

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

000-30527
(Commission file number)

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)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 /X/ No / /

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At April 30, 2003, the number of shares outstanding of the registrant's common stock was 33,354,913.

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FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 I, Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements also include statements in which such words 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 in Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission and elsewhere in this Quarterly Report. Our future results and stockholder values may differ materially from those expressed in or indicated by 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 do not have any intention or obligation to update forward-looking statements after the filing of this Quarterly 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.

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2003 (Unaudited)	December 31, 2002
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 164,591	\$ 135,668
Accounts receivable	94,313	95,808
Other current assets	471,687	67,090
Total current assets	730,591	298,566
PROPERTY AND EQUIPMENT - NET	16,871	22,692
OTHER ASSETS	134,090	284,033
TOTAL ASSETS	<u>\$ 881,552</u>	<u>\$ 605,291</u>
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 914,519	\$ 711,429
Accrued compensation	69,764	229,024
Loan payable	1,627,658	682,003
Net liabilities of discontinued operations (Note 4)	13,441,932	13,460,791
Other current liabilities	105,992	104,851
Total current liabilities	<u>16,159,865</u>	<u>15,188,098</u>
COMMITMENTS AND CONTINGENCIES		
MANDATORILY REDEEMABLE STOCK		
Series E preferred stock, convertible, \$0.01 par value; 1,000,000 shares authorized; 983,335 issued and outstanding at March 31, 2003 and , December 31, 2002, respectively	14,437,427	14,437,427
Series F preferred stock, \$0.01 par value; 7,400,000 shares authorized and no shares issued and outstanding at March 31, 2003 and December 31, 2002 respectively	-	-
Series G preferred stock, \$0.01 par value; 300,000 shares authorized, issued and outstanding at March 31, 2003 and December 31, 2002 respectively	3,000	3,000
TOTAL MANDATORILY REDEEMABLE STOCK	14,440,427	14,440,427
STOCKHOLDERS' DEFICIENCY:		
Preferred stock, authorized and unissued 8,577,932 at March 31, 2003 and December 31, 2002		
Series A preferred stock, convertible and participating, \$0.01 par value; 3,222,068 shares authorized; 925,683 shares issued and outstanding at March 31, 2003 and December 31, 2002	9,257	9,257
Series B preferred stock, convertible, \$0.01 par value; 11,000,000 shares authorized; 7,070,000 and 8,570,000 shares issued and outstanding at March 31, 2003 and December 31, 2002	70,700	85,700
Series C preferred stock, convertible, \$0.01 par value; 8,250,000 shares authorized, issued and outstanding at March 31, 2003 and December 31, 2002	82,500	82,500
Series D preferred stock, convertible, \$0.01 par value; 250,000 shares authorized, issued and outstanding at March 31, 2003 and December 31, 2002	2,500	2,500
Common stock, \$0.01 par value; 150,000,000 shares authorized; 33,354,913 and 33,369,913 shares issued and outstanding at March 31, 2003 and December 31, 2002, respectively, of which 3,242,644 are held as treasury stock at March 31, 2003 and December 31, 2002, respectively	365,975	366,126
Warrants, common stock	35,686,523	35,686,523
Additional paid-in capital	310,175,449	310,074,976
Accumulated deficit	(375,869,638)	(375,247,045)
Accumulated other comprehensive loss	(242,005)	(83,770)
Treasury stock	(1)	(1)
TOTAL STOCKHOLDERS' DEFICIENCY	<u>(29,718,740)</u>	<u>(29,023,234)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	<u>\$ 881,552</u>	<u>\$ 605,291</u>

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31,

	2003 Unaudited	2002 Unaudited
EXPENSES:		
Sales and marketing	-	313,848
Research and development	-	1,462,859
General and administrative	508,551	1,124,042
Depreciation and amortization	<u>5,821</u>	<u>390,833</u>
Total operating expenses	514,372	3,291,582
OTHER (INCOME) EXPENSE:		
Interest income	(984)	(4,139)
Interest expense	<u>109,205</u>	<u>4,397</u>
Total other expense	108,221	258
LOSS FROM CONTINUING OPERATIONS	(622,593)	(3,291,840)
DISCONTINUED OPERATIONS:		
Loss on disposal of discontinued operations	<u>-</u>	<u>(69,827)</u>
Loss from discontinued operations	<u>-</u>	<u>(69,827)</u>
Loss before minority interest	(622,593)	(3,361,667)
Minority interest in loss of subsidiary	-	102,638
NET LOSS	(622,593)	(3,259,029)
OTHER COMPREHENSIVE INCOME (LOSS):		
Foreign currency translation adjustments	<u>(158,235)</u>	<u>212</u>
COMPREHENSIVE LOSS	<u>\$ (780,828)</u>	<u>\$ (3,258,817)</u>
LOSS PER SHARE - BASIC AND DILUTED:		
Continuing operations	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>
Discontinued operations	<u>\$ -</u>	<u>\$ -</u>
Total loss per share	<u>\$ (0.02)</u>	<u>\$ (0.09)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>33,366,413</u>	<u>36,369,913</u>

See notes to consolidated financial statements

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31

	2003 (Unaudited)	2002 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (622,593)	\$ (3,259,029)
Deduct loss from discontinued operations	-	(69,827)
Loss from continuing operations	(622,593)	(3,189,202)
Adjustments to reconcile net loss from continuing operations to net cash used in continuing operations:		
Depreciation and amortization	5,821	390,833
Noncash interest expense	108,977	-
Minority interest in income of subsidiary	-	(102,638)
Gain on sale of assets	(7,500)	(333,924)
Changes in operating assets and liabilities:		
Receivables	1,495	774,180
Other assets	(254,654)	409,853
Accounts payable and accrued liabilities	(114,405)	(417,487)
Other liabilities	1,141	(135,957)
Net cash used in continuing operations	(881,718)	(2,604,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(12,000)
Proceeds from disposal of assets	7,500	380,980
Net cash provided by investing activities	7,500	368,980
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of preferred stock	-	806,572
Proceeds from shareholder loan	940,000	500,000
Payments for issuance costs	(18,000)	-
Net cash provided by financing activities	922,000	1,306,572
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 47,782	(928,790)
NET CASH USED IN DISCONTINUED OPERATIONS	(18,859)	(482,821)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	135,668	1,624,017
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>\$ 164,591</u>	<u>\$ 212,406</u>
Supplemental disclosure of cash flow information:		
Cash payments for interest - continuing operations	\$ 228	\$ 4,397
Non-cash transaction		
Purchase of software license	\$ -	\$ 3,000,000

See notes to consolidated financial statements

OPTIMARK HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2003 AND 2002

1. GENERAL INFORMATION

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. PRESENTATION

Presentation - The accompanying unaudited, condensed, consolidated financial statements include the accounts of the Company. In the opinion of management, all adjustments have been made which are of a normal recurring nature, so as to fairly state the results for the interim periods. All significant intercompany transactions and balances have been eliminated. Certain footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to Securities and Exchange Commission ("SEC") rules and regulations. The nature of the Company's business is such that the results of an interim period are not necessarily indicative of the results for a full year. These consolidated statements should be read in conjunction with the financial statements and the notes thereto included in the Company's audited financial statements as of December 31, 2002 included in the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on May 9, 2003.

The accompanying unaudited, condensed, consolidated 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.

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 quarters ended March 31, 2003 and 2002, would have remained unchanged.

Use of Estimates - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. It is reasonably possible that actual results could differ significantly from those estimates and significant changes to estimates could occur in the near term.

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

Changes in Net Liabilities of Discontinued Operations from December 31, 2002 to March 31, 2003 is as follows:

	Balance at December 31, <u>2002</u>	Paid or Charged Against <u>Liability</u>	Additional Accruals and Other <u>Adjustments</u>	Balance at March 31, <u>2003</u>
Net Liabilities of Discontinued Operations	(13,460,791)	18,859	-	(13,441,932)

4. FINANCING ACTIVITIES

On February 4, 2002, Ashton 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 purchased 608,707,567 shares of Ashton common stock in exchange for \$7,272,727 in cash and intellectual property and other non-cash assets of Innovations valued by Ashton 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. Ashton or Innovations 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 Ashton 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 Ashton in exchange for the Note. The Note will mature in five years, may, at the option of Innovations, be convertible into shares of Ashton 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 Ashton Common Stock. The Note is secured by a pledge and security agreement pursuant to which Innovations has received a blanket lien on Ashton's assets, including, without limitation, the pledge of the equity interests of Ashton and Universal Trading Technologies Corporation, a Delaware corporation and majority-owned subsidiary of Ashton ("UTTC"), in each of ATG Trading LLC, wholly-owned subsidiary of Ashton, Electronic Market Center, Inc., a majority-owned subsidiary of Ashton, Ashton Technology Canada, Inc., a majority-owned subsidiary of Ashton, 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 diluted outstanding shares of the Ashton Common Stock calculated as of May 3, 2002. Diluted shares include the outstanding shares of the Ashton Common Stock and (i) shares of any series of capital stock of Ashton or its subsidiaries that vote together with the Ashton Common Stock, (ii) any outstanding options issued to employees and third parties, and (iii) shares of the Ashton 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 Ashton's fully-diluted shares of the Ashton Common Stock, calculated as of May 3, 2002.

During the three months ended March 31, 2002, the Company sold 56,668 shares of Series E Preferred at \$15 per share. The aggregate amount received from this sale was \$850,000, which was paid in cash. The shares were sold to SOFTBANK Capital Partners LP, SOFTBANK Capital LP, SOFTBANK Capital Advisors Fund LP, and Big Island LLC,

each of whom is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended.

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. 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 \$103,000, which was recorded as a beneficial conversion feature. This amount is being charged as interest expense ratably over the life of the loan.

5. RELATED PARTY TRANSACTIONS

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.

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.

6. COMMITMENTS AND CONTINGENCIES

OptiMark and certain of its subsidiaries are subject to the legal proceedings described in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on May 9, 2003.

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, tortuous 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.

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.

7. SUBSEQUENT EVENTS

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

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

Discontinued and Suspended Operations

On September 19, 2000, the Company discontinued its US Equities Business. The Company 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. 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'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 by the end of May 2003, 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.

History of Losses

OptiMark has experienced losses each quarter since its inception. Although the business has been restructured, losses are likely to continue for the foreseeable future. As of March 31, 2003, the Company's accumulated deficit was approximately \$375,870,000.

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.

Results of Operations

THREE MONTHS ENDED MARCH 31, 2003 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2002

Operating Expenses. Operating expenses for the three months ended March 31, 2003 totaled approximately \$514,000 as compared to approximately \$3,292,000 for the three months ended March 31, 2002. The following is a discussion of the changes as it relates to each of the components:

Sales and Marketing. Sales and marketing expense for the three months ended March 31, 2003 totaled \$0 as compared to approximately \$314,000 for the three months ended March 31, 2002. The decrease of \$314,000 was due to the reduction of resources expended on sales and marketing activities, pursuant to the suspension of the Exchange Solutions Services Business and the Company's transition to holding company status.

Research and Development. Research and development expense totaled \$0 for the three months ended March 31, 2003 compared to approximately \$1,463,000 for the three months ended March 31, 2002. The decrease of \$1,463,000 was due to the reduction of resources expended on research and development activities, pursuant to the suspension of the Exchange Solutions Services Business and the Company's transition to holding company status.

General and Administrative. General and administrative expense totaled approximately \$509,000 for the three months ended March 31, 2003 as compared to approximately \$1,124,000 for the three months ended March 31, 2002. The decrease of \$615,000 is primarily due to a general reduction in expenses pursuant to the Company's transition to holding company status. The significant reductions occurred in personnel related expenses, corporate insurance expense and professional fees.

Depreciation and Amortization. Depreciation and amortization expense totaled approximately \$6,000 for the three months ended March 31, 2003 as compared to approximately \$391,000 for the three months ended March 31, 2002. The decrease of \$385,000 is primarily

due to the write off of assets deemed permanently impaired during the latter part of 2002.

Other Income and Expense. Other income and expense includes interest income on cash and cash equivalents and interest expense on loans. Other expense, net, was approximately \$108,000 for the three months ended March 31, 2003 as compared to other expense, net of approximately \$300 for the three months ended March 31, 2002. The increase of \$107,700 is due to interest incurred on the shareholder loans and the beneficial conversion feature of the loans.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2003, OptiMark's principal sources of liquidity consisted of approximately \$165,000 of cash and cash equivalents as compared to approximately \$212,000 of cash and cash equivalents as of March 31, 2002.

Net cash used in continuing operating activities for the three months ended March 31, 2003 was approximately \$882,000 and net cash used in operating activities for the three months ended March 31, 2002 was approximately \$2,604,000. The change in net operating cash flows was attributable to net losses in both periods, partially reduced by non-cash charges such as depreciation and amortization, non-cash interest expense, minority interest in income of subsidiary and gain 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 \$8,000 for the three months ended March 31, 2003 and net cash provided by investing activities was approximately \$369,000 for the three months ended March 31, 2002. The cash provided by investing activities in 2003 and 2002 primarily consisted of the proceeds received from the sale of assets, chiefly computer equipment.

Net cash provided by financing activities for the three months ended March 31, 2002 was approximately \$922,000 and net cash provided by financing activities for the three months ended March 31, 2002 was approximately \$1,307,000. In 2003, cash was provided from a shareholder loan. In 2002, cash was provided from the sale of Series E Cumulative Preferred Stock ("Series E Preferred") and a shareholder loan.

The results indicated for continuing operations in the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2003 are not necessarily indicative of the spending rates for the continuing operations.

ITEM 3. CONTROLS AND PROCEDURES

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.

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 II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

OptiMark and certain of its subsidiaries are subject to the legal proceedings described in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on May 9, 2003.

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, tortuous 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.

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.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None.

B. Reports on Form 8-K

Form 8-K, filed February 12, 2003, responding to Items 5 and 7. The Report related to the loan executed between the Company and certain of its shareholders and a revised employment agreement executed between the Company and its Chief Executive Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

OPTIMARK HOLDINGS, INC.

May 15, 2003

/s/ Robert J. Warshaw

By: _____

Name: Robert J. Warshaw

Title: Chief Executive Officer
and Principal Financial
and Accounting Officer

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

I, Robert J. Warshaw, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Optimark Holdings, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly 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; and

6. I have indicated in this quarterly report whether or not 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 15, 2003

OPTIMARK HOLDINGS, INC.

/s/ Robert J. Warshaw

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

