

Update

Third Quarter '98

New Quote Management System for the OTCBB

In response to growing demands and future considerations, the National Association of Securities Dealers (NASD®) has developed a new technology infrastructure to consolidate the Nasdaq® quotation systems. The Integrated Quotation Management System (IQMS) project integrates, in phases, existing quotation services onto a single hardware platform—Unisys—and provides value-added enhancements. The first phase of IQMS, to be released on August 24, 1998, will only support quotation for OTC Bulletin Board® (OTCBB) securities. Later phases will support Nasdaq National Market® (NNM), Nasdaq SmallCap, and Exchange Listed (CQS) issues.

The primary reasons for the replacement are maintainability and modularity. IQMS has been developed utilizing standard Unisys products, affording easier maintenance and future growth potential. Going forward, Nasdaq will be able to take

advantage of the vendor support and future enhancements provided by Unisys. The new system will also address Year 2000 (Y2K) concerns and provide Nasdaq with a flexible infrastructure that can support future business needs, such as decimal pricing.

In order to avoid disruption to our subscribers, the transition to IQMS will be as transparent as possible to the member firms. However, market participants will notice some differences, many of which are depicted on pages 2 and 3 of this newsletter.

Some OTCBB functionality could not be implemented with this release of IQMS. The features detailed below, which are available in legacy OTCBB, will not be available in the first IQMS release. However, these features will return with the next release, which will likely be in the second quarter of 1999.

■ A simultaneous registration and quote update will not be available until the second

release of IQMS. With the first release, only a registration will be accepted and “blanks” will be displayed for bid & ask prices. For now, once you have registered in a security, you can immediately hit the Quote Only button to enter a quote.

- OTCBB Telephone is not available until the second release of IQMS. If you select “OTCBB Tel #” in the Nasdaq Workstation II® (NWII™) menu in the first release, you will get a reject message. Instead, in IQMS, the Market Maker phone number can be obtained from the Automated Directory Services under Info Services on the main menu bar.
- The OTCBB Current Position Summary will not be available. For now, if you select “MarketMaking,” “Positions,” and then “OTCBB” from the NWII menu, you will get a reject

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OTCBB Screen with IQMS

1 IQMS: Security name truncates after 20 characters (although 30-character names will still be available in the symbol directory).

Legacy: Security name allowed 30 characters.

2 IQMS: If there is no inside quote, the inside display is left blank.

Legacy: If there was no inside quote, this field displayed "NQ."

3 IQMS: "U" is displayed as the Market Center identifier for the OTCBB.

Legacy: There was no such identifier in legacy OTCBB.

4 IQMS: "Not Dynamic" is in initial capitals. ("Not Dynamic" indicates that quote updates are not automatically broadcast to the users; you must refresh the screen by hitting Enter.)

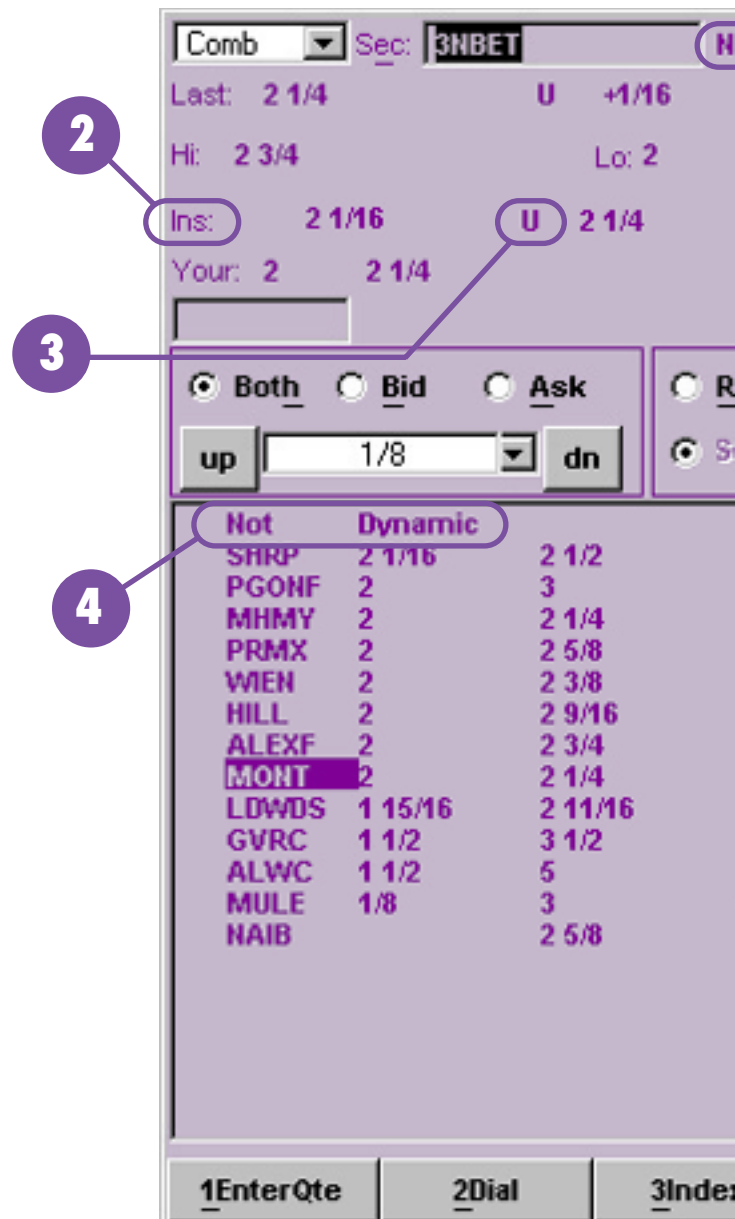
Legacy: "NOT DYNAMIC" was in all capitals.

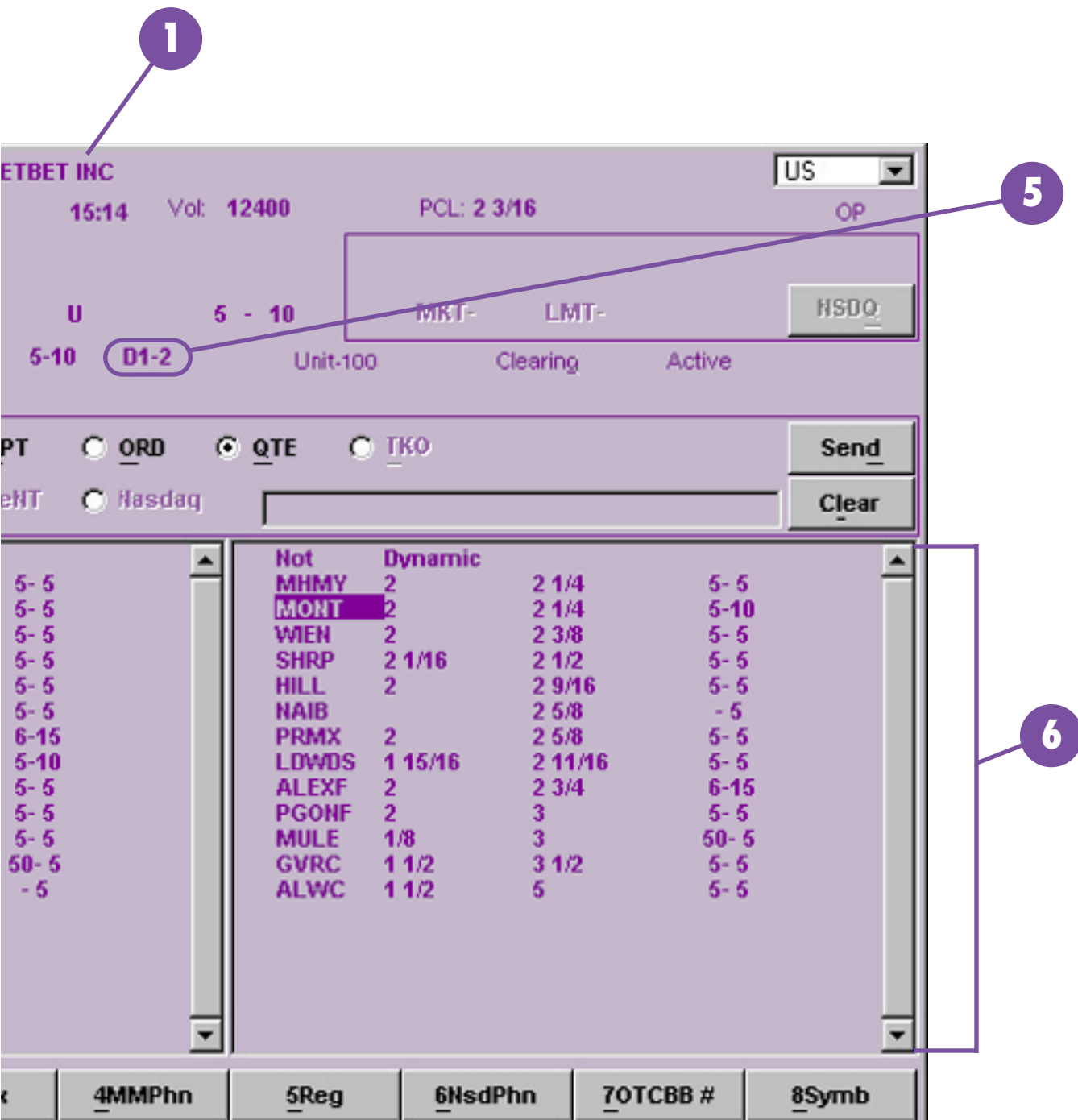
5 IQMS: The "D" indicates the depth at the inside.

Legacy: There was no such indicator in legacy OTCBB.

6 IQMS: Users can see the full display of Market Makers in the quote montage on a single screen.

Legacy: Users were only able to see three Market Makers, then "MORE."





The above screen shot shows how the OTC Bulletin Board will appear with the IQMS application. The call-outs illustrate the functional differences between this new IQMS application, and the old legacy application.

OTC Bulletin Board - Top 100 Issues June 1998

AVERAGE DAILY VOLUME

SYMBOL	NAME	SHARE VOLUME	DOLLAR VOLUME	CLOSE PRICE 6/30/98	SYMBOL	NAME	SHARE VOLUME	DOLLAR VOLUME	CLOSE PRICE 6/30/98
PRWT	PUREWATER SCIENCES INTL INC	18,359,588	836,514	0.054	WLFN	WOLF INDUSTRIES INC	398,837	257,694	0.8
HCCA	HEALTHCARE CENTERS OF AMERICA	6,885,872	87,120	0.008	EPEA	E-PRIME AEROSPACE CORP	395,499	10,702	0.03
PKGP	PACKAGING PLUS SVCS INC NEW	5,881,858	373,736	0.025	SIDT	SI DIAMOND TECHNOLOGY INC	394,167	145,879	0.33
TVSI	TRAVIS INDS INC (NEW)	2,953,195	90,046	0.019	ADOT	ADVANCED OPTICS ELECTRONCS INC	386,614	85,959	0.21
MPTV	MPTV INC	2,843,430	53,316	0.023	NUOA	NUOASIS RESORTS INC	381,654	36,739	0.1025
AGTI	ADVANCED GAMING TECHNG INC NEW	2,552,397	79,446	0.02	MDMI	MASSIMO DA MILANO INC	377,550	63,207	0.13
MVEE	1ST MIRACLE GROUP INC	2,183,817	582,827	0.155	NPEC	NP ENERGY CORP NEW	374,291	15,070	0.035
ADGI	AMERICAN DIVERSIFIED GROUP INC	1,746,062	57,415	0.033	GLCP	GREENLAND CORPORATION	370,931	44,121	0.095
NYRR	NEW YORK REGIONAL RAIL CORP	1,577,943	522,783	0.24	KWND	KENETECH CORP	363,185	118,410	0.33
ARET	AMERIRESOURCE TECHNOLOGIES INC	1,522,717	40,199	0.021	PNLK	PRO NET LINK CORP	361,615	797,164	2.07813
ABRG	AMBRA RESOURCES GROUP INC	1,439,799	183,190	0.12	JNNE	JONES NAUGHTON ENTMT INC	353,618	36,287	0.085
LTGL	LITEGLOW IND INC	1,366,197	82,226	0.047	HVAR	HAVANA REPUBLIC INC FLORIDA	352,335	94,031	0.185
MFNNQ	MERCURY FINANCE COMPANY	1,228,034	172,373	0.13	CTYS	CITYSCAPE FINL CORP	351,753	21,380	0.047
ICVI	INTL CASINO CRUISES	1,226,099	1,273,372	0.5	AWLT	ARALDICA WINERIES LTD	350,176	78,752	0.185
RMGG	ROCKY MOUNTAIN GINSENG INC	1,182,602	467,589	0.66	MPEG	INNOVACOM INC	349,992	176,542	0.33
TEXN	21ST CENTURY TECHNOLOGIES INC	1,121,764	445,294	0.48	DMEC	DIAMOND ENTERTAINMENT CORP	348,965	24,487	0.13
TSIG	TELESERVICES INTL GROUP INC	1,054,155	287,948	0.1675	WAVX	WAVE SYSTEMS CORP CL A	344,851	1,361,390	3.818
EDII	ENERGY DRILLING INDUSTRIES INC	1,002,266	567,848	0.51	MIDLW	MIDLAND INC WT08-14-2001	327,877	78,370	0.07
ATRE	APPLETREE CO INC	938,060	16,268	0.01	NTAH	NEVTAH CAPITAL MGMT CORP	324,275	77,604	0.17
MDIN	MEDINAH ENERGY INC NEW	926,318	296,358	0.22	IMDS	IMAGING DIAGNOSTIC SYSTEM INC	322,262	160,609	0.4
NAMX	NORTH AMERN EXPLORATION CORP	921,345	36,765	0.0325	CITN	CITADEL TECHNOLOGY INC	321,004	518,862	1.95
TREY	TREASURY INTL INC	911,248	110,371	0.12	LGOV	LARGO VISTA GROUP LTD	318,755	63,398	0.175
MTCH	MEDITECH PHARMACEUTICALS	855,738	50,427	0.047	OLEX	OILEX INC	317,316	44,114	0.135
BISN	BIOSONICS INC	803,866	57,198	0.06	PMWP	PANTHER MTN WTR PK INC	315,975	91,598	0.22
TMMI	T M M INC NEW	742,732	19,452	0.025	FAMH	FIRAMADA INC	315,250	71,495	0.2
APTX	APPAREL TECHNOLOGIES INC	647,384	67,633	0.095	SGNC	SANGUINE CORPORATION	314,594	281,092	0.6875
HOPR	HOLLY HOLDINGS INC	629,854	4,185	0.006	CHES	CHESTER HLDGS LTD	313,275	1,649	0.0055
GARN	GARNET RESOURCES CORP	605,667	23,486	0.02	NIAR	NORTH AMERN RESORTS INC NEW	311,000	2,539	0.0055
LBGF	LEVEL BEST GOLF INC	601,565	11,674	0.01	AIGI	ADAIR INTL OIL & GAS INC	298,709	60,866	0.165
GLOW	GLOBAL GAMES CORP	600,948	168,988	0.24	GRPV	GROUP V CORPORATION	295,062	27,530	0.105
ADVR	ADVANCED VIRAL RESEARCH CORP	584,730	166,398	0.29	TCBG	CHILDRENS BEVERAGE GRP INC	294,902	316,849	1.0625
EUTO	EUTRO GROUP HOLDING INC	576,165	19,447	0.031	PBLS	PHOENIX ASSOC LAND SYNDICATE	283,245	25,037	0.03
TGSK	GREAT WHITE MARINE&RECREATION	565,107	1,017,722	1.95	USTI	UNITED SYSTEMS TECHNOLOGY INC	279,269	17,356	0.05
PLFM	PLATFORMS INTL CORP	555,564	354,938	0.57	NVMH	NEVADA MANHATTAN MNG INC	276,553	89,849	0.16
MTEI	MOUNTAIN ENERGY INC	523,312	250,358	0.35	OPAL	OPAL TECHNOLOGIES INC	275,279	373,473	1.25
BAAT	B A T INTERNATIONAL INC	500,002	278,709	0.60937	MISM	MIS INTERNATIONAL INC DEL	265,163	61,116	0.16
ZETHQ	ZENITH ELECTRONICS CORP	493,495	216,530	0.3	PSGQF	PEGASUS GOLD INC	264,924	66,485	0.24
ENZH	ENZYMES AMERICAN HOLDING CORP	489,111	2,705	0.0068	SCMI	SYSTEMS COMMUNICATIONS INC NEW	264,651	38,337	0.1
MRTI	METAL RECOVERY TECHNLS INC	482,819	53,755	0.105	SRGN	SERAGEN INC	264,204	164,194	0.52
LOCH	LOCH HARRIS INC	469,022	46,616	0.09	SYCR	SYNCRONYS SOFTCORP	261,994	45,568	0.17
TNRG	TIANRONG BLDNG MATRL HLDGS LTD	464,961	37,780	0.075	INFE	INFOCALL COMMUNICATIONS CORP	260,272	875,989	2.03125
NCII	NORRIS COMMUNICATION INC	451,487	58,622	0.12	AVBC	AQUA VIE BEVERAGE CORP	260,211	92,603	0.37
OKOK	OKLAHOMA ENERGY CORP	448,926	70,250	0.165	TSIS	INTERACTIVE TELESIS INC (NEW)	259,246	142,326	0.55
INVI	INVITRO INTL	433,483	83,587	0.1	MRVGQ	MARVEL ENTERTAINMENT GROUP	254,944	79,833	0.28
FASC	FIRST AMERI SCIENTIFIC CORP	429,790	29,472	0.055	CAWS	CAI WIRELESS SYSTEMS INC	253,788	60,052	0.12
AMEL	AMERICAN ENERGY GROUP LTD (THE	428,374	1,771,500	5.5	COII	COMPUTERIZED THERMAL IMAGING	251,995	262,592	1.05
KMGG	KALEIDOSCOPE MEDIA GROUP INC	428,195	428,937	0.96	UPPI	UPLAND PROPERTIES INC	250,026	117,175	0.4
HABE	HABER INC	425,318	52,473	0.105	BAOA	BAOA INC	245,331	37,466	0.105
WAVC	WAVERIDER COMMUNICATIONS INC	409,549	1,246,582	3.03125	SMTV	SELECT MEDIA COMMUNICATNS INC	244,913	160,678	0.69
MINE	GOLDEN EAGLE INTL INC	405,888	131,288	0.315					
TRKR	TRACKER CORP OF AMERICA	401,814	32,917	0.1					

SOURCE: NASDAQ TRADING & MARKET SERVICES

OTC Rule Proposals Submitted to the SEC

On July 17, 1998, the NASD submitted to the Securities and Exchange Commission (SEC) a series of proposed rule changes for the OTCBB and the OTC market. (OTC securities are those not listed on Nasdaq or any registered national securities exchange.) These OTC securities are quoted in media where there are no listing requirements and oftentimes, no public information available. The proposals are intended to: 1) balance the benefits of the transparency that the OTCBB provides with the public need for information about the issuers being quoted; 2) ensure that Market Makers are fully informed about the securities they are recommending to customers; and 3) ensure that investors understand the differences between the OTC market and highly regulated markets, such as Nasdaq or the registered exchanges.

OTC Bulletin Board Eligibility Rule

This proposed rule change will ensure that current financial information about domestic companies that are quoted on the OTCBB is publicly available. Presently, NASD rules require foreign and American Depositary Receipts (ADR) issuers to file periodic reports with the SEC in order to be quoted on the OTCBB. The NASD is proposing to extend that requirement to domestic securities. The rule, if approved,

will permit only those domestic companies that report their current financial information to the SEC, banking, or insurance regulators to be quoted on the OTCBB.

- This requirement will be immediately effective upon approval by the SEC for securities not currently quoted on the OTCBB.
- Non-reporting companies whose securities are already quoted on the OTCBB will have between 6 and 18 months (depending on where they fall in a phase-in period) to comply with the new requirements once the rule becomes effective.
- If an issuer becomes delinquent in its reports, there will be a grace period of 30 - 60 days (depending on the type of issuer) during which Market Makers may continue to quote the security.

Recommendation and Disclosure Rules

These rules will require brokers to take additional steps before they recommend a transaction in any OTC security, and provide investors in all OTC transactions with increased disclosure.

- The Recommendation Rule will require brokerage firms to review current financial information about the issuer before they recommend a transaction in any OTC security to a customer.

Additionally, firms must designate a qualified registered individual to review the information required by the rule.

- The Disclosure Rule will require brokerage firms to provide investors with written disclosure of the differences between OTC securities and those that trade on highly regulated markets, such as Nasdaq or the registered exchanges. The disclosure will be provided on each customer's confirmation following any trade in an OTC security.
- The proposed Recommendation and Disclosure rules would not apply to transactions in securities of banks, insurance companies, or companies with more than \$100 million in assets and \$10 million in shareholders' equity. Transactions with institutional investors will also be exempt.

In December 1997, the NASD Board agreed on the importance of the reform proposals and sought public comment on them. During more than two months of public comment, the NASD received numerous comment letters, all of which were reviewed prior to developing these final revised proposals. You can link to the entire proposal once published in the *Federal Register* from the OTCBB Web site at www.otcbb.com.

New Quote Management System *(Continued from page 1)*

message. However, you can call Market Operations at (800) 219-4861. Market Operations can access a supervisory function and provide that information.

There is one feature in legacy OTCBB that will be omitted from any future version using IQMS. You will

not be able to use the up-tick/down-tick box in the Dynamic Quote Window from a zero quote. Rather, an up-tick or down-tick may only be applied to a priced quote. Additionally, you may not up-tick or down-tick on one side and enter a price on the other.

Finally, market participants

should remember that OTCBB service is available between 7:30 a.m. and 6:30 p.m. This will be strictly enforced for IQMS.

If you have any questions about IQMS or the changes to OTCBB, please call Yek Eng, Product Development, at (212) 858-4306.

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The OTC Bulletin Board Update is a quarterly publication which provides information on developments and policies affecting OTCBB Market Makers and issuers. The OTCBB welcomes your comments or suggestions for future issues.

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