of Holdings, (iii) OTI merged with OTIA pursuant to Section 251(g) of the Delaware General Corporation Law, with the name of the surviving company becoming OptiMark US Equities, Inc. (“UEI”), and with stockholders of UEI being deemed to have received shares of Holdings by operation of law. As a result of such merger, UEI became a direct wholly-owned subsidiary of Holdings. References herein to the “Company” refer to Holdings and its subsidiaries, with respect to periods following the reorganization, and to OTI and its subsidiaries, with respect to periods prior to the reorganization.

Until September 19, 2000, the Company had operated in two segments, the Exchange Solutions Services Business (formerly referred to as the Electronic Markets Business) and the US Equities Business, under two separate wholly owned subsidiaries, OptiMark, Inc. (“OptiMark”), and OptiMark US Equities, Inc., respectively. Effective September 19, 2000, the US Equities Business was discontinued.

On December 28, 2001, OptiMark formed a then majority-owned subsidiary, OptiMark Innovations Inc. (formerly known as OTSH, Inc. and referred to below as “Innovations”). Innovations was capitalized on December 31, 2001, and at that time OptiMark held a 67% voting interest and the remaining interest was held by SOFTBANK Capital Partners LP, SOFTBANK Capital LP and SOFTBANK Capital Advisors’ Fund LP (collectively, “SOFTBANK”). Innovations has authorized capital stock of 7,000 shares of common stock, par value \$.01 per share (the “Innovations Common Stock”), and 3,000 shares of preferred stock, par value \$.01 per share (the “Innovations Preferred Stock”). Innovations has designated 2,000 shares of Innovations Preferred Stock, as “Non-Qualified Preferred Stock,” which has a cumulative preferred dividend at an annual rate of \$500 per share, payable when and if declared by the Board of Directors of Innovations. The liquidation preference of the Non-Qualified Preferred Stock is equal to \$10,000 per share plus the aggregate amount of accrued and unpaid dividends or distributions. The Non-Qualified Preferred Stock is also subject to a mandatory redemption, at a price equal to the liquidation preference amount, in four equal quarterly installments on December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017. Innovations designated 1,000 shares of Innovations Preferred Stock as “Series B Preferred Stock,” which has a cumulative preferred dividend at an annual rate of \$519.21 per share, payable when and if declared by the Board of Directors of Innovations. The liquidation preference of the Series B Preferred Stock is equal to \$10,389.61 per share plus the aggregate amount of accrued and unpaid dividends or distributions. On December 31, 2001, OptiMark received 200 shares of Innovations Common Stock in exchange for a cash payment of \$500,000 and 2,000 shares of Non-Qualified Preferred Stock in exchange for the transfer to Innovations of certain intangible assets consisting of software, a patent application and other assets relating to a securities trading technology which is under development (the “Assets”). The stated value of the Non-Qualified Preferred Stock was the result of the evaluation by the Board of Directors of Innovations of the value of the Assets based, in part, upon preliminary discussions with independent parties regarding an approximate \$10,000,000 investment for a one-third interest in Innovations. SOFTBANK received 100 shares of Innovations Common Stock (the “SOFTBANK Shares”) for \$250,000 cash. Simultaneously, SOFTBANK’s remaining obligation to purchase shares of Series E Cumulative Preferred Stock (“Series E Preferred Stock”) from Holdings pursuant to that certain Series E Preferred Stock Purchase Agreement, dated as of June 29, 2001 (as amended on August 16, 2001 and November 16, 2001), by and among Holdings and SOFTBANK was reduced by \$250,000. Upon its formation and initial capitalization, Innovations’ aggregate assets consisted of the Assets and \$750,000 in cash. The principal business of Innovations is to hold an interest in Vie Financial Group, Inc. (“Vie”, formerly known as The Ashton Technology Group, Inc.) for the benefit of the shareholders of Holdings and Innovations.

On February 4, 2002, Vie and Innovations entered into a securities purchase agreement (as amended on March 6, 2002 and May 3, 2002, the "Securities Purchase Agreement"). Pursuant to the terms of the Securities Purchase Agreement, Innovations agreed to purchase up to 633,433,600 shares of Vie common stock, par value \$.01 per share (the "Vie Common Stock"), in exchange for \$7,272,727 in cash and intellectual property and other non-cash assets of Innovations valued by Vie and Innovations for the purposes of the Securities Purchase Agreement at \$20 million. The value ascribed to the intellectual property and other non-cash assets by OptiMark Innovations was based in part on preliminary discussions with a potential investor in Innovations. Vie did not obtain an appraisal or other third party valuation of the fair market value of the intellectual property and other non-cash assets. There can be no assurance that the fair market value of the intellectual property and other non-cash assets is equal to the value ascribed to these assets by Innovations in the Securities Purchase Agreement.

On May 7, 2002 (the "Closing Date"), Innovations and Vie closed the transactions contemplated by the Securities Purchase Agreement.

In addition, pursuant to the terms of the Securities Purchase Agreement, Innovations loaned approximately \$2.7 million in cash to Vie in exchange for a senior secured convertible note (the "Note"). The Note will mature in five years, and may, at the option of Innovations, be convertible into shares of Vie Common Stock at a rate of \$.0515838 per share (subject to customary anti-dilution adjustments after the closing) and will accrue interest at a rate of 7.5% per annum. Currently, the Note is convertible into 52,870,757 shares of Vie Common Stock. The Note is secured by a pledge and security agreement pursuant to which Innovations has received a blanket lien on Vie's assets, including, without limitation, the pledge of the equity interests of Vie and Universal Trading Technologies Corporation, a Delaware corporation and majority-owned subsidiary of Vie ("UTTC"), in each of Vie Securities, LLC (formerly known as ATG Trading LLC), wholly-owned subsidiary of Vie, Electronic Market Center, Inc., a majority-owned subsidiary of Vie, Ashton Technology Canada, Inc., a majority-owned subsidiary of Vie, Vie Institutional Services, Inc. (formerly known as Croix Securities, Inc.), a wholly-owned subsidiary of UTTC, REB Securities Inc., a wholly-owned subsidiary of UTTC; and NextExchange, Inc., a wholly-owned subsidiary of UTTC.

As of the Closing Date, Innovations owns approximately 80% of the fully -diluted outstanding shares of Vie Common Stock calculated as of May 3, 2002. Fully-diluted shares include the outstanding shares of the Vie Common Stock and (i) shares of any series of capital stock of Vie or its subsidiaries that vote together with the Vie Common Stock, (ii) any outstanding options issued to employees and third parties and (iii) shares of the Vie Common Stock, or any securities described in clause (i) above, issuable pursuant to or upon conversion or exercise of all rights granted to any party. Assuming conversion of the Note, Innovations would own approximately an additional 7% of the fully -diluted shares of the Vie Common Stock, calculated as of May 3, 2002.

OptiMark also had an approximately 15% voting interest in Japan OptiMark Systems, Inc. ("JOS"), a Japanese corporation. The investment in JOS previously accounted for on the equity method does not have any carrying value in financial statements of the Company as of December 31, 2002. JOS has realized continuing losses since its inception in 1998. Since the Company has not provided any guarantees and is not committed to provide any future funding to JOS it has not recorded its equity share of JOS' losses, as the investment cannot have a carrying value below \$0. On May 31, 2002, the shareholders of JOS elected to dissolve the company.

Effective in January 2002 the development, sales and marketing efforts of the Exchange Solutions Services Business was suspended. As of that date, the primary purpose of the Company was to hold the securities of Innovations and to consummate financing and strategic transactions with other parties.

As a result of the capitalization of Innovations, Holdings and SOFTBANK have certain call and put rights described below. The Independent Committee of the Board of Directors has the right commencing October 1, 2002 and exercisable until September 30, 2003, to recommend to the Board of Directors that Holdings purchase all, but not less than all, of the SOFTBANK Shares for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings. If the Board of Directors accepts such recommendation, SOFTBANK would be obligated to sell the SOFTBANK shares for that consideration.

Upon the occurrence of a Liquidity Event (defined below) on or before September 30, 2003, the SOFTBANK Shares will be purchased by Holdings for \$100,000 in cash and 13,334 shares of Series E Preferred

Stock of Holdings. A "Liquidity Event" means any of the following: (i) Innovations' sale, conveyance or other disposition of all or substantially all of its assets, (ii) the acquisition of Innovations by another entity by means of merger or consolidation resulting in the exchange of the outstanding shares of Innovations for securities or other consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, unless the stockholders of Innovations immediately prior to the consummation of such transaction hold at least 50% of the voting power of the surviving corporation as a result of such transaction, (iii) the consummation by Innovations of a transaction or series of related transactions, including the issuance or sale of voting securities, if the stockholders of Innovations immediately prior to such transaction (or, in the case of a series of transactions, the first of such transactions) hold less than 50% of the voting power of Innovations immediately after the consummation of such transaction (or, in the case of a series of transactions, the last of such transactions), or (iv) any initial underwritten public offering of Innovations Common Stock. Notwithstanding the foregoing, Holdings will not exercise this call option in the event that the Independent Committee of the Board of Directors recommends that Holdings not purchase the SOFTBANK Shares.

In the event that: (i) the call rights of Holdings described above have not been exercised on or before September 30, 2003, (ii) the Independent Committee of the Board of Directors no longer exists and (iii) no independent directors serve on the Holdings Board of Directors and, after reasonable good faith efforts by the remaining members of the Holdings Board of Directors, no independent persons qualified to serve on the Holdings Board of Directors have been found or, if found, are not willing to serve on the Holdings Board of Directors, then the Holdings Board of Directors will engage an independent investment banking, accounting or third party valuation firm to evaluate whether or not it is in the best interests of Holdings that it purchase the SOFTBANK Shares. If such third party determines it is in the best interests of Holdings to purchase the SOFTBANK Shares, Holdings will be obligated to purchase such shares on or before December 31, 2003 for \$100,000 in cash and 13,334 shares of Series E Preferred Stock of Holdings.

SOFTBANK has the right, commencing on October 1, 2002 and continuing until September 30, 2003, to put all, but not less than all, of the SOFTBANK Shares to Holdings in exchange for 16,667 shares of Series E Preferred Stock of Holdings.

In the event that no put of, or call on, the SOFTBANK Shares has been exercised by October 31, 2003, then commencing on November 1, 2003 and continuing until November 30, 2003, SOFTBANK has the right to require Holdings to purchase all, but not less than all, of the SOFTBANK Shares for 16,667 shares of Series E Preferred Stock of Holdings.

2. GENERAL INFORMATION AND SUMMARY OF ACCOUNTING POLICIES

General - The Exchange Solutions Services Business is comprised of the development and operation of trading platforms and environments for existing and emerging electronic marketplaces through a combination of consulting, servicing, licensing and equity agreements. The Company commenced these activities after termination of the license agreement with High Performance Markets, Ltd. ("HPM") (Note 7). The OptiMark technology, as adapted for these marketplaces, allows a broad array of auction and exchange activities, including the trading of goods and services whose value is determined by factors in addition to quantity and price; trading among many buyers and many sellers; and broker facilitated trading.

Basis of Preparation - The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's current cash and cash equivalents, plus the expected cash flows for 2003, are not expected to be sufficient to meet its 2003 operating and financial commitments. The Company is currently exploring financing opportunities including borrowing cash from certain of its shareholders that would be secured by shares of Innovations Common Stock and/or Non-Qualified Preferred Stock owned by OptiMark. Accordingly, if the Company is unable to raise additional cash, the Company will face the imminent and likely potential for bankruptcy or liquidation. If the Company is forced to declare bankruptcy or pursue liquidation, the value of the Company's assets may not be sufficient to pay its creditors in full and, accordingly, the Company's common stock and preferred stock would have no value. The Company will continue to seek additional funding both to support its operation as a holding company as well as its very limited efforts related to potential new product development. While the Company hopes to be able to obtain additional financing for these limited product development activities and

continue to borrow money or raise capital, the Company may not be able to raise this capital before it runs out of cash. In addition, the Company has pledged a portion of its shares of capital stock in Innovations to SOFTBANK as payment for loans that have already been provided. In the event that the Company does not have enough cash to pay the principal and interest on these loans as they come due, the Company's holdings in Innovations will be reduced accordingly. This will reduce the Company's ability to utilize these assets to raise additional capital necessary to ensure continuation as a going concern. There is no assurance that the Company's holdings in Innovations will have any value useable as collateral for a loan or sellable to raise cash at any time or in a time frame that would let the Company continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries. Companies in which OptiMark has equity investments of 50% or less and has the ability to exercise significant influence are accounted for using the equity method. Intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Foreign Currency Translation - Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at fiscal year-end exchange rates; revenues and expenses are translated at weighted average exchange rates for the year. Gains and losses arising from translation are recorded as a cumulative translation adjustment within accumulated other comprehensive loss, a component of stockholders' equity (deficiency).

Property and Equipment - Property and equipment are recorded at cost. For financial reporting purposes, depreciation is provided for using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Leasehold improvements had been amortized over the lesser of the life of the asset or the life of the lease; however remaining leasehold improvements will be amortized over a twelve-month period. During 2002 and 2001, the Company wrote down the value of certain assets by approximately \$566,000 and \$1,147,000, respectively, in accordance with FAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which supercedes FAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (See Note 6).

Intangible Assets - Intangible assets consist of software licenses amortized using the straight-line method over periods of 24 to 36 months. During 2000, certain non-securities industries rights and other software licenses were written off (See Note 7).

Income Taxes - The Company files a consolidated Federal income tax return, which includes all eligible United States subsidiary companies. Foreign subsidiaries are taxed according to regulations existing in the countries in which they do business. Deferred income taxes are provided for temporary differences between income tax bases and financial reporting bases of the Company's assets and liabilities utilizing currently enacted tax laws and rates.

Revenue Recognition - Consulting, maintenance and support, licensing fees and development services revenue are recorded as services are performed.

Long-Lived Assets - The Company accounts for the impairment of long-lived assets and for long-lived assets to be disposed of by evaluating the carrying value of its long-lived assets in relation to the operating performance and future undiscounted cash flows of the underlying businesses when indications of impairment are present. Long-lived assets to be disposed of, if any, are evaluated in relation to the net realizable value. The Company has determined that, as of December 31, 2002 and 2001, respectively, there had been no impairment in the carrying value of long-lived assets except as discussed in Notes 3 and 6.

Accounting For Stock Option Plans - SFAS No. 123, "Accounting for Stock-Based Compensation" encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to

Employees and Related Interpretations". Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. Had compensation cost for the 1999 Plan been determined at the fair value on the grant dates under the method of SFAS No. 123, the Company's net loss for the years ended December 31, 2002, 2001 and 2000, would have increased to approximately \$12,341,000, \$29,571,000 and \$104,424,000 respectively. The increase in net loss would have no effect on the loss per share reported on the Company's consolidated financial statements for the years ended December 31, 2002, 2001 and 2000, respectively.

Options held by an optionee will generally become exercisable as to 20% of the shares covered by such options on the first anniversary of the date of hire for initial grants and 20% of the shares on the first anniversary date of the grant date for subsequent issues and with an additional 20% of the shares covered by such options on each of the four succeeding anniversaries of the date of the hire or grant date if the optionee continues to be employed by the Company, on each such date.

The fair value of each option grant in 2002, 2001 and 2000 was estimated on the date of grant using the Black-Scholes option-pricing model, with the following assumptions: weighted-average risk-free interest rates of 1.15%, 3.60%, and 5.00% in 2002, 2001 and 2000, respectively; no dividend yield, expected life of 3 years in 2002, 2001 and 2000 and volatility of 1%. All options were granted at the then fair market value.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements - Management does not believe any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

3. DISCONTINUED OPERATIONS

On September 19, 2000, the Company announced its intention to discontinue its US Equities Business. The Company has discontinued all operations of the equities trading system for the US Equities Business and terminated all communications networks and other related systems that were necessary to support that business. Accordingly, results of this operation have been classified as discontinued operations in the consolidated financial statements and prior periods have been reclassified to conform to this classification.

The Company recorded a loss on disposal of segment of \$16,036,155 in 2000 associated with the discontinuation of the US Equities Business. This amount was comprised of approximately \$2,371,000, representing a workforce reduction of 99 employees and approximately \$13,665,000, representing the impairment of various assets and liabilities. The amount related to the impairment of various assets and liabilities includes the write off of capitalized software and other intangibles of approximately \$8,533,000, a write down in the value of fixed assets of approximately \$5,091,000, security deposits of approximately \$1,142,000 and other expenses related to office closings and other matters of approximately \$874,000 offset by a net reduction in lease obligations and other accrued expenses of approximately \$1,975,000. The Company expects the process of disposing of the net liabilities of the discontinued business to be completed by December 31, 2003 as a result of the continuing settlement negotiations with certain companies from which we had previously leased equipment. Disposition includes negotiated payments to be made after December 31, 2003.

Included in the charge in 2000 for net asset impairment, the Company has provided a \$4,595,000 reserve related to contract renegotiations and terminations in connection with certain capital and operating leases and certain service and maintenance agreements, including telecommunications network services and computer software and hardware services which were entered into by a subsidiary, US Equities, Inc., in connection with the creation, maintenance and operation of facilities for trading equity securities. This amount is significantly less than the approximate termination charges of approximately \$39,800,000 provided in the relevant agreements. The Company believes there are several mitigating factors that would enable it to substantially reduce its outstanding obligations to these creditors. These factors include: (a) certain termination charges are the subject of bona fide disputes which are expected to be resolved in the Company's favor as a result of negotiation or arbitration; (b) certain service charges included in payments made by the service provider to third parties for services and equipment needed to provide the primary service; (c) the Company may purchase certain equipment outright which is the subject of capital or operating leases thereby substantially mitigating contractual termination charges; (d) the Company may be able to identify potential third party purchasers or lessees or certain equipment having an estimated salvage value of approximately \$1,300,000, which is the subject of capital or operating leases, thereby substantially mitigating contractual termination charges; (e) the Company may be able to reach settlements and accords with lessors and service providers based on some combination of partial payments, extended payments, reduced payments or exchanges of equity in lieu of payments. In addition, The Company has forfeited approximately \$1,142,000 of security deposits held by certain creditors in connection with the contract renegotiations and terminations. The amount provided represents management's best estimate of the Company's restructured obligations with the lessors and service providers based on currently available information (Note 15).

During 2001 and January 2002, the Company entered into agreements with three of the companies from which we had previously leased equipment settling all amounts owed by OptiMark to those companies. Settlements took the form of a combination of immediate and deferred cash payments, new preferred stock and, in one case, the purchase of a computer previously leased. At December 31, 2002, the reserve related to contract renegotiations and terminations totaled \$13,025,000. This amount is significantly less than the termination charges of approximately \$26,981,000 provided in the relevant agreements. The December 31, 2002 reserve represents management's best estimate of the probable and reasonably estimable losses based on the mitigating factors described above and our experience negotiating those settlements already completed.

Changes in Net Liabilities of Discontinued Operations from December 31, 2001 are summarized below.

	Balance at December 31, <u>2001</u>	Paid or Charged Against <u>Liability</u>	Additional Accruals And Other <u>Adjustments</u>	Balance at December 31, <u>2002</u>
Net Liabilities of Discontinued Operations	<u>\$(13,816,260)</u>	<u>\$544,730</u>	<u>\$(189,261)</u>	<u>\$(13,460,791)</u>

Results of operations from discontinued operations for the year ended December 31, 2000 are as follows:

Revenues	<u>\$ 321,258</u>
Operating expenses (excluding depreciation and amortization)	41,409,888
Depreciation and amortization	<u>9,711,431</u>
Total expenses	<u>51,121,319</u>
Net non-operating expense	<u>405,236</u>
Loss from discontinued operations	<u>\$(51,205,297)</u>

Net liabilities from discontinued operations are composed of the following at December 31:

	<u>2002</u>	<u>2001</u>
Current assets	\$17,459	\$112,414
Other assets	-	12,256
Current liabilities	<u>(13,478,250)</u>	<u>(13,940,930)</u>
Net liabilities from discontinued operations	<u>\$ (13,460,791)</u>	<u>\$ (13,816,260)</u>

4. RELATED PARTY TRANSACTIONS

In September 1998, the Company entered into the Japan Joint Venture to develop and implement the System for the trading of equity securities in Japan. As of December 31, 1998, OptiMark had made its capital contribution of approximately \$69,000 for a 15% interest. It is management's belief that the Company has the ability to exercise significant influence over the Japan Joint Venture through veto power and membership on the board and therefore accounts for its investment in the Japan Joint Venture using the equity method. At December 31, 1999, the Company, in accordance with the equity method of accounting, realized losses up to its capital contribution. In connection with the Japan Joint Venture, the Company entered into a development agreement in principle, whereby the Company provided services on a time and materials basis and was reimbursed at fully allocated cost. On May 23, 2001, OptiMark amended its agreement with Japan OptiMark Systems, Inc. ("JOS") in connection with a proposed restructuring of JOS. Among other terms in the amendment, (a) OptiMark approved the suspension of JOS' trading system operating on the Osaka Securities Exchange in Japan and (b) JOS agreed to pay to OptiMark maintenance and support amounts through August 31, 2001. On May 31, 2002, the shareholders of JOS elected to dissolve the company. Amounts earned from the Japan Joint Venture are reported as "Revenue from affiliate" in the Consolidated Statements of Operations and Comprehensive Loss.

Included in Other Current Assets are loans to an officer of approximately \$45,000 at December 31, 2002 and approximately \$240,000 at December 31, 2001. The loans to the officers at December 31, 2002 and 2001 incur interest at 6% in each year. On February 7, 2002, a loan to an officer in the amount of \$150,000 plus accrued interest was forgiven in accordance with the terms and conditions of the officer's employment agreement. This amount was recorded as additional compensation during the current year. In accordance with the terms of a separation agreement with one of the officers, \$50,000 of the loans outstanding as of December 31, 2000 were forgiven in 2001.

On August 16, 2002, the Company entered into a new one-year employment agreement with an officer of the Company, which provides for annual compensation of \$250,000, a guaranteed bonus of \$200,000, to be paid

ratably over the term of the agreement, a guaranteed bonus of \$45,000, paid upon the execution of the agreement and a guaranteed bonus of \$80,000, to be paid upon the employment of a full time Chief Executive Officer of Vie. The bonuses of \$45,000 and \$80,000 were paid in full by December 16, 2002.

In September 2001, the Company received proceeds of \$530,000 from the sale of an investment in a related company. The investment had previously been written off and therefore the proceeds were recorded as a gain on recovery of an investment.

5. OTHER CURRENT ASSETS AND OTHER ASSETS

	Other Current Assets		Other Assets	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Prepaid expenses	\$13,026	\$123,504	\$ -	\$ -
Security deposits	1,603	18,403	259,435	837,007
Restricted cash	-	33,736	-	-
Interest receivable	1,605	9,155	-	-
Due from affiliate	-	-	24,533	-
Loan to officer	45,000	240,000	-	-
Other	<u>5,856</u>	<u>22,113</u>	<u>65</u>	<u>65</u>
	<u>\$67,090</u>	<u>\$446,911</u>	<u>\$284,033</u>	<u>\$837,072</u>

Prepaid expenses as of December 31, 2002 and 2001, consists primarily of warranty, support and service agreements for purchased hardware and software. Security deposits consist primarily of deposits with respect to rental property and operating leases (Note 11). Included in restricted cash at December 31, 2001 is a guarantee of approximately \$34,000 related to an employee loan. Interest receivable relates to interest earned, but not yet received, on the Company's loans to the officer.

6. PROPERTY AND EQUIPMENT

	<u>2002</u>	<u>2001</u>
Computer equipment	\$ 3,714,326	\$ 7,427,276
Furniture and fixtures	973,787	692,797
Software	1,336,469	1,676,584
Leasehold improvements	<u>2,238,891</u>	<u>1,636,292</u>
Total	8,263,473	11,432,949
Less accumulated depreciation and amortization	<u>8,240,781</u>	<u>10,051,514</u>
Net property and equipment	<u>\$ 22,692</u>	<u>\$ 1,381,435</u>

As of December 31, 2000 the Company recorded an impairment of fixed assets in the amount of approximately \$1,879,000. The impaired assets consisted principally of computers and related equipment that were specifically identified as not used in the Company's continuing operations.

As of December 31, 2001 the Company recorded an impairment of fixed assets in the amount of approximately \$1,147,000. The impaired assets consisted principally of computers and related equipment, furniture and fixtures, computer software and leasehold improvements that were specifically identified as not used in the Company's continuing operations.

As of December 31, 2002 the Company recorded an impairment of fixed assets in the amount of approximately \$566,000. The impaired assets consisted principally of computers and related equipment, furniture and fixtures, computer software and leasehold improvements that were specifically identified as not used in the Company's continuing operations.

7. INTANGIBLE ASSETS

Intangible assets consist of the following at December 31:

	<u>2002</u>	<u>2001</u>
Software licenses	\$452,654	\$452,654
Less: accumulated amortization	<u>452,654</u>	<u>393,307</u>
Intangible assets – net	<u>\$ -</u>	<u>\$ 59,347</u>

In May 1996, the Company sold to HPM, a newly formed limited partnership controlled by the then stockholders of the Company, a royalty-free, perpetual, worldwide license to make, have made, use, sell and distribute products, systems and services, outside of the securities industry field, under the issued OptiMark patent and one other patent application (the "HPM License"), in exchange for a nonrecourse subordinated promissory note in the amount of \$650,000 (which was fully reserved for in 1996). In March 1999, the Company entered into a license termination agreement with HPM to terminate the HPM License. In consideration for the termination of the license, the Company issued to HPM 2,000,000 shares of common stock of the Company at \$14 per share (fair market value at date of issuance). In connection with the issuance of common stock, the Company recorded an intangible asset in the amount of \$28,000,000 to be amortized over a 15-year life. During 1999 HPM paid the Company an aggregate of \$767,700 representing full repayment on the note (which represents a portion of amounts previously written off) and interest income of \$117,700.

As of September 30, 2000, the Company reevaluated the useful life of the HPM License and concluded that a more appropriate useful life would be five years effective October 1, 2000. The reduced useful life determination was based on recent developments in the business-to-business industry, as well as the success by competing firms in obtaining new electronic business and the rapid development of their competing technologies. At that time, the Company stated it would continually evaluate the use of this license relative to competing technologies and the need to upgrade and customize its own technology and may, if necessary and appropriate, further revise the useful life of the license.

As of December 31, 2000, the Company updated its reevaluation performed as of September 30, 2000 and concluded that it could not justify maintaining any related cost in its financial statements for the HPM license. As a result, the Company recorded \$23,940,000 as a write off of intangible assets on the consolidated statements of operations and comprehensive loss. The write off was deemed necessary based on (1) the use of new innovative customized technology improvements and concepts now being used by the Company in non-securities industry applications, (2) the increased pace of technology innovation in the exchange solution market and (3) the likelihood that the Company will use its new customized technology to respond to future client proposals. At the current time, the Company has no current or long-term plan or intention to utilize in the future any component of the underlying code or technology of the license in the development of non-securities industry applications.

8. ACCRUED COMPENSATION

Accrued compensation includes accrued bonuses of approximately \$147,000 and accrued vacation of approximately \$82,000 as of December 31, 2002 and accrued bonuses of approximately \$591,000 and accrued vacation of approximately \$550,000 as of December 31, 2001.

9. FINANCING ACTIVITIES

On March 21, 2002, the Company entered into a loan agreement with certain of its shareholders (SOFTBANK). Under the terms of the agreement, the Company borrowed \$500,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer eight shares of Innovations Common Stock and forty-eight shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the loan agreement with accrued interest payable in cash at maturity.

On April 11, 2002, the Company entered into a second loan agreement with these shareholders. Under this second loan agreement, the Company borrowed \$570,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The second loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer twelve shares of Innovations Common Stock and fifty-four shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the second loan agreement with accrued interest payable in cash at maturity. The value of the securities transferred at the time of repayment for the loan exceeded the value of the loan by \$570,000, which was recorded as a beneficial conversion feature. This amount was charged as interest expense ratably over the life of the loan.

On May 31, 2002, the Company entered into a third loan agreement with these shareholders. Under this third loan agreement, the Company borrowed \$1,650,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The third loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders had the right to require the Company to repay the principal amount of the loan by causing OptiMark to transfer twenty-eight shares of Innovations Common Stock and one hundred fifty-eight shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the third loan agreement with accrued interest payable in cash at maturity. The value of the securities transferred at the time of repayment for the loan exceeded the value of the loan by \$1,640,000, which was recorded as a beneficial conversion feature. This amount was charged as interest expense ratably over the life of the loan.

On September 17, 2002, the loan the Company executed with these shareholders on March 21, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer eight shares of Innovations' common stock and forty-eight shares of Innovations' Non-Qualified Preferred Stock. The Company recorded a loss of approximately \$945,000 on the exchange, which is included in loss on equity investment on the accompanying statement of operations and other comprehensive loss.

On October 8, 2002, the loan the Company executed with these shareholders on April 11, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer twelve shares of Innovations' common stock and fifty-four shares of Innovations' Non-Qualified Preferred Stock.

On November 27, 2002, the loan the Company executed with these shareholders on May 31, 2002, came due. In accordance with the terms of the agreement, the lenders caused the Company to transfer twenty-eight shares of Innovations' common stock and one hundred fifty-eight shares of Innovations' Non-Qualified Preferred Stock.

The repayment of the loans resulted in additional paid in capital of \$1,433,150.

On November 27, 2002, the Company entered into a fourth loan agreement with these shareholders. Under this fourth loan agreement, the Company borrowed \$750,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The fourth loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders may require the Company to repay the principal amount of the loan by causing OptiMark to transfer twelve shares of Innovations Common Stock and seventy-two shares of the Non-Qualified Preferred Stock of Innovations subject to adjustment as provided in the fourth loan agreement with accrued interest payable in cash at maturity. The value of the securities to be given in consideration at the time of repayment for the loan will exceed the value of the loan by \$92,000, which was recorded as a beneficial conversion feature. This amount is being charged as interest expense ratably over the life of the loan.

On December 17, 2002, the lenders and the Company executed a Letter Agreement pursuant to which the lenders will receive three shares of Innovations Common Stock and fifteen shares of Innovations Non-Qualified Preferred Stock in lieu of cash payment of all remaining obligations, including accrued and unpaid interest, the Company owed the lenders under the terms of the first three loan agreements.

10. ACCRUED RESTRUCTURING

The Company recorded approximately \$7,693,000 of restructuring charges in 1999 associated with a workforce reduction of 72 employees. Included in this amount was approximately \$5,811,000, representing charges associated with the revaluation of employee options and the remaining balance of approximately \$1,882,000

included notice period salaries of approximately \$876,000, severance of approximately \$706,000 and vacation pay and other related employee costs of approximately \$300,000. As of December 31, 1999, approximately \$522,000 of such amount had been paid and the remaining accrued restructuring costs were paid in 2000.

In November 1999, the Company entered into an agreement with an officer of the Company in connection with that officer's termination as an officer and director of the Company. The agreement called for cash payments of \$450,000 between November 1999 and June 2000, the vesting of 50% of any nonvested options as of November 1999 and the extension of the date on which all vested options can be exercised until November 2002. These costs, approximating \$2,355,000, are included in the amounts above.

During 2000, the Company recorded restructuring charges of approximately \$292,000. Included in this amount was approximately \$1,890,000 representing charges associated with the revaluation of employee options, \$750,000 related to a settlement payment to a vendor, approximately \$4,000 related to the write off of security deposits and the remaining balance of approximately \$268,000 included notice period salaries of approximately \$167,000, severance of approximately \$68,000 and vacation pay and other related employee costs of approximately \$33,000. The restructuring charges were reduced by approximately \$2,620,000 from a net reduction in vendor obligations. As of December 31, 2000, all the restructuring costs had been paid.

During 2001, the Company recorded restructuring charges of approximately \$316,000 representing severance costs associated with a workforce reduction of forty employees. As of December 31, 2001, all the restructuring costs had been paid.

11. LEASE COMMITMENTS

Operating Leases - The Company has operating lease obligations for office space, office equipment and computer equipment, which expire at various dates through 2014. The future minimum rental payments under operating leases at December 31, 2002 are as follows:

2003.....	\$	1,081,998
2004.....		1,134,513
2005.....		1,153,800
2006.....		1,152,147
2007.....		1,152,147
Thereafter		<u>7,025,288</u>
Total.....	\$	<u>12,699,893</u>

Total rent expense for real estate amounted to approximately \$1,324,000, \$1,113,000 and \$679,000 (net of sublease income of approximately \$0, \$3,700 and \$4,100) for the years ended December 31, 2002, 2001 and 2000, respectively.

Total rent expense for equipment amounted to approximately \$85,000, \$167,000 and \$728,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

12. SEGMENTS

As of December 31, 1998, the Company operated in one industry segment, the US Equities Business. As of December 31, 1999, the Company operated in two industry segments, the US Equities Business and the Exchange Solutions Services Business. As a result of the discontinuation of the US Equities Business, effective September 30, 2000, the Company currently operates in one industry segment, the Exchange Solutions Services Business. Effective in January 2002 the development, sales and marketing efforts of the Exchange Solutions Services Business were suspended. As of that date, the Company's principal business was to hold the securities of OptiMark and, through OptiMark, Innovations and to solicit interest from or opportunities with third parties concerning possible investments and/or strategic alliances, including such transactions with regard to the Exchange Solutions Services Business. OptiMark's VWAP assets utilized in the Vie transaction were part of a general effort to determine ways or utilize OptiMark's technology for trading venues to be owned and operated by OptiMark. OptiMark has

continued to develop additional concepts with a very limited team. There is no assurance that these limited development efforts will result in new products or receive the funding necessary for them to continue.

13. INCOME TAXES

The tax effected components of deferred income tax assets and liabilities at December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Deferred income tax assets:		
Net operating loss and R&D credit carryforwards	\$ 111,818,000	\$ 107,818,000
Tax basis of fixed assets, capitalized research and development costs of other intangibles in excess of book basis	7,933,000	7,707,000
Loss contingency and other reserves	5,426,000	9,823,000
Other	<u>405,000</u>	<u>405,000</u>
Total deferred tax assets	125,582,000	125,753,000
Less valuation in allowance	<u>(125,582,000)</u>	<u>(125,753,000)</u>
	<u>-</u>	<u>-</u>

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income within the net operating loss carryforward period. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes.

The Company had net operating loss carryforwards of approximately \$279,546,000 and \$267,103,000 at December 31, 2002 and 2001. The Company also has research and development (R&D) credits available of \$3,647,000 at December 31, 2002. The net operating loss carryforward and the research and development credits will expire for federal purposes in 2004 through 2022; the expiration of the net operating loss carryforward for states varies.

In 1998, as a result of the issuance of additional shares of stock, the Company incurred a change in ownership for tax purposes, which may limit future use of the net operating loss and research and development credit carryforwards. The Company may have incurred a second change of ownership in 2001 which would preclude the use of virtually all of the net operating loss carryforward and research and development credits that arose prior to the change.

14. 401(K) EMPLOYEE BENEFIT PLAN

OptiMark has a 401(k) defined contribution plan (the "Plan"), which covers all full-time employees over the age of 21 as of their initial date of employment. The Plan has no matching requirement. Any future matching will be at the discretion of the Board of Directors. The amounts charged to expense related to the administration of the Plan were approximately \$16,200, \$19,700 and \$12,600 for the years ended December 31, 2002, 2001 and 2000, respectively.

15. COMMITMENTS AND CONTINGENCIES

Holdings and/or its subsidiaries are subject to the following legal proceedings:

Finova Capital Corporation (Plaintiff) v. OptiMark Technologies, Inc., OptiMark, Inc. and OptiMark Holdings, Inc. (Defendants), Superior Court of New Jersey – Hudson County. Plaintiff filed this action on June 15, 2001, asserting claims that allegedly arise out of an equipment lease agreement pursuant to which it is alleged that

OptiMark Technologies, Inc. (now known as OptiMark US Equities, Inc.) agreed to lease certain equipment. Plaintiff contends that OptiMark Technologies, Inc. breached the equipment lease by, among other things, failing to pay the amounts due under the equipment lease. Based on these allegations, Plaintiff has made claims for breach of contract, tortious interference, fraudulent conveyance of such equipment lease agreement and/or the related equipment and/or other assets from OptiMark Technologies, Inc. to OptiMark and/or the Company and damages in unspecified amounts exceeding \$6,000,000, plus interest, late charges, litigation costs and expenses, and reasonable counsel fees. In the fourth quarter of 2001, most, if not all, of the equipment that was the subject of the equipment lease was returned consensually to Plaintiff. The parties currently are engaged in exchanging responses to written discovery requests. On February 14, 2002, Plaintiff made a motion to add Innovations as a defendant in the case. In the motion, Plaintiff alleges that the transfer of certain assets from OptiMark to Innovations on December 31, 2001 constituted a fraudulent conveyance of such assets. On March 25, 2002, the court granted Finova permission to amend its complaint to include Innovations. The amended complaint was served on Innovations on April 22, 2002. Innovations filed a response to the complaint on August 15, 2002. On June 13, 2002, Finova amended the complaint to include Vie. The Defendants, Innovations and Vie intend to defend this action and the motion vigorously. The outcome of this litigation cannot be predicted at this time, although it may have a material affect on the Company's financial condition and results of operations.

Comdisco, Inc. (Plaintiff) v. OptiMark Technologies, Inc. (now known as OptiMark US Equities, Inc.) (Defendant) and Avnet, Inc. State of Connecticut Superior Court, Judicial District of Fairfield at Bridgeport. Plaintiff filed a Complaint on December 18, 2000. The action seeks possession of leased equipment, proceeds from the sale of leased equipment, a deficiency judgment in an unspecified amount, and fees and costs and interest. Since the complaint was filed, most, if not all, of the equipment was returned consensually to Plaintiff. Based on the complaint filed in a related action in New Jersey (described below) and on other information received from Comdisco, it is believed that amount of damages claimed is approximately \$6,500,000. On March 30, 2001, the parties agreed to consolidate a related case captioned Comdisco, Inc. v. OptiMark Technologies, Inc., Superior Court of New Jersey Law Division Hudson County (filed on January 23, 2001) with the Connecticut proceeding. To effect the consolidation, on or about April 2, 2001, the parties filed a stipulation withdrawing Defendant's motion to dismiss Comdisco's Complaint filed in the Superior Court of New Jersey. That motion had sought dismissal principally on grounds that an identical action alleging breach of contract had previously been filed by Comdisco in Connecticut State Court. In exchange for Defendant's agreement to withdraw its motion, Comdisco agreed to withdraw its New Jersey Complaint without prejudice. In June 2001, Comdisco made a motion for summary judgment with respect to a claim against Avnet relating to a guaranty by Avnet of Defendant's obligations under a Master Lease Agreement for computer equipment leased from Comdisco. Avnet responded to Comdisco's motion by denying liability under the guaranty and asserting a variety of special defenses. In addition, Avnet filed a cross claim against Defendant. The cross claim alleges that if Avnet is found liable under the guaranty, then Avnet becomes subrogated to Comdisco's rights under the Master Lease Agreement to the extent of the payments Avnet makes to Comdisco and that OptiMark is liable to Avnet for any such payments. Defendant has responded to the complaint and cross-claim by denying its material allegations and asserting special defenses. In December of 2002, Avnet, Inc. amended its cross claim to include a claim for subrogation relating to a payment made on OptiMark's behalf on a guaranty to Finova and now also seeks to collect additional sums against Defendant in an unspecified amount. Defendant intends to defend this action vigorously. In the event a settlement is not reached, the case is scheduled for a jury trial commencing the week of June 25, 2003. The outcome of this litigation cannot be predicted at this time, although it may have a material affect on the Company's financial condition and results of operations.

The Company entered into a ten (10) year lease (the "Lease") with Montgomery Associates, L.P. ("Montgomery") on June 26, 1998, with respect to a data center at 30 Montgomery Street, Jersey City, New Jersey (the "Premises"). In December 2002, the Company defaulted on the Lease when it failed to pay its monthly rent. Montgomery commenced an action against the Company in the Superior Court of New Jersey to collect the outstanding rent due under the Lease.

On January 6, 2003, the Company and Montgomery entered into a Stipulation of Settlement to resolve this litigation. Pursuant to the terms of the Stipulation of Settlement, the Company agreed to cure its default under the Lease by paying Montgomery the sum of \$15,000.00 by January 10, 2003 and the sum of \$5,549.68 by January 31, 2003 (collectively, the "Back Rent"). The Company also agreed to continue to make future rental payments to Montgomery as they became due. The Stipulation of Settlement further provided that in the event the Company

failed to timely remit the Back Rent, Montgomery could declare the Stipulation of Settlement void and immediately obtain an entry of Judgment for Possession and a Warrant for Removal.

The Company did not pay Montgomery the Back Rent as required by the Stipulation of Settlement. Accordingly, Montgomery obtained a Judgment for Possession and Warrant for Removal for the Premises, which denied the Company access to the Premises. The Company does not have any present need for this space. There is, however, certain computer equipment located at the Premises. The Company is presently negotiating with Montgomery to recover this equipment.

Although it has obtained a Judgment for Possession for the Premises, Montgomery may also seek monetary damages with respect to the Company's alleged breach of the Lease. However, as of the date hereof, Montgomery has not commenced an action against the Company to obtain such monetary damages.

Management intends to vigorously contest these suits and threatened suits; however, the likelihood that these claims will result in loss or impairment of an asset is probable with the exception of one matter subject to arbitration as to which the likelihood that this claim will result in loss or impairment of an asset is reasonably possible. Any loss or impairment resulting from any of these suits may have a material impact on the Company's financial position, results of operations and cash flows in future years. An accrual of \$13,025,000 with respect to these and other loss contingencies has been recorded by the Company as part of its loss on discontinued operations, which represents management's best estimate of the outcome of the negotiations (Note 3).

On August 16, 2002, the Company entered into a new one-year employment agreement with an officer of the Company, which provides for annual compensation of \$250,000, a guaranteed bonus of \$200,000, to be paid ratably over the term of the agreement, a guaranteed bonus of \$45,000, paid upon the execution of the agreement and a guaranteed bonus of \$80,000, to be paid upon the employment of a full-time Chief Executive Officer of Vie. On October 9, 2002, Vie hired a full-time Chief Executive Officer. The bonus amounts were paid in full by December 16, 2002.

16. REDEEMABLE PREFERRED STOCK

Series E Preferred Stock - In June 2001, the Company and certain stockholders entered into a Preferred Stock Purchase Agreement whereby the stockholders agreed to purchase up to an aggregate of 1,000,000 shares of the Series E Preferred Stock at a price of \$15.00 per share. The purchase of shares took place at approximately one-month intervals from June 2001 through January 2002. The first such closing occurred on June 29, 2001 at which time the stockholders purchased an aggregate of 403,332 shares of the Series E Preferred Stock. In payment for the shares, the stockholders cancelled two outstanding promissory notes due from the Company in 2001 and paid the balance in cash. The proceeds to OptiMark were approximately \$5,781,000 net of legal fees of approximately \$269,000. Such legal fees were not accreted as redemption is not certain.

On August 16, 2001, the Company amended the Preferred Stock Purchase Agreement to permit an additional investor to purchase shares of the Series E Preferred Stock. The shares to be purchased by the additional investor come from those originally allocated to the initial purchasers of the Series E Preferred Stock. In monthly closings during the remainder of the year, the investors purchased 523,333 additional shares of the Series E Preferred Stock for an aggregate amount of \$7,850,000.

The Series E Preferred Stock is entitled to certain preferences over existing classes of the Company's stock in the event of any voluntary liquidation, dissolution or winding up of the affairs of the Company or any Deemed Liquidation Event (as defined below) involving the Company, equal to twice its purchase price, plus 80% of proceeds above that amount up to \$200 million, plus 76.56% of proceeds above \$200 million up to and including \$304.5 million, plus 56% of amounts in excess of \$304.5 million. For the purposes of this paragraph, the term "Deemed Liquidation Event" shall mean any of the following: (i) the Company's sale, conveyance or other disposition of all or substantially all of its assets, (ii) the acquisition of the Company by another entity by means of merger or consolidation resulting in the exchange of the outstanding shares of the Company for securities or consideration issued, or caused to be issued, by the acquiring entity or its subsidiary, unless the stockholders of the Company immediately prior to the consummation of the transaction hold at least 50% of the voting power of the surviving corporation in such a transaction, (iii) the consummation by the Company of a transaction or series of

related transactions, including the issuance or sale of voting securities, if the stockholders of the Company immediately prior to such transaction (or, in the case of a series of transactions, the first of such transactions) hold less than 50% of the voting power of the Company immediately after the consummation of such transaction (or, in the case of a series of transactions, the last of such transactions); or (iv) a merger or consolidation of any of the Company's subsidiaries unless, immediately after the effectiveness thereof, the Company or one of its wholly-owned subsidiaries owns all of the outstanding capital stock of the surviving corporation. The Series E Preferred Stock will vote together with the Company's common stock and have 32 votes per share. Calculated based on shares outstanding as of December 31, 2002, the Series E Preferred Stock represents 36.9% of the votes of the outstanding common stock (and shares entitled to vote with the common stock) and, in the aggregate, when fully subscribed for, represents 37.3% of the votes of the outstanding common stock (and shares entitled to vote with the common stock). Holders of the Series E Preferred Stock are entitled to receive, when and if declared by the Board of Directors, cumulative cash dividends at the annual rate of \$1.20 per share as well as certain preemptive and registration rights.

Series F Preferred Stock – In 2001, the Company adopted a new stock option plan under which employees and others may receive options to acquire the Company's Series F Preferred Stock (the "Series F Preferred Stock"). The Series F Preferred Stock is entitled to certain preferences over existing classes of the Company's stock in the event of any voluntary liquidation, dissolution or winding up of the affairs of the Company or any Deemed Liquidation Event (as defined below) involving the Company, equal to 20% of proceeds greater than \$30 million up to and including \$200 million, 19.14% of proceeds in excess of \$200 million up to and including \$304.5 million, and 14% of proceeds in excess of \$304.5 million. For the purposes of this paragraph, the term "Deemed Liquidation Event" shall mean any of the following: (i) a merger or consolidation of the Company unless, immediately after the effectiveness thereof, the stockholders of the Company immediately prior to such effectiveness hold a majority of the voting power in the surviving corporation (or the parent of the surviving corporation, in the event of a merger of the Company with any other corporation in which the holders of the Company's capital stock receive, in whole or in part, shares of common stock of a direct or indirect parent corporation of such other corporation), (ii) a merger or consolidation of any of the Company's subsidiaries unless, immediately after the effectiveness thereof, the Company or one of its wholly-owned subsidiaries owns all of the outstanding capital stock of the surviving corporation or (iii) a sale of all or substantially all of the Company's assets. Holders of Series F Preferred Stock will be entitled to one vote per share.

Series G Preferred Stock – In December 2001, the Company issued 300,000 shares of Series G Preferred Stock (the "Series G Preferred Stock") in connection with the settlement agreement with a former supplier of leased equipment. The Series G Preferred Stock ranks junior to the existing Series E Preferred Stock and Series F Preferred Stock but senior to all other classes or series of capital stock in the event of any voluntary liquidation, dissolution or winding up of the affairs of the Company or any Deemed Liquidation Event (as defined below). The liquidation preference of the Series G Preferred Stock is equal to 4.3% of proceeds in excess of \$200 million up to and including \$304.5 million. For the purposes of this paragraph, the term "Deemed Liquidation Event" shall mean any of the following: (i) a merger or consolidation of the Company unless, immediately after the effectiveness thereof, the stockholders of the Company immediately prior to such effectiveness hold a majority of the voting power in the surviving corporation (or the parent of the surviving corporation, in the event of a merger of the Company with any other corporation in which the holders of the Company's capital stock receive, in whole or in part, shares of common stock of a direct or indirect parent corporation of such other corporation), (ii) a merger or consolidation of any of the Company's subsidiaries unless, immediately after the effectiveness thereof, the Company or one of its wholly-owned subsidiaries owns all of the outstanding capital stock of the surviving corporation or (iii) a sale of all or substantially all of the Company's assets. The Series G Preferred Stock will vote together with the Company's common stock and have one vote per share.

17. EQUITY

Authorized Stock - During 1998, the Board of Directors and the stockholders of the Company increased the authorized shares of common stock and preferred stock of the Company by 70,000,000 and 30,000,000 shares, respectively. The Board of Directors has designated 3,547,068 shares of preferred stock as Series A Convertible Participating Preferred Stock, 11,000,000 shares of preferred stock as Series B Convertible Participating Preferred Stock, 8,250,000 shares of preferred stock as Series C Convertible Preferred Stock, 250,000 shares of preferred stock as Series D Convertible Preferred Stock, 1,000,000 shares of preferred stock as Series E Preferred Stock, 7,400,000 shares of preferred stock as Series F Preferred Stock and 300,000 shares of preferred stock as Series G

Preferred Stock. As of December 31, 2002 and 2001, the Company had 8,577,932 undesignated shares of preferred stock, respectively, authorized for issuance.

Common Stock - During 1998, the Company issued 350,000 shares of common stock to an officer at \$10 per share (fair market value at date of issuance) of which 183,000 shares were issued out of treasury stock. The Company received cash of \$2,500,000 and received a 4.33% interest-bearing note receivable for \$1,000,000. On November 1, 1999, the principal amount plus interest of \$39,742 on the note was repaid to the Company.

During 1999, the Company issued 2,000,000 shares of common stock to HPM (See Note 7) at \$14 per share (fair market value at date of issuance) in exchange for the termination of the non-securities industry licenses previously granted to HPM. In addition, 4,167 shares of common stock were issued to a consultant at \$12 (fair market value at date of issuance) in exchange for approximately \$50,000 in cash.

Common Stock (Non-Voting) - During 1998, the Company created a new class of non-voting common stock. 1,500,000 shares were authorized and 740,000 shares were issued during 1998 to an investor in exchange for 740,000 shares of voting common stock. Such amounts are included in common stock on the consolidated balance sheets.

Series A Convertible Participating Preferred Stock - Each share of Series A Convertible Participating Preferred Stock (the "Series A Preferred Stock") is currently convertible into four shares of common stock, subject to certain adjustments.

In March 1999, a Series A Preferred Stockholder converted 75,000 shares of Series A Preferred Stock into 300,000 shares of the Company's common stock.

Series B Convertible Preferred Stock - Between April and December 1998, in a series of closings, the Company issued 11,000,000 shares of Series B Convertible Preferred Stock (the "Series B Preferred Stock") at a price of \$10 per share (fair market value at date of issuance) to investors. In connection therewith, the Company issued 25,000 shares of Series B Preferred Stock (included in the 11,000,000 shares above) and paid a \$150,000 fee to an investor who served as a placement agent on behalf of the Company. The Company also granted to the initial investor in the Series B Preferred Stock a warrant to purchase 500,000 shares of common stock at \$10 per share (fair market value at date of grant) and granted that investor a license to use, sell and distribute products, systems and services using the OptiMark technology within the insurance industry field (see "Warrants" below). In advance of granting this license, the Company purchased the rights to the OptiMark technology in the insurance industry field from HPM for \$500,000 in cash. HPM had a license to the rights to the OptiMark technology in all non-securities industry markets (See Note 7). Legal and other costs of approximately \$68,000 were incurred in connection with these transactions.

Each share of Series B Preferred Stock is currently convertible into one share of common stock, subject to certain adjustments.

Series C Convertible Preferred Stock - In July 1999, the Company issued 8,250,000 shares of Series C Convertible Preferred Stock (the "Series C Preferred Stock") at a price of approximately \$11.76 per share (fair market value at date of issuance) to two investors. Legal and other costs of approximately \$11,000 were incurred in connection with this transaction.

Each share of Series C Preferred Stock is currently convertible into one share of common stock, subject to certain adjustments.

Series D Convertible Preferred Stock - In July 1999, the Company issued 250,000 shares of Series D Convertible Preferred Stock (the "Series D Preferred Stock") at a price of \$12 per share (fair market value at date of issuance) to an investor.

Each share of Series D Preferred Stock is currently convertible into one share of common stock, subject to certain adjustments.

The Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are entitled to a liquidation preference equal to \$7.33 per share, \$10 per share, approximately \$11.76 per share and \$12 per share, respectively, (aggregating approximately \$226 million) plus all declared and unpaid dividends thereon to the date fixed for liquidation, dissolution or winding up. Holders of the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock are entitled to receive dividends equal to any dividends received by the holders of the Company's common stock, as if the Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock had been converted into common stock.

The holders of the Series A Preferred Stock, one of the holders of Series B Preferred Stock, certain officers and directors of the Company, and the Company, have previously entered into agreements relating to certain preemptive rights, rights of first refusal and tag-along rights. Pursuant to four separate registration rights agreements, the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock have certain rights, subject to certain restrictions and limitations, to have the Company register their shares with the Securities and Exchange Commission for resale. Holders of the Series E Preferred Stock are entitled to preemptive and registration rights.

Warrants - During 1998, the Company issued warrants to purchase up to 11,837,500 shares of its common stock. In September 1998, in connection with the Company's agreement with the Nasdaq to implement the Nasdaq Application, the Company entered into a warrant agreement (the "Nasdaq Warrant Agreement") with The Nasdaq Stock Market, Inc. ("Nasdaq") whereby the Nasdaq has the ability to earn warrants to purchase up to 11,250,000 shares of the Company's common stock (the "Nasdaq Warrants"). The Nasdaq Warrants are exercisable in tranches based upon the achievement of certain milestones, as defined by the Nasdaq Warrant Agreement. In connection with the launch of the Nasdaq Application in October 1999, an aggregate of 4,500,000 warrants were earned. Of the 4,500,000 warrants, 2,250,000 are exercisable at \$5 per share and the remaining 2,250,000 are exercisable at \$7 per share. In connection with the above 4,500,000 warrants, the Company recorded an expense of \$33,800,000 in 1999 (the value using the Black-Scholes Model). As of September 19, 2000, the business related to the Nasdaq Warrants was discontinued and consequently, no additional Nasdaq Warrants can be earned in the future under the original Nasdaq Warrant Agreement.

In 1998, a warrant to acquire 42,500 shares of common stock was issued in connection with a master equipment lease agreement with a third party and expires in June 2003. The remaining warrants to acquire 45,000 shares of common stock were granted in 1998 to two consultants of the Company and have an exercise price of \$10 (fair market value at date of grant). Of these warrants, 40,000 expire in August 2003 and the remaining 5,000 were exercised in August 1999. The effect of the above warrants in 1998 was an expense of approximately \$109,000 (the value using the Black-Scholes Model).

During 1999, the Company issued to five holders of Series B Preferred Stock, warrants to acquire an aggregate of 1,666,667 shares of its common stock at \$10 per share (fair market value at the date of grant). In connection with such issuance, the Company recorded an expense of approximately \$6,786,300 (the value using the Black-Scholes Model) in 1999. All of these warrants expired unexercised in June 1999. Additionally, warrants to acquire 25,000 shares of common stock were granted to two consultants of the Company. Of these warrants, 5,000 were issued at \$10 and expired in January 2002. The effect of this warrant in 1999 was an expense of approximately \$6,300 (the value using the Black-Scholes Model). The remaining 20,000, granted to a former board member in consideration for contracted consulting services, were issued at \$14 and expire in February 2009. The charge associated with this warrant (utilizing the Black-Scholes Model) was approximately \$38,800, to be amortized over the life of the contract. The amount expensed in 1999 was approximately \$24,300 and the balance of \$14,500 was expensed in 2000.

Additionally, in October 1999, the Company entered into a strategic alliance with Knight/Trimark Group, Inc. ("Knight") under which Knight can earn warrants to acquire common stock of up to a maximum of 25% of the Company, but not in excess of 31,037,491 common shares. The warrants are earned in tranches based on the number of shares traded by Knight in the OptiMark System, with progressively larger amounts of trades required to earn each tranche. As of September 19, 2000, the business related to the Knight warrants was discontinued. As of that date, no warrants had been earned and, as a result of the discontinuation of that business, no warrants can be earned in the future.

On October 2, 2000, the Company and Nasdaq executed a new agreement whereby the Company entered into a new development effort for Nasdaq and amended the terms of the Nasdaq Warrant Agreement. The amended warrant agreement maintained the remaining number of unearned warrants that could be issued under the prior agreement, but changed the criteria for earning each tranche to defined critical milestones of the new development effort. In addition, the exercise date for all warrants was extended by 3 years. As of December 31, 2000, the first critical milestone was achieved and 500,000 of the warrants which had a fair market value of \$.50 per share were earned. The warrants are exercisable at \$7.00 per share. At December 31, 2000, the warrants had no fair market value as calculated using the Black-Scholes Model. In April 2001, OptiMark and Nasdaq amended the October 2, 2000 agreement and provided, among other terms, that the balance of the Nasdaq warrants would vest in 2001 if OptiMark earned a defined cumulative billing amount in 2001. The defined cumulative billing amount was reached in 2001 and the balance of the warrants, 6,250,000, was earned.

In March 2000, 124,000 warrants granted to three former employees of an affiliate expired.

As discussed above, a warrant to acquire 500,000 shares of common stock was issued in connection with the Series B Preferred Stock financing and expires in June 2003. The effect of the above warrant in 1998 was a reduction in additional paid-in capital of approximately \$915,000 (the value using the Black-Scholes Model).

Treasury Stock - During 1997, the Company purchased 208,000 shares of common stock at \$2.56 per share from an individual investor and held these shares as treasury shares. In 1998, these shares were sold to two consultants and an officer of the Company at \$10 per share (fair market value at date of sale).

Additionally, during 1998, the Company purchased 250,000 shares of Series A Preferred Stock at \$40 per share from an investor and held these shares as treasury shares at December 31, 1998 and 1999. In January 2000, the Company's board of directors retired these Series A Preferred shares and the shares were returned to the authorized but unissued preferred shares.

During 2001, the Company purchased 3,242,644 common shares and 2,296,385 shares of Series A Preferred Stock from one investor and 180,000 shares of Series B Preferred Stock from a second investor for a total cost of \$2.00. The common shares are being held in treasury. The Series A Preferred Stock and Series B Preferred Stock were returned to the authorized but unissued preferred shares.

During 2002, the Company purchased 2,250,000 shares of Series B Preferred Stock from three investors for a total cost of \$2,503. The Series B Preferred Stock was returned to the authorized but unissued preferred shares.

18. STOCK OPTION PLANS

Common Stock Option Plan

During 1998, the Company provided for the granting of 1,200,000 options to an officer of the Company with an exercise price of \$10 (fair market value at the date of grant), and an exercise period of 10 years from the date of grant under the plan. Of the 1,200,000 options, 200,000 vested immediately and the remaining 1,000,000 options vest ratably over a five-year period on the anniversary of the date of hire. The officer resigned from the Company in 2000 and all options were cancelled.

Prior to November 1999, the Company maintained a stock option plan (the "1996 Plan"), which provided for the issuance of stock options to employees. Under the 1996 Plan, options that were intended to be incentive stock options were granted at prices not less than fair market value per share on the date of grant, as determined by the Board of Directors. The options granted were exercisable in accordance with the vesting schedule not to exceed ten years. No further stock options may be granted under the 1996 Plan.

In November 1999, the Company adopted the 1999 Stock Plan (the "1999 Plan"), which made 14,669,224 shares of common stock available for issuance. This amount included 8,669,224 shares under the 1996 Plan and an additional 6,000,000 shares under the 1999 Plan. All options outstanding under the 1996 Plan, as of the date of adoption of the 1999 Plan, continued in effect under their original terms. The 1999 Plan provided for the issuance of non-statutory and incentive stock options (as defined in the Internal Revenue Code of 1986, as amended), restricted

stock and stock equivalent rights to employees, directors and consultants. Options granted under the 1999 Plan that were intended to be incentive stock options were granted at prices not less than fair market value per share on the date of grant. Non-Statutory stock options granted under the 1999 Plan were granted at prices not less than 85% of fair market value per share on the date of grant. No portion of any option could be exercised beyond 10 years from the grant date.

In May 2000, the Company amended the 1999 Plan to increase the number of shares authorized for issuance by 3,000,000, which made 17,669,224 shares available for issuance.

On September 19, 2000, the Company's board of directors authorized a repricing, which reduced to \$.50 per share, the exercise price of all outstanding stock options that had been granted to those employees who remained with the Company after that date. The original options were granted at amounts ranging from \$1.83 to \$14.00 per share, over several grant dates. A total of 6,298,300 shares related to those employees were repriced. Options for 863,500 shares related to certain eligible employees who did not execute an agreement related to all repriced shares, were not repriced. All outstanding stock options that had been granted to employees who either left the Company prior to September 19, 2000 or whose employment was terminated by the Company as a result of the September 2000 restructuring were not repriced and remain at the original exercise price set at the time of grant. The new exercise price of \$.50 per share was based on a determination of the fair market value of the Company's common stock by its board of directors at that date. The repriced options are subject to variable plan accounting. No expense was required for the years ended 2002, 2001 and 2000 as a result of this repricing.

On voluntary termination an employee has thirty days in which to exercise his or her vested options.

At December 31, 2002, 2001 and 2000, the components of the Plan consisted of the following:

	AVERAGE WEIGHTED SHARES	EXERCISE PRICE
Options outstanding at January 1, 2000	6,967,060	\$ 6.32
Options granted during 2000	9,120,600	5.85
Options exercised during 2000	(116,500)	1.75
Options canceled during 2000	<u>(7,153,490)</u>	8.55
Options outstanding at December 31, 2000	<u>8,817,670</u>	\$2.39
Options granted during 2001	673,000	\$.50
Options exercised during 2001	0	
Options canceled during 2001	<u>(4,564,531)</u>	\$3.34
Options outstanding at December 31, 2001	<u>4,926,139</u>	\$1.27
Options granted during 2002	20,000	\$.50
Options exercised during 2002	0	
Options canceled during 2002	<u>(3,025,639)</u>	\$1.27
Options outstanding at December 31, 2002	1,920,500	\$1.23
Weighted-average fair value of options granted during the year 2002		\$.02
Weighted-average fair value of options granted during the year 2001		\$.50
Weighted-average fair value of options granted during the year 2000		\$ 1.67
Number of options exercisable at December 31, 2000	2,582,177	\$ 3.04
Number of options exercisable at December 31, 2001	2,333,229	\$ 1.27
Number of options exercisable at December 31, 2002	1,478,100	\$1.27

The following table summarizes information about stock options outstanding at December 31, 2002:

OPTIONS OUTSTANDING				OPTIONS EXERCISABLE	
RANGE OF AVERAGE EXERCISE PRICES	NUMBER OF REMAINING SHARES OUTSTANDING	WEIGHTED AVERAGE NO. OF CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
\$.50 - \$ 1.50	1,755,900	6.63	\$.50	1,350,200	\$.50
\$ 1.83 - \$ 7.50	25,400	4.56	2.71	25,400	2.71
\$ 10.00 - \$14.00	<u>139,200</u>	7.01	10.61	<u>102,500</u>	10.82
\$.50 - \$14.00	<u>1,920,500</u>	6.63	\$ 1.26	<u>1,478,100</u>	\$ 1.27

Series F Preferred Stock Option Plan

On November 13, 2001, the stockholders of the Company approved the OptiMark Holdings, Inc. 2001 Series F Preferred Stock Plan (the "2001 Plan"). The 2001 Plan provides for the granting of awards to acquire up to 7,400,000 shares of Series F Preferred Stock to officers, employees, or directors of or consultants to the Company. Awards may take the form of options, rights to purchase or unfunded and unsecured rights to receive Series F Preferred Stock in the future. Options granted under the 2001 Plan may be either incentive stock options or non-qualified options. The options have a term of ten years and vest cumulatively at a rate no less than twenty five percent per year over four years.

At December 31, 2002, the components of the 2001 Plan consisted of the following:

	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Options granted during 2001	5,613,398	\$.10
Options cancelled during 2001	<u>(10,000)</u>	\$.10
Options outstanding at December 31, 2001	5,603,398	\$.10
Options granted during 2002	20,000	\$.10
Options cancelled during 2002	<u>(2,153,199)</u>	\$.10
Options outstanding at December 31, 2002	3,470,199	\$.10
Weighted-average fair value of options granted during 2002		\$.01
Weighted-average fair value of options granted during 2001		\$.10
Number of options exercisable at December 31, 2001	627,840	\$.10
Number of options exercisable at December 31, 2002	2,138,012	\$.10

The weighted-average remaining contractual life for options outstanding at December 31, 2002 as 8.60 years and the weighted-average exercise price of options exercisable at December 31, 2002 was \$.10.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of management, the carrying value of cash and cash equivalents, receivables, notes, other assets and current liabilities are a reasonable estimate of their fair value.

20. LOSS PER SHARE ("EPS")

Basic and diluted EPS for 2002, 2001 and 2000 was calculated using 33,369,913, 35,004,561 and 36,603,854 weighted-average shares outstanding for the years ended December 31, 2002, 2001 and 2000, respectively. Due to the net losses incurred in each year, all options and convertible preferred stock were anti-dilutive and therefore excluded from the basic and diluted earnings per share calculation.

21. SUBSEQUENT EVENTS

On January 31, 2003, OptiMark amended the employment agreement dated August 16, 2001 to change its chief executive officer's employment status to part-time as of January 15, 2003. Under the terms of the agreement, the chief executive officer is to receive \$125,000 in cash and make himself available for service to the Company for ten days from February 1, 2003 to March 31, 2003. After the tenth day of service during this period, the chief executive officer is entitled to receive \$2,000 per day. Commencing April 1, 2003, the chief executive officer will receive a salary \$2,000 per week and will receive \$2,000 per day if he works more than one day in any given week.

Under the terms of the agreement, the Company will pay for the continued coverage of the chief executive officer and each of his dependents in the medical, dental, vision and hospitalization programs until December 31, 2003.

On April 10, 2003 the Company extended the maturity date of a \$45,000 loan to its Chief Executive Officer to May 31, 2003.

On February 6, 2003, the Company entered into a fifth loan agreement with certain of its shareholders. Under this fifth loan agreement, the Company borrowed \$940,000 for a period of 180 days at an interest rate of 10% per annum compounded every ninety days. The fifth loan is secured by substantially all of the assets of the Company. In lieu of repayment of principal in cash, the lenders may require the Company to repay the principal amount of the loan by causing OptiMark to transfer eighty-nine shares of the Non-Qualified Preferred Stock of Innovations and the reduction of the Company's First Call Right by twenty shares subject to adjustment as provided in the fifth loan agreement with accrued interest payable in cash at maturity.

On March 19, 2003, subject to execution of definitive documentation, the Company reached a settlement with Finova with respect to the litigation captioned Finova Capital Corporation (Plaintiff) v. OptiMark Technologies, Inc., OptiMark, Inc. and OptiMark Holdings, Inc. (Defendants), Superior Court of New Jersey - Hudson County. The terms of this settlement provide that the Company will pay Finova the combined sum of \$1,000,000 in the following manner: a) \$200,000 within thirty (30) days of the execution of the written settlement agreement; b) \$400,000 in January 2004; and c) \$400,000 in June 2004. The Company will provide Finova with a consent judgment for the outstanding balance due on the lease agreements in dispute - to be used only in the event of a default under the terms of the settlement agreement. The exact amount of the consent judgment shall be agreed to by the parties based upon the amount due and owing under the subject leases. In consideration of the foregoing, Finova, upon receipt of the first payment of \$200,000, will provide all defendants to the litigation (namely, Optimark U.S. Equities, Inc., Optimark, Inc., Optimark Holdings, Inc., Optimark Innovations, Inc. (plead as OTSH, Inc.) and Vie Financial Group (plead as Ashton Technology Group, Inc.)) a release for all claims arising out of the lease transaction between the parties as well as those additional claims asserted, or those that could have been asserted, by Finova against all defendants in the pending litigation. Additionally, Finova also shall cause a Stipulation of Dismissal, with prejudice, to be filed in the pending action.

22. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents unaudited quarterly results of operations for 2002 and 2001. This unaudited information has been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, this table includes all adjustments, consisting of only normal recurring adjustments, that are considered necessary for a fair presentation of the Company's financial position and results of operations for the quarters presented.

2002	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
Total revenue	\$ -	\$ 514,991	\$ -	\$ 191,127
Loss from continuing operations	(3,291,840)	(1,164,291)	(4,551,357)	(3,143,489)
Loss from continuing operations per share	\$ (0.10)	\$ (0.03)	\$ (0.14)	\$ (0.09)
Weighted average number of common shares outstanding – basic and diluted	33,369,913	33,369,913	33,369,913	33,369,913
2001				
Total revenue	\$ 3,417,965	\$ 3,256,355	\$ 2,563,682	\$ 2,187,720
Loss from continuing operations	(5,015,167)	(4,429,067)	(2,698,036)	(5,087,695)
Loss from continuing operations per share	\$ (0.14)	\$ (0.12)	\$ (0.08)	\$ (0.15)
Weighted average number of common shares outstanding – basic and diluted	36,612,557	36,612,557	33,475,651	33,369,913