ESPEED INC

FORM 10-Q
(Quarterly Report)

Filed 8/14/2003 For Period Ending 6/30/2003

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Sector	Financial
Fiscal Year	12/31

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

Commission file number 0-28191

eSpeed, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-4063515**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

135 East 57th Street
(Address of Principal Executive Offices)

New York, New York 10022
(City, State, Zip Code)

(212) 938-5000
(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 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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

As of August 12, 2003, the registrant had 29,770,010 shares of Class A common stock, $0.01 par value, and 25,362,809 shares of Class B common stock, $0.01 par value, outstanding.

TABLE OF CONTENTS

PART I. — FINANCIAL INFORMATION

PART I. — FINANCIAL INFORMATION
ITEM 1. Financial Statements

eSpeed, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except share and per share amounts)

	June 30, 2003 (unaudited)	December 31, 2002
Assets		
Cash	$ 3,574	$ 1,313
Reverse repurchase agreements with related parties	195,074	186,686
Total cash and cash equivalents	198,648	187,999

Fixed assets, net	26,038	26,383
Investments	11,402	11,175
Intangible assets, net	19,647	19,528
Receivable from related parties	817	5,266
Other assets	3,817	2,360
Total assets	$260,369	$252,711
Liabilities and Stockholders' Equity		
Liabilities:		
Payable to related parties	$ 3,153	$ 18,857
Accounts payable and accrued liabilities	19,671	15,399
Total liabilities	22,824	34,256
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, par value $0.01 per share; 50,000,000 shares authorized; 8,000,750 and 8,000,750 shares issued and outstanding	80	80
Class A common stock, par value $0.01 per share; 200,000,000 shares authorized; 29,953,847 and 29,783,682 shares issued	300	298
Class B common stock, par value $0.01 per share; 100,000,000 shares authorized; 25,362,809 and 25,388,814 shares issued and outstanding	254	254
Additional paid-in capital	273,028	270,656
Unamortized expense of business partner and non-employee securities	(2,241)	(3,252)
Treasury stock, at cost; 186,399 and 24,600 shares of Class A common stock	(2,094)	(222)
Accumulated deficit	(31,782)	(49,359)
Total stockholders' equity	237,545	218,455
Total liabilities and stockholders' equity	$260,369	$252,711

See notes to condensed consolidated financial statements

eSpeed, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(In thousands, except per share amounts)

	Three Months Ended June 30,	
	2003	2002
Revenues:		
Transaction revenues with related parties		
Fully electronic transactions	$27,538	$21,238
Voice-assisted brokerage transactions	4,645	4,347
Screen-assisted open outcry transactions	243	16
Total transaction revenues with related parties	32,426	25,601
Software Solutions fees from related parties	3,881	3,469
Software Solutions and licensing fees from unrelated parties	2,209	806
Business interruption insurance proceeds from parent	—	12,833
Interest income from related parties	563	740
Total revenues	39,079	43,449
Expenses:		
Compensation and employee benefits	9,239	9,316
Occupancy and equipment	7,571	5,792

Professional and consulting fees	863	1,193
Communications and client networks	1,714	1,694
Marketing	408	1,585
Administrative fees to related parties	2,590	2,146
Amortization of business partner and non-employee securities	362	406
Other	2,830	1,512
Total expenses	25,577	23,644
Income before income tax provision	13,502	19,805
Income tax provision	5,400	114
Net income	$ 8,102	$19,691
Earnings per share:		
Basic	$ 0.15	$ 0.36
Diluted	$ 0.14	$ 0.35
Basic weighted average shares of common stock outstanding	55,056	54,980
Diluted weighted average shares of common stock outstanding	56,447	56,924

See notes to condensed consolidated financial statements

eSpeed, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(In thousands, except per share amounts)

	Six Months Ended June 30,	
	2003	2002
Revenues:		
Transaction revenues with related parties		
Fully electronic transactions	$50,048	$42,826
Voice-assisted brokerage transactions	9,806	8,830
Screen-assisted open outcry transactions	292	123
Total transaction revenues with related parties	60,146	51,779
Software Solutions fees from related parties	7,530	6,324
Software Solutions and licensing fees from unrelated parties	4,341	1,104
Business interruption insurance proceeds from parent	—	12,833
Interest income from related parties	1,105	1,442
Total revenues	73,122	73,482
Expenses:		
Compensation and employee benefits	18,083	18,635
Occupancy and equipment	14,748	11,710
Professional and consulting fees	1,974	3,115
Communications and client networks	3,309	3,051
Marketing	742	3,234
Administrative fees to related parties	5,168	4,287
Amortization of business partner and non-employee securities	1,067	813
Other	5,149	2,861
Total expenses	50,240	47,706
Income before income tax provision	22,882	25,776
Income tax provision	5,305	228
Net income	$17,577	$25,548
Earnings per share:		
Basic	$ 0.32	$ 0.46
Diluted	$ 0.31	$ 0.45
Basic weighted average shares of common stock outstanding	55,076	54,983

Diluted weighted average shares of common stock outstanding	56,819	56,928

See notes to condensed consolidated financial statements

eSpeed, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(In thousands)

	Six Months Ended June 30,	
	2003	**2002**
Cash flows from operating activities:		
Net income	$ 17,577	$ 25,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,440	5,393
Amortization of business partner and non-employee securities	1,067	813
Equity in net loss of certain unconsolidated investments	39	90
Deferred income tax expense	2,553	—
Tax benefit from employee stock option exercises	1,332	—
Issuance of securities under employee benefit plan	130	55
Changes in operating assets and liabilities:		
Receivable from related parties	4,450	(12,833)
Other assets	(1,721)	(1,281)
Payable to related parties	(15,704)	(3,833)
Accounts payable and accrued liabilities	1,595	3,213
Net cash provided by operating activities	19,758	17,165
Cash flows from investing activities:		
Purchase of premises and equipment	(1,902)	(5,265)
Sale of premises and equipment	2,752	—
Capitalization of software development costs	(6,413)	(3,179)
Capitalization of patents and related defense costs	(2,653)	(1,761)
Net cash used in investing activities	(8,216)	(10,205)
Cash flows from financing activities:		
Repurchase of Class A common stock	(1,872)	—
Proceeds from exercises of stock options	979	32
Net cash (used in) provided by financing activities	(893)	32
Net increase in cash and cash equivalents	10,649	6,992
Cash and cash equivalents, beginning of period	187,999	159,899
Cash and cash equivalents, end of period	$198,648	$166,891

See notes to condensed consolidated financial statements

eSpeed, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

1. **Organization and Basis of Presentation**

eSpeed, Inc. ("eSpeed" or, together with its wholly owned subsidiaries, the "Company") primarily engages in the business of operating interactive electronic marketplaces designed to enable market participants to trade financial and non-financial products more efficiently and at a lower cost than traditional trading environments permit.

The Company is a majority-owned subsidiary of Cantor Fitzgerald Securities ("CFS"), which in turn is a 99.5% owned subsidiary of Cantor Fitzgerald, L.P. ("CFLP" or, together with its subsidiaries, "Cantor"). eSpeed commenced operations on March 10, 1999 as a division of CFS. eSpeed is a Delaware corporation that was incorporated on June 3, 1999. In December 1999, the Company completed its initial public offering.

The Company's financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany balances and transactions have been eliminated in consolidation. The financial statements reflect all normal recurring adjustments, which are in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Estimates, by their nature, are based on judgment and available information. As such, actual results could differ from the estimates included in these financial statements.

Pursuant to the rules and regulations of the Securities and Exchange Commission, certain information and footnote disclosures, which are normally required under U.S. GAAP, have been condensed or omitted. It is recommended that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The consolidated statement of financial condition at December 31, 2002 was derived from the audited financial statements. The results of operations for any interim period are not necessarily indicative of results for the full year. Certain reclassifications and format changes have been made to prior period information to conform to the current period presentation.

2. **Fixed Assets**

Fixed assets consisted of the following:

	June 30, 2003	December 31, 2002
	(In thousands)	
Computer and communication equipment	$ 14,100	$ 20,050
Software, including software development costs	34,401	27,659
Leasehold improvements and other fixed assets	2,429	1,128
	50,930	48,837
Less accumulated depreciation & amortization	(24,892)	(22,454)
Premises and equipment, net	$ 26,038	$ 26,383

In February 2003, the Company sold to Cantor fixed assets with a net book value of approximately $2.5 million pursuant to a sale-leaseback agreement. The Company retains use of the assets in exchange for a $95,000 monthly charge under the Administrative Services Agreement (see Note 6, Related Party Transactions).

In accordance with the provisions of Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* , the Company capitalizes qualifying computer software costs incurred during the application development stage. During the six months ended June 30, 2003 and 2002, software development costs totaling $6.4 million and $3.2 million were capitalized, respectively. For the same periods, the Company's condensed consolidated statements of income included $3.5 million and $2.5 million, respectively, in relation to the amortization of software development costs.

3. **Intangible Assets**

Intangible assets consisted of the following:

	June 30, 2003	December 31, 2002
	(In thousands)	
Patents, including capitalized defense costs	$25,996	$23,343
Less accumulated amortization	(6,349)	(3,815)
Intangible assets, net	$19,647	$19,528

As of June 30, 2003 and December 31, 2002, intangible assets included the Lawrence patent and the Wagner patent, as well as capitalized costs incurred to establish, perfect and defend the Company's rights under the patents. In addition, in May 2003, the Company obtained a patent for an Automated Auction Control Processor in relation to certain automated trading systems and methods.

Intangible assets are amortized over a period not to exceed 17 years or the remaining life of the patent, whichever is shorter, using the straight-line method. During the six months ended June 30, 2003 and 2002, the Company recorded amortization expense of $2.5 million and $0.6 million, respectively, for these intangible assets. The estimated aggregate amortization expense for each of the next five fiscal years is as follows: $5.3 million in 2004, $5.3 million in 2005, $4.9 million in 2006, $0.7 million in 2007 and $0.1 million in 2008.

4. **Income Taxes**

The provision for income taxes consisted of the following:

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Current		
Federal	$2,187	$ —
State and Local	565	228
Foreign	—	—
	2,752	228
Deferred	2,553	—
Provision for income taxes	$5,305	$228

As of March 31, 2003, the Company had net operating loss carryforwards ("NOL") for income tax purposes of $7.1 million. Effective April 1, 2003, the Company started recording income taxes at an effective tax rate of 40.0% and utilized the $2.8 million tax benefit of such NOL.

At June 30, 2003, the valuation allowance against deferred tax assets of $12.0 million primarily related to non-deductible warrant expenses where it appears more likely than not that such item will not be realized in the future.

Additionally, tax benefits associated with employee stock option exercises served to reduce taxes currently payable by $1.3 million as of June 30, 2003. A corresponding amount was credited to additional paid-in capital.

5. **Business Partner and Non-Employee Securities**

The amortization expense for the issuance of business partner and non-employee securities was as follows:

	Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Freedom warrants	$ 598	$598
Deutsche Bank warrants	(178)	215

UBS warrants	597	—
Non-employee stock options	50	—
	$1,067	$813

There were no new business partner transactions executed during the six months ended June 30, 2003.

In connection with an agreement with Deutsche Bank, AG ("Deutsche Bank"), the Company previously sold Series C Redeemable Convertible Preferred Stock ("Series C Preferred") to Deutsche Bank. On July 30th of each year of the five-year agreement in which Deutsche Bank fulfills its liquidity and market making obligations for specified products, one-fifth of such Series C Preferred will automatically convert into warrants to purchase shares of the Company's Class A common stock.

Deutsche Bank was deemed to have fulfilled its obligations under the agreement for the twelve months ended July 30, 2002 and, accordingly, a warrant to purchase 150,000 shares of the Company's Class A common stock was issued by the Company. The Company has informed Deutsche Bank that it was not in compliance with the agreement for the twelve months ended July 30, 2003 and that a warrant will not be issued for such period. As a result, the Company reversed the amortization expense recorded since August 2002 for such warrant.

Based on certain communications and the failure of Deutsche Bank to comply with the agreement since March 28, 2003, the Company has further notified Deutsche Bank that it believes it has terminated its right to receive warrants under the agreement for the remaining commitment periods. The 150 shares of Series C Preferred with respect to the twelve-month period ended July 31, 2003 are redeemable by the Company for 1,500 shares of Class A common stock.

6. **Related Party Transactions**

All of the Company's Reverse Repurchase Agreements are transacted on an overnight basis with CFS. Under the terms of these agreements, the securities collateralizing the Reverse Repurchase Agreements are held under a custodial arrangement with a third party bank and are not permitted to be resold or repledged. The fair value of such collateral at June 30, 2003 and December 31, 2002 totaled $197.1 million and $189.6 million, respectively.

Investments in TradeSpark, L.P. ("Tradespark") and the limited partnership (the "LP") that invested in Freedom International Brokerage ("Freedom") are accounted for using the equity method. The carrying value of such related party investments was $7.7 million at June 30, 2003 and December 31, 2002, and is included in investments in the condensed consolidated statements of financial condition. For the six months ended June 30, 2003, the Company's share of the net losses of the LP and TradeSpark was approximately $39,000 in the aggregate.

Under the Joint Services Agreement between the Company and Cantor and joint services agreements between the Company and TradeSpark, Freedom, Municipal Partners, LLC ("MPLLC") and CO2e.com ("CO2e"), the Company owns and operates the electronic trading system and is responsible for providing electronic brokerage services, and Cantor, TradeSpark, Freedom, MPLLC or CO2e provides voice-assisted brokerage services, fulfillment services, such as clearance and settlement, and related services, such as credit risk management services, oversight of client suitability and regulatory compliance, sales positioning of products and other services customary to marketplace intermediary operations. In general, if a transaction is fully electronic, the Company receives 65% of the aggregate transaction revenues and TradeSpark or Freedom receives 35% of the transaction revenues. If TradeSpark or Freedom provides voice-assisted brokerage services with respect to a transaction, the Company receives 35% of the revenues and TradeSpark or Freedom receives 65% of the revenues. The Company and MPLLC each receive 50% of the fully electronic revenues related to municipal bonds. The Company's agreement with CO2e provides that it receives 50% of CO2e's fully electronic revenues and 15% of CO2e's voice-assisted and open outcry revenues until December 2003, and 20% of voice-assisted and open outcry revenues thereafter. In addition, the Company receives 25% of the net revenues from Cantor's gaming businesses.

Under those services agreements, the Company has agreed to provide Cantor, TradeSpark, Freedom, MPLLC and CO2e technology support services, including systems administration, internal network support, support and procurement for desktops of end-user equipment, operations and disaster recovery services, voice and data communications, support and development of systems for clearance and settlement services, systems support for brokers, electronic applications systems and network support, and provision and/or implementation of existing electronic applications systems, including improvements and upgrades thereto, and use of the related intellectual property rights. In general, the Company charges Cantor, TradeSpark, Freedom and MPLLC the actual direct and

indirect costs, including overhead, of providing such services and receives payment on a monthly basis. These services are provided to CO2e at no additional cost other than the revenue sharing arrangement set forth above. In exchange for a 25% share of the net revenues from Cantor's gaming businesses, the Company is obligated to spend and does not get reimbursed for the first $750,000 each quarter of the costs of providing support and development services for such gaming businesses.

Under an Administrative Services Agreement, Cantor provides various administrative services to the Company, including accounting, tax, legal and facilities management. The Company is required to reimburse Cantor for the cost of providing such services. The costs represent the direct and indirect costs of providing such services and are determined based upon the time incurred by the individual performing such services. Management believes that this allocation methodology is reasonable. The Administrative Services Agreement has a three-year term, which will renew automatically for successive one-year terms unless cancelled upon six months' prior notice by either the Company or Cantor. The Company incurred administrative fees for such services during the six-month periods ended June 30, 2003 and 2002 totaling $5.2 million and $4.3 million, respectively. The services provided under both the Amended and Restated Joint Services Agreement and the Administrative Services Agreement are not the result of arm's-length negotiations because Cantor controls the Company. As a result, the amounts charged for services under these agreements may be higher or lower than amounts that would be charged by third parties if the Company did not obtain such services from Cantor.

As a result of the terrorist attacks of September 11, 2001, the Company's offices in the World Trade Center were destroyed and the Company lost 180 of our employees, including many members of senior management (the "September 11 Events"). During the three months ended June 30, 2003, CFLP received $21,045,000 of insurance proceeds in settlement for property damage related to the September 11 Events. Under the Administrative Services Agreement, eSpeed is entitled to up to approximately $20,000,000 of such amount as replacement assets are purchased in the future. Starting in the fourth quarter of 2003, the Company expects to incur significant costs in relation to the replacement of fixed assets lost on September 11, 2001 when they build their permanent infrastructure and move into their new headquarters in 2004.

Amounts due to or from related parties pursuant to the transactions described above are non-interest bearing. As of June 30, 2003, receivables from Tradespark, Freedom and MPLLC amounted to $716,000 in the aggregate, and are included in receivable from related parties in the condensed consolidated statement of financial condition.

7. Earnings Per Share

The following is a reconciliation of the basic and diluted earnings per share computations:

	Three Months Ended June 30,	
	2003	2002
	(In thousands, except per share amounts)	
Net income for basic and diluted earnings per share	$ 8,102	$19,691
Shares of common stock and common stock equivalents:		
Weighted average shares used in basic computation	55,056	54,980
Dilutive effect of:		
Stock options	1,319	1,944
Business partner securities	72	—
Weighted average shares used in diluted computation	56,447	56,924
Earnings per share:		
Basic	$ 0.15	$ 0.36
Diluted	$ 0.14	$ 0.35

	Six Months Ended June 30,	
	2003	2002
	(In thousands, except	

		per share amounts)
Net income for basic and diluted earnings per share	$17,577	$25,548
Shares of common stock and common stock equivalents:		
Weighted average shares used in basic computation	55,076	54,983
Dilutive effect of:		
Stock options	1,655	1,945
Business partner securities	88	—
Weighted average shares used in diluted computation	56,819	56,928
Earnings per share:		
Basic	$ 0.32	$ 0.46
Diluted	$ 0.31	$ 0.45

Effective April 1, 2003, the Company started recording income taxes at an effective tax rate of 40.0% (see Note 4, Income Taxes). As a result, in applying the treasury stock method for the three months ended June 30, 2003, the assumed proceeds of stock option exercises were computed as the sum of (i) the amount the employees paid on exercise and (ii) the amount of tax benefits associated with employee stock options exercised that were credited to additional paid-in capital. Prior to April 1, 2003, the Company excluded such tax benefits in assumed proceeds of stock option exercises, thereby increasing the dilutive effect of securities accordingly.

At June 30, 2003 and 2002, approximately 13.7 million and 12.9 million securities, respectively, were not included in the computation of diluted earnings per share because their effect would have been antidilutive.

8. **Stock Based Compensation**

Pursuant to guidelines contained in APB Opinion No. 25, *Accounting for Stock Issued to Employees* , and as permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock Based Compensation* ("SFAS 123"), the Company records no expense for stock options issued to employees as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table represents the effect had the Company accounted for the options in its stock-based compensation plan based on the fair value of awards at grant date in a manner consistent with the methodology of SFAS 123.

	Three Months Ended June 30,	
	2003	2002
	(In thousands, except per share amounts)	
Net income, as reported	$ 8,102	$19,691
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards granted, net of $1,554 and $0 of taxes for the three months ended June 30, 2003 and 2002, respectively	(2,331)	(4,211)
Net income, pro forma	$ 5,771	$15,480
Earnings per share:		
Basic — as reported	$ 0.15	$ 0.36
Basic — pro forma	$ 0.10	$ 0.28
Diluted — as reported	$ 0.14	$ 0.35
Diluted — pro forma	$ 0.10	$ 0.27

	Six Months Ended June 30,	
	2003	2002
	(In thousands, except per share amounts)	
Net income, as reported	$17,577	$25,548

Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards granted, net of $1,848 and $0 of taxes for the six months ended June 30, 2003 and 2002, respectively	(6,126)	(8,349)
Net income, pro forma	$11,451	$17,199
Earnings per share:		
Basic — as reported	$ 0.32	$ 0.46
Basic — pro forma	$ 0.21	$ 0.31
Diluted — as reported	$ 0.31	$ 0.45
Diluted — pro forma	$ 0.20	$ 0.30

Effective April 1, 2003, the Company started recording income taxes (see Note 4, Income Taxes). During the 2002 periods, income taxes were minimal due to the benefit of net operating loss carryforwards. The Company applied these effective tax rates in computing the above pro forma information for the respective periods.

9. **Regulatory Capital Requirements**

Through its subsidiary, eSpeed Government Securities, Inc., the Company is subject to SEC broker-dealer regulation under Section 15C of the Securities Exchange Act of 1934, which requires the maintenance of minimum liquid capital, as defined. At June 30, 2003, eSpeed Government Securities, Inc.'s liquid capital of $59,480,590 was in excess of minimum requirements by $59,455,590.

Additionally, the Company's subsidiary, eSpeed Securities, Inc., is subject to SEC broker-dealer regulation under Rule 17a-3 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2003, eSpeed Securities, Inc. had net capital of $82,039,925, which was $81,720,832 in excess of its required net capital, and eSpeed Securities, Inc.'s net capital ratio was .06 to 1.

The regulatory requirements referred to above may restrict the Company's ability to withdraw capital from its regulated subsidiaries.

10. **Commitments and Contingencies**

There have been no significant changes in commitments and contingencies from the matters described in the notes to the Company's consolidated financial statements for the year ended December 31, 2002.

11. **Segment and Geographic Data**

Segment information: The Company currently operates its business in one segment, that of operating interactive electronic business-to-business marketplaces for the trading of financial and non-financial products, licensing software, and providing technology support services to Cantor and other related and unrelated parties.

Product information: The Company currently markets its services through the following products: core products, including an integrated network engaged in electronic trading in government securities in multiple marketplaces over the eSpeed® system; new product rollouts, including introduction of products in non-equity capital markets; products enhancement software, which enables clients to engage in enhanced electronic trading of core products and future product rollouts; and eSpeed Software Solutions [SM], which allows customers to use the Company's intellectual property and trading expertise to build electronic marketplaces and exchanges, develop customized trading interfaces and enable real-time auctions and debt issuance. Revenues from core products comprise the majority of the Company's revenues.

Geographic information: The Company operates in the Americas (primarily in the United States of America), Europe and Asia. Revenue attribution for purposes of preparing geographic data is principally based upon the marketplace where the financial product is traded, which, as a result of regulatory jurisdiction constraints in most circumstances, is also representative of the location of the client generating the transaction resulting in commissionable revenue. The information that follows, in management's judgment, provides a reasonable representation of the activities of each region as of and for the periods indicated.

(In thousands)	Three Months Ended June 30, 2003	2002
Transaction revenues:		
Europe	$ 6,854	$ 5,799
Asia	594	433
Total Non-Americas	7,448	6,232
Americas	24,978	19,369
Total	$32,426	$25,601

(In thousands)	Six Months Ended June 30, 2003	2002
Transaction revenues:		
Europe	$13,890	$11,561
Asia	1,202	1,342
Total Non-Americas	15,092	12,903
Americas	45,054	38,876
Total	$60,146	$51,779

(In thousands)	June 30, 2003	2002
Average long-lived assets:		
Europe	$ 3,053	$ 5,500
Asia	318	413
Total Non-Americas	3,371	5,913
Americas	21,925	15,766
Total	$25,296	$21,679

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information in this report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. For example, words such as "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends" and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, the effect of the September 11 Events on our operations, including in particular the loss of hundreds of eSpeed, Cantor and TradeSpark employees, our limited operating history, the possibility of future losses and negative cash flow from operations, the effect of market conditions, including volume and volatility, and the current global recession on our business, our ability to enter into marketing and strategic alliances, to hire new personnel, to expand the use of our electronic system, to induce clients to use our marketplaces and services and to effectively manage any growth we achieve, and other factors that are discussed under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2002. The following discussion is qualified in its entirety by, and should be read in conjunction with, the more detailed information set forth in our financial statements and the notes thereto appearing elsewhere in this report.

Overview

We were incorporated on June 3, 1999 as a Delaware corporation. Prior to our initial public offering, we were a wholly-owned subsidiary of, and we conducted our operations as a division of, Cantor Fitzgerald Securities, which in turn is a 99.5%-owned subsidiary of Cantor Fitzgerald, L.P. (collectively with its affiliates, "Cantor").

We commenced operations as a division of Cantor on March 10, 1999, the date the first fully electronic transaction using our eSpeed (R) system was executed. Cantor has been developing systems to promote fully electronic marketplaces since the early 1990s. Since January 1996, Cantor has used our eSpeed (R) system internally to conduct electronic trading.

Concurrent with our initial public offering in December 1999, Cantor contributed to us, and we acquired from Cantor, certain of our assets. These assets primarily consist of proprietary software, network distribution systems, technologies and other related contractual rights that comprise our eSpeed (R) system.

We operate interactive electronic marketplaces and license customized real-time software solutions to our clients. In general, we receive transaction fees based on a percentage of the face value of products traded through our system. Products may be traded on a fully electronic basis, electronically through a voice broker, or via open outcry with prices displayed on data screens. We receive different fees for these different system utilizations. Additionally, we receive revenues from licensing software and providing technology support.

We continue to pursue our strategy to expand our client base and expand the number and types of products that our clients can trade electronically on our system. Other than Cantor, no client of ours accounted for more than 10% of our revenues from our date of inception through June 30, 2003.

As a result of the terrorist attacks of September 11, 2001, our offices in the World Trade Center were destroyed and we lost 180 of our employees, including many members of our senior management (the "September 11 Events"). The loss of these assets and employees and the need to relocate our surviving employees have negatively impacted our business.

Critical Accounting Policies

In addition to previously disclosed critical accounting policies (see "Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2002), management has determined that the following accounting estimate met the related standards:

Income Taxes

SFAS No. 109, *Accounting for Income Taxes* , establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could materially impact our financial position or results of operations.

Results of Operations
For the Three Months Ended June 30, 2003 Compared to Three Months Ended June 30, 2002

Highlights

Basic earnings per share for the three months ended June 30, 2003 and 2002 were $0.15 and $0.36, respectively. Diluted earnings per share decreased $0.21 from $0.35 to $0.14. During the three months ended June 30, 2002, we recognized a $12.8 million gain, or approximately $0.23 per diluted share, relating to business interruption insurance proceeds following the September 11 Events. During the three months ended June 30, 2003, we recorded an income tax provision of $5.4 million, or approximately $0.10 per diluted share, corresponding to a 40.0% consolidated effective tax rate. For the same period a year earlier, income taxes were minimal due to the benefit of our net operating loss carryforwards.

For the three months ended June 30, 2003, transaction revenues from related parties amounted to $32.4 million, an increase of 27% as compared to transaction revenues with related parties of $25.6 million for the same period a year ago. Volumes transacted on our system per trading day increased 31%. For the three months ended June 30, 2003, 85% of our transaction revenues were generated from fully electronic transactions.

Revenues

	Three Months Ended June 30,

(In thousands)	2003	2002
Transaction revenues with related parties:		
Fully electronic transactions	$ 27,538	$ 21,238
Voice-assisted brokerage transactions	4,645	4,347
Screen-assisted open outcry transactions	243	16
Total transaction revenues with related parties	32,426	25,601
Software Solutions fees from related parties	3,881	3,469
Software Solutions and licensing fees from unrelated parties	2,209	806
Business interruption insurance proceeds from parent	—	12,833
Interest income from related parties	563	740
Total revenues	$ 39,079	$ 43,449

Transaction revenues with related parties

For the three months ended June 30, 2003, we earned transaction revenues with related parties of $32.4 million, an increase of 27% as compared to transaction revenues with related parties of $25.6 million for the three months ended June 30, 2002. There were 63 trading days in the three-month period ended June 30, 2003 versus 64 trading days in the same period a year ago. Transaction revenues per trading day

increased by $115,000, or 29%, from $400,000 in the three months ended June 30, 2002 to $515,000 in the three months ended June 30, 2003. Total volumes transacted on our system increased by $2,371 billion (approximately $2.4 trillion), or 29%, from $8,072 billion (approximately 8.1 trillion) in the three months ended June 30, 2002 to $10,443 trillion (approximately $10.4 trillion) in the three months ended June 30, 2003. Per trading day, volumes transacted on our system increased 31%. This increase resulted primarily from market conditions in the United States and in Europe, where market fluctuations drove increases in our product volumes and transactions counts. For the three months ended June 30, 2003, 85% of our transaction revenues were generated from fully electronic transactions as compared to 83% for the same period a year ago.

Our revenues are currently highly dependent on transaction volume in the global financial product markets. Accordingly, among other things, equity market volatility, economic and political conditions in the United States of America and elsewhere in the world, concerns over inflation, institutional and consumer confidence levels, the availability of cash for investment by mutual funds and other wholesale and retail investors, fluctuating interest and exchange rates and legislative and regulatory changes and currency values may have an impact on our volume of transactions. In addition, a significant amount of our revenues is currently received in connection with our relationship with Cantor. Consequently, our revenues have been negatively affected by the effect of the September 11 Events on Cantor and may continue to be negatively affected in the future if Cantor's business continues to suffer due to the September 11 Events or otherwise.

Software Solutions fees from related parties

Software Solutions fees from related parties for the three months ended June 30, 2003 were $3.9 million. This compares with Software Solutions fees from related parties for the three months ended June 30, 2002 of $3.5 million, an increase of 11%. This increase resulted from an increase in demand for our support services from Cantor.

Software Solutions and licensing fees from unrelated parties

Certain of our clients provide online access to their customers through use of our electronic trading platform for which we receive fees. Such fees are deferred and recognized as revenues ratably over the term of the licensing agreement. We also receive software solutions fees from unrelated parties by charging our clients for additional connections to our system to help protect them from possible business interruptions.

Software Solutions and licensing fees from unrelated parties for the three months ended June 30, 2003 were $2.2 million as compared to Software Solutions and licensing fees from unrelated parties of $0.8 million for the three months ended June 30, 2002, a 175% increase, due primarily to licensing fees earned from IntercontinentalExchange for use of the Wagner Patent and licensing fees earned as part of the Wagner Patent Settlement Agreement.

Business interruption insurance proceeds from parent

During the three months ended June 30, 2002, we recognized $12.8 million as our portion of the $40.0 million business interruption insurance recovery received by Cantor following the September 11 Events. Such amount

was received in August 2002. There was no such revenue in the 2003 period.

Interest income from related parties

For the three months ended June 30, 2003, weighted average interest rates on overnight reverse repurchase agreements were 1.04% as compared to 1.62% for the three months ended June 30, 2002. As a result of the decrease in the average interest rate, partially offset by an increase in average balances between periods, we generated interest income from related parties of $563,000 for the three months

ended June 30, 2003 as compared to $740,000 for the three months ended June 30, 2002, a decrease of 24%.

Expenses

	Three Months Ended June 30,	
(In thousands)	**2003**	**2002**
Compensation and employee benefits	$ 9,239	$ 9,316
Occupancy and equipment	7,571	5,792
Professional and consulting fees	863	1,193
Communications and client networks	1,714	1,694
Marketing	408	1,585
Administrative fees to related parties	2,590	2,146
Amortization of business partner and non-employee securities	362	406
Other	2,830	1,512
Total expenses	$ 25,577	$ 23,644

Compensation and employee benefits

At June 30, 2003, we had 332 employees, which was an increase from the 294 employees we had at June 30, 2002. However, prior to the September 11 Events, we had 492 employees. For the three months ended June 30, 2003, our compensation costs were $9.2 million as compared to compensation costs of $9.3 million for the three months ended June 30, 2002. This $0.1 million decrease, or 1%, in compensation costs despite an increase in the number of employees resulted mainly from an increase in the percentage of time spent by certain employees on software application development. The costs associated with such development are capitalized and amortized over the associated application's estimated useful life of three years.

Substantially all of our employees are full-time employees located predominately in the New York metropolitan area and in London. Compensation costs include salaries, bonuses, payroll taxes and costs of employer-provided benefits for our employees. We expect that our future compensation costs will increase depending, in part, upon a variety of factors, including our incremental revenue growth.

Occupancy and equipment

Occupancy and equipment costs were $7.6 million for the three months ended June 30, 2003, a $1.8 million increase, or 31%, as compared to occupancy and equipment costs of $5.8 million for the three months ended June 30, 2002. The increase was primarily caused by the occupancy and build-out of our temporary corporate headquarters in New York City, where we moved in the second quarter of 2002.

Occupancy expenditures primarily consist of the rent and facilities costs of our offices in the New York metropolitan area and our offices in London and Tokyo. We moved into our temporary corporate headquarters in New York City during the second quarter of 2002. The lease for our temporary headquarters will expire in February 2004, and at this time management is evaluating various location alternatives. Starting in the fourth quarter of 2003, we expect to incur significant costs in relation to the replacement of fixed assets lost as a result of the September 11 Events when we build our permanent infrastructure and move into our new headquarters. We are entitled to up to approximately $20.0 million of insurance proceeds in settlement for property damage as replacement assets are purchased in the future.

Professional and consulting fees

Professional and consulting fees were $0.9 million for the three months ended June 30, 2003 as compared to $1.2 million for the three months ended June 30, 2002, a decrease of 25%, primarily due to a decrease in legal and contract employee personnel costs.

Communications and client networks

Communications costs were $1.7 million for both the three months ended June 30, 2003 and the three months ended June 30, 2002. Cost controls resulted in reductions in communications rates and usage charges, which were offset by additional client network charges as we continued to add new clients.

Communications costs include the costs of local and wide area network infrastructure, the cost of establishing the network linking clients to us, data and telephone lines, data and telephone usage, and other related costs. We anticipate expenditures for communications and client networks will continue to increase in the near future as we continue to connect additional customers to our network.

Marketing

We incurred marketing expenses of $0.4 million for the three months ended June 30, 2003 as compared to marketing expenses during the three months ended June 30, 2002 of $1.6 million, a decrease of 75%, resulting from a planned reduction in marketing costs. Marketing expenses in the second quarter of 2002 were higher primarily as the result of the development of a major advertising campaign.

Administrative fees to related parties

Cantor provides various administrative services to us, including accounting, tax, legal and facilities management, for which we reimburse Cantor for the direct and indirect costs of providing such services. Administrative fees to related parties amounted to $2.6 million for the three months ended June 30, 2003, a 24% increase over the $2.1 million of such fees for the three months ended June 30, 2002. Overall, administrative fees decreased in the months following the September 11 Events as compared to the months prior to the September 11 Events. We do not expect a significant change in the level of future administrative fees to related parties in the third and fourth quarters of 2003.

Administrative fees to related parties are dependent upon both the costs incurred by Cantor and the portion of Cantor's administrative services that are utilized by us. Administrative fees to related parties are therefore partially correlated to our business growth.

Amortization of business partner and non-employee securities

We enter into strategic alliances with other industry participants in order to expand our business and to enter into new marketplaces. As part of these strategic alliances, we have issued warrants and convertible preferred stock. In addition, we have granted stock options to certain non-employees. These securities do not require cash outlays and do not represent a use of our assets. The expense related to these issuances is based on the value of the securities being issued and the structure of the transaction. Generally, this expense is amortized over the term of the related agreement.

Charges in relation to the amortization of such securities were approximately $0.4 million for both the three months ended June 30, 2003 and the three months ended June 30, 2002. The amortization of the value of warrants issued under an agreement executed with a business partner in August 2002 was offset by a reversal of amortization recorded during the three-month ended June 30, 2003 with regards to certain other warrants, which will not be issued as the business partner did not fulfill its obligations under the related agreement. We believe period-to-period comparisons are not meaningful, as these transactions do not recur on a regular basis. Note 5 of our condensed consolidated financial statements in this Report on

Form 10-Q contains further details regarding the amortization of business partner and non-employee securities.

Other expenses

Other expenses consist primarily of amortization of intangible assets, business-related insurance expense, recruitment fees, travel, and promotional and entertainment expenditures. For the three months ended June 30, 2003, other expenses were $2.8 million, an increase of 87% as compared to other expenses of $1.5 million for the three months ended June 30, 2002, principally due to increases in business-related insurance costs and an

increase in the amortization of intangible assets as we continue to devote significant resources to the establishment, perfection and defense of our intellectual property portfolio. Other expenses are expected to increase primarily due to an increase in the amortization of capitalized fees associated with the establishment, perfection and defense of our patents.

Income Taxes

As of March 31, 2003, we had utilized our net operating loss carryforwards. During the three months ended June 30, 2003, we recorded an income tax provision of $5.4 million corresponding to a 40.0% consolidated effective tax rate. During the same period a year earlier, income taxes were minimal due to the benefit of our net operating loss carryforwards. Our consolidated effective tax rate can vary from period to period depending on, among other factors, the geographic and business mix of our earnings.

Results of Operations
For the Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Highlights

Basic earnings per share for the six months ended June 30, 2003 and 2002 were $0.32 and $0.46, respectively. Diluted earnings per share decreased $0.14 from $0.45 to $0.31. During the six months ended June 30, 2002, we recognized a $12.8 million gain, or approximately $0.23 per diluted share, relating to business interruption insurance proceeds following the September 11 Events. During the six months ended June 30, 2003, we recorded an income tax provision of $5.3 million, or approximately $0.09 per diluted share, corresponding to a 40.0% consolidated effective tax rate adjusted to reflect our recognition of a $4.0 million benefit from net operating loss carryforwards in the first quarter of 2003. For the same period a year earlier, income taxes were minimal due to the benefit of our net operating loss carryforwards.

For the six months ended June 30, 2003, transaction revenues from related parties amounted to $60.1 million, an increase of 16% as compared to transaction revenues with related parties of $51.8 million for the same period a year ago. Volumes transacted on our system per trading day increased 23%. For the six months ended June 30, 2003, 83% of our transaction revenues were generated from fully electronic transactions.

Revenues

(In thousands)	Six Months Ended June 30, 2003	2002
Transaction revenues with related parties:		
Fully electronic transactions	$ 50,048	$ 42,826
Voice-assisted brokerage transactions	9,806	8,830
Screen-assisted open outcry transactions	292	123
Total transaction revenues with related parties	60,146	51,779
Software Solutions fees from related parties	7,530	6,324
Software Solutions and licensing fees from unrelated parties	4,341	1,104
Business interruption insurance proceeds from parent	—	12,833
Interest income from related parties	1,105	1,442
Total revenues	$ 73,122	$ 73,482

Transaction revenues with related parties

For the six months ended June 30, 2003, we earned transaction revenues with related parties of $60.1 million, an increase of 16% as compared to transaction revenues with related parties of $51.8 million for the six months ended June 30, 2002. There were 124 trading days in both the six-month period ended June 30, 2003 and the same period a year ago. Transaction revenues per trading day increased by $67,000, or 16%, from $418,000 in the six months ended June 30, 2002 to $485,000 in the six months ended June 30, 2003. Volumes transacted on our system increased by $3,729 billion (approximately $3.7 trillion), or 23%, from $16,083 billion (approximately $16.1 trillion) in the six months ended June 30, 2002 to $19,812 billion (approximately $19.8

trillion) in the six months ended June 30, 2003. This increase resulted primarily from market conditions in the United States and in Europe, where market fluctuations drove increases in our product volumes and transactions counts. For both the six months ended June 30, 2003 and the six months ended June 30, 2002, 83% of our transaction revenues were generated from fully electronic transactions.

Software Solutions fees from related parties

Software Solutions fees from related parties for the six months ended June 30, 2003 were $7.5 million. This compares with Software Solutions fees from related parties for the six months ended June 30, 2002 of $6.3 million, an increase of 19%. This increase resulted from an increase in demand for our support services from Cantor.

Software Solutions and licensing fees from unrelated parties

Software Solutions and licensing fees from unrelated parties for the six months ended June 30, 2003 were $4.3 million as compared to Software Solutions and licensing fees from unrelated parties of $1.1 million for the six months ended June 30, 2002, a four-fold increase, due primarily to licensing fees earned from IntercontinentalExchange for use of the Wagner Patent and licensing fees earned as part of the Wagner Patent Settlement Agreement.

Business interruption insurance proceeds from parent

During the six months ended June 30, 2002, we recognized $12.8 million as our portion of the $40.0 million business interruption insurance recovery received by Cantor following the September 11 Events. Such amount was received in August 2002. There was no such revenue in the 2003 period.

Interest income from related parties

For the six months ended June 30, 2003, weighted average interest rates on overnight reverse repurchase agreements were 1.04% as compared to 1.65% for the six months ended June 30, 2002. As a result of the decrease in the average interest rate, partially offset by an increase in average balances between periods, we generated interest income from related parties of $1.1 million for the six months ended June 30, 2003 as compared to $1.4 million for the six months ended June 30, 2002, a decrease of 21%.

Expenses

	Six Months Ended June 30,	
(In thousands)	**2003**	**2002**
Compensation and employee benefits	$ 18,083	$ 18,635
Occupancy and equipment	14,748	11,710
Professional and consulting fees	1,974	3,115
Communications and client networks	3,309	3,051
Marketing	742	3,234
Administrative fees to related parties	5,168	4,287
Amortization of business partner and non-employee securities	1,067	813
Other	5,149	2,861
Total expenses	$ 50,240	$ 47,706

Compensation and employee benefits

At June 30, 2003, we had 332 employees, which was an increase from the 294 employees we had at June 30, 2002. However, prior to the September 11 Events, we had 492 employees. For the six months ended June 30, 2003, our compensation costs were $18.1 million as compared to compensation costs of $18.6 million for the six months ended June 30, 2002. This $0.5 million decrease, or 3%, in compensation costs despite an increase in the number of employees resulted mainly from an increase in the percentage of time spent by certain employees on software application development. The costs associated with such development are capitalized and amortized over the associated application's estimated useful life of three years.

Occupancy and equipment

Occupancy and equipment costs were $14.7 million for the six months ended June 30, 2003, a $3.0 million increase, or 26%, as compared to occupancy and equipment costs of $11.7 million for the six months ended June 30, 2002. The increase was primarily caused by the occupancy and build-out of our temporary corporate headquarters in New York City, where we moved in the second quarter of 2002.

Professional and consulting fees

Professional and consulting fees were $2.0 million for the six months ended June 30, 2003 as compared to $3.1 million for the six months ended June 30, 2002, a decrease of 35%, primarily due to a decrease in legal and contract employee personnel costs.

Communications and client networks

Communications costs were $3.3 million for the six months ended June 30, 2003 as compared to $3.1 million for the six months ended June 30, 2002, a $0.2 million or 7% increase. Cost controls resulted in reductions in communications rates and usage charges, which were more than offset by additional client networks charges as we continued to add new clients.

Marketing

We incurred marketing expenses of $0.7 million for the six months ended June 30, 2003 as compared to marketing expenses during the six months ended June 30, 2002 of $3.2 million, a $2.5 million decrease, resulting from a planned reduction in marketing costs. Marketing expenses in the first six months of 2002 were higher primarily as the result of the development of a major advertising campaign.

Administrative fees to related parties

Administrative fees to related parties amounted to $5.2 million for the six months ended June 30, 2003, a 21% increase over the $4.3 million of such fees for the six months ended June 30, 2002. Overall, administrative fees decreased in the months following the September 11 Events as compared to the months prior to the September 11 Events. Administrative fees to related parties are dependent upon both the costs incurred by Cantor and the portion of Cantor's administrative services that are utilized by us. Administrative fees to related parties are therefore partially correlated to our business growth.

Amortization of business partner and non-employee securities

Charges in relation to the amortization of such securities were $1.1 million for the six months ended June 30, 2003, an increase of 38% as compared to charges of $0.8 million for the six months ended June 30, 2002. This increase resulted primarily from the amortization of the value of warrants issued under an agreement executed with a business partner in August 2002, offset by a reversal of amortization recorded during the three-month ended June 30, 2003 with regards to certain other warrants, which will not be issued as the business partner did not fulfill its obligations under the related agreement. We believe period-to-period comparisons are not meaningful, as these transactions do not recur on a regular basis. Note 5 of our condensed consolidated financial statements in this Report on Form 10-Q contains further details regarding the amortization of business partner and non-employee securities.

Other expenses

For the six months ended June 30, 2003, other expenses were $5.1 million, an increase of 76% as compared to other expenses of $2.9 million for the six months ended June 30, 2002, principally due to increases in business-related insurance costs and an increase in the amortization of intangible assets as we continue to devote significant resources to the establishment, perfection and defense of our intellectual property portfolio.

Income Taxes

As of March 31, 2003, we had utilized our net operating loss carryforwards. During the six months ended June 30, 2003, we recorded an income tax provision of $5.3 million corresponding to a 40.0% effective tax rate adjusted to reflect our recognition of a $4.0 million benefit from net operating loss carryforwards in the first quarter of 2003. During the same period a year earlier, income taxes were minimal due to the benefit of our net operating loss carryforwards. Our consolidated effective tax rate can vary from period to period depending on,

among other factors, the geographic and business mix of our earnings.

Liquidity and Capital Resources

At June 30, 2003, we had cash and cash equivalents of $198.6 million, an increase of $10.6 million as compared to December 31, 2002. During the six months ended June 30, 2003, we provided cash of $19.8 million from our operating activities, consisting of net income of $17.6 million and working capital management of $2.2 million. We also used net cash of $8.2 million resulting from purchases of fixed assets and intangible assets, capitalization of software development costs, patent registration and defense costs, offset by proceeds from asset sales. In addition, we used $1.9 million to repurchase shares of our Class A common stock and realized $1.0 million from exercises of employee stock options.

Our operating cash flows consist of transaction revenues from related parties and Software Solutions fees from related and unrelated parties, various fees paid to or costs reimbursed to Cantor, other costs paid directly by us and interest income from related parties. In its capacity as a fulfillment service provider, Cantor processes and settles transactions and, as such, collects and pays the funds necessary to clear transactions with the counterparty. In doing so, Cantor receives our portion of the transaction fee and, in accordance with the Joint Services Agreement, remits the amount owed to us. In addition, we have entered into similar services agreements with TradeSpark, Freedom, MPLLC and CO2e. Under the Administrative Services Agreement, the Amended and Restated Joint Services Agreement and the services agreements with TradeSpark, Freedom, MPLLC and CO2e, any net receivable or payable is settled at the discretion of the parties.

As of June 30, 2003, we had repurchased 186,399 shares of our Class A common stock for a total of $2.1 million under our repurchase plan. Our Board of Directors has authorized the repurchase of up to an additional $40.0 million of our outstanding Class A common stock.

We anticipate that we will experience an increase in our capital expenditures and lease commitments consistent with our anticipated growth in operations, infrastructure, personnel and our anticipated move into new headquarters. Our property and casualty insurance coverage may mitigate our capital expenditures for the near term. We currently anticipate that we will continue to experience growth in our operating expenses for the foreseeable future and that our operating expenses will be a material use of our cash resources.

Under the current operating structure, our cash flows from operations and our existing cash resources should be sufficient to fund our current working capital and current capital expenditure requirements for at least the next 12 months. However, we believe that there are a significant number of capital intensive opportunities for us to maximize our growth and strategic position, including, among other things, strategic alliances and joint ventures potentially involving all types and combinations of equity, debt, acquisition, recapitalization and reorganization alternatives. We are continually considering such options, including the possibility of additional repurchases of our Class A common stock, and their effect on our liquidity and capital resources.

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities* , which applies immediately to variable interest entities (such as trusts, limited partnerships and limited liability companies) created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. Interpretation No. 46 requires the identification of variable interest entities and the assessment of interests in a variable interest entity to decide whether to consolidate that entity. Variable interest entities are identified by reviewing our equity investments at risk, our ability to make decisions about an entity's activities and the obligation to absorb an entity's losses or right to receive expected residual results. The adoption of Interpretation No. 46 on July 1, 2003 did not have a material effect on our results of operations, financial position or cash flows.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* , which establishes standards on the classification and measurement of financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective for the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 on July 1, 2003 did not have a material effect on our results of operations, financial position or cash flows.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

At June 30, 2003, we had invested $195.1 million of our cash in securities purchased under reverse repurchase agreements, which are fully collateralized by U.S. Government securities held in a custodial account at JP Morgan Chase. These reverse repurchase agreements have an overnight maturity and, as such, are highly liquid. We generally do not use derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions. Accordingly, we believe that we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive instruments. Our policy is to invest our cash in a manner that provides us with the appropriate level of liquidity.

ITEM 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were designed and were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. – OTHER INFORMATION

ITEM 1. Legal Proceedings

On June 30, 2003, we, together with Cantor Fitzgerald, L.P. and CFPH, L.L.C., filed a patent infringement suit against BrokerTec USA, LLC, BrokerTec Global, LLC, its parent ICAP, PLC, Garban, LLC, its technology provider OM Technology and its parent company, OM AB (collectively, "BrokerTec") in the United States District Court for the District of Delaware (the "Court"). The suit centers on BrokerTec's infringement of U.S. Patent No. 6,560,580 issued on May 6, 2003, which expires in December 2016, with respect to which we are the exclusive licensee. The patent protects some of our proprietary systems and methods of electronic trading. The parties have asked the Court, among other things, to preliminary enjoin BrokerTec from continuing its infringement during the pendency of the lawsuit, for a permanent injunction and for damages. The parties are engaged in discovery and a hearing is scheduled for October 2003.

ITEM 2. Changes in Securities and Use of Proceeds

The effective date of our registration statement (Registration No. 333-87475) filed on Form S-1 relating to our initial public offering of Class A common stock was December 9, 1999. In our initial public offering, we sold 7,000,000 shares of Class A common stock at a price of $22.00 per share and Cantor Fitzgerald Securities, the selling stockholder, sold 3,350,000 shares of Class A common stock at a price of $22.00 per share. Our initial public offering was managed on behalf of the underwriters by Warburg Dillon Read LLC, Hambrecht & Quist, Thomas Weisel Partners LLC and Cantor Fitzgerald & Co. The offering commenced on December 10, 1999 and closed on December 15, 1999. Proceeds to us from our initial public offering, after deduction of the underwriting discounts and commissions of approximately $10.0 million and offering costs of $4.4 million, totaled approximately $139.6 million. Of the $139.6 million raised, approximately $8.9 million has been used to fund investments in various entities, approximately $68.0 million has been used to acquire fixed assets and to pay for

the development of capitalized software, approximately $25.3 million has been used to purchase intangible assets and pay for the defense of patents, $2.1 million has been used to repurchase shares of Class A common stock, and approximately $8.0 million has been used for other working capital purposes. The remaining $27.3 million has been invested in reverse repurchase agreements, which are fully collateralized by U.S. Government Securities held in a custodial account at a third-party bank.

Of the amount of proceeds spent through June 30, 2003, approximately $32.3 million has been paid to Cantor under the Administrative Services Agreement between Cantor and us.

ITEM 5. Other Information

Our Audit Committee approved all of the non-audit services performed by Deloitte & Touche LLP, our independent auditors, during the period covered by this Report on Form 10-Q.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.	Description
10.25	Warrant Agreement, dated as of August 1, 2002, between eSpeed, Inc. and Deutsche Bank AG
10.26	Amended and Restated Joint Services Agreement, dated as of May 12, 2003
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

We filed a Current Report on Form 8-K on May 13, 2003 under Item 7. "Financial Statements and Exhibits" and "Item 9. Information Provided under Item 12 (Disclosure of Results of Operations and Financial Condition)", in which we announced our preliminary operating statistics for the quarter ended March 31, 2003.

We filed a Current Report on Form 8-K on August 12, 2003 under Item 7. "Financial Statements and Exhibits" and "Item 12. Results of Operations and Financial Condition" of Form 8-K, in which we announced our preliminary operating statistics for the quarter ended June 30, 2003.

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 thereunto duly authorized.

eSpeed, Inc.
(Registrant)
/s/ Howard W. Lutnick

Howard W. Lutnick
Chairman, Chief Executive Officer and President
/s/ Jeffrey M. Chertoff

Jeffrey M. Chertoff
Senior Vice President and Chief Financial Officer

Date: August 14, 2003

EXHIBIT INDEX

Exhibit No.	Description
10.25	Warrant Agreement, dated as of August 1, 2002, between eSpeed, Inc. and Deutsche Bank AG
10.26	Amended and Restated Joint Services Agreement, dated as of May 12, 2003
31.1	Certification by the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 10.25

NEITHER THIS WARRANT NOR THE SHARES OF CLASS A COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND NEITHER THIS WARRANT NOR SUCH SHARES MAY BE SOLD, ENCUMBERED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENT, AND, IF AN EXEMPTION SHALL BE APPLICABLE, THE HOLDER SHALL HAVE DELIVERED AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Void after 5:00 p.m. Eastern Standard Time, on July 30, 2011.

WARRANT TO PURCHASE CLASS A COMMON STOCK

OF

eSpeed, Inc.

FOR VALUE RECEIVED, eSpeed, Inc. (the "Company"), a Delaware corporation, hereby certifies that Deutsche Bank AG (the "Initial Holder"), or its permitted assigns (together with the Initial Holder, the "Holder"), is entitled to purchase from the Company, at any time or from time to time commencing on the Exercise Date set forth in Section 4 hereof and prior to 5:00 P.M., Eastern Standard Time, on July 30, 2011 a total of 150,000 fully paid and non-assessable shares of Class A Common Stock, par value $.01 per share, of the Company for a purchase price of $14.79 per share. (Hereinafter, (i) said Class A Common Stock,

together with any other equity securities which may be issued by the Company with respect thereto or in substitution therefor, is referred to as the "Class A Stock," (ii) the shares of the Class A Stock purchasable hereunder are referred to as the "Warrant Shares," (iii) the aggregate purchase price payable hereunder for the Warrant Shares is referred to as the "Aggregate Warrant Price," (iv) the price payable hereunder for each of the Warrant Shares is referred to as the "Per Share Warrant Price," (v) this Warrant, and all warrants hereafter issued in exchange or substitution for this Warrant are referred to as the "Warrant" and (vi) the holder of this Warrant is referred to as the "Holder.") This Warrant is one of a series of warrants issued pursuant to a conversion of the Series C Redeemable Convertible Preferred Stock, $.01 par value per share, of the Company which were issued by the Company (collectively, the "Convertible Preferred Stock") to Deutsche Bank AG (the "Subscriber" and together with any other permitted holder of the Convertible Preferred Stock, the "Preferred Stock Holders"). The number of Warrant Shares and the securities (if applicable) for which this Warrant is exercisable and the Per Share Warrant Price are subject to adjustment for certain corporate events occurring after July 30, 2001, 2001 as hereinafter provided under Section 3.

1. EXERCISE OF WARRANT. This Warrant may be exercised, in whole at any time or in part from time to time, commencing on the Exercise Date set forth in Section 4 hereof and prior to 5:00 P.M., Eastern Standard Time, on July 30, 2011 by the Holder of this Warrant by the surrender of this Warrant (with the subscription form at the end hereof duly executed) at the address set forth in Section 9(a) hereof, together with proper payment of the Aggregate Warrant Price, or the proportionate part thereof if this Warrant is exercised in part. The Aggregate Warrant Price or Per Share Warrant Price shall be paid in cash, via wire transfer to an account designated by the Company, or by certified or official bank check payable to the order of the Company.

If this Warrant is exercised in part, the Holder shall receive a new Warrant covering the number of Warrant Shares in respect of which this Warrant has not been exercised and setting forth the proportionate part of the Aggregate Warrant Price applicable to such Warrant Shares. Upon such surrender of this Warrant, the Company will (a) issue a certificate or certificates in the name of the Holder for the shares of the Class A Stock to which the Holder shall be entitled, and (b) deliver the proportionate part thereof if this Warrant is exercised in part, pursuant to the provisions of the Warrant.

No fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon any exercise hereof, the Company shall pay to the Holder an amount in cash equal to such fraction multiplied by the fair market value of a share as reasonably determined by the Company's Board of Directors.

2. RESERVATION OF WARRANT SHARES. The Company agrees that, prior to the expiration of this Warrant, the Company from and as of the date hereof, will have authorized and in reserve, and will keep available, solely for issuance or delivery upon the exercise of this Warrant, the shares of the Class A Stock as from time to time shall be receivable upon the exercise of this Warrant.

3. ADJUSTMENTS FOR CORPORATE EVENTS. The number and kind of securities issuable upon the exercise of this Warrant, the Per Share Warrant Price and the number of Warrant Shares for which this Warrant may be exercised shall be subject to adjustment from time to time in accordance with the following provisions:

(a) Reorganization, Reclassification. In the event of a reorganization, share exchange, or reclassification, other than a change in par value, or from par value to no par value, or from no par value to par value or a transaction described in subsection (b) or (c) below, this Warrant shall, after such reorganization, share exchange or reclassification, be

exercisable into the kind and number of shares of stock or other securities or other property of the Company which the holder of this Warrant would have been entitled to receive if the holder had held the Warrant Shares issuable upon exercise of this Warrant immediately prior to such reorganization, share exchange, or

reclassification. The provision of this Section 3(a) shall similarly apply to successive reorganizations and reclassifications.

(b) Merger, Consolidation or Sale of All or Substantially All Assets. In the event of a merger or consolidation to which the Company is a party or the sale of all or substantially all of the assets of the Company, this Warrant shall, after such merger, consolidation or sale, be exercisable for the kind and number of shares of stock and/or other securities, cash or other property which the holder of this Warrant would have been entitled to receive if the holder had held the Warrant Shares issuable upon exercise of this Warrant immediately prior to such merger, consolidation or sale. Any such merger, consolidation or sale shall require, as a condition thereto, that such other party to such merger, consolidation or sale agree in writing to assume this Warrant. The provision of this Section 3(b) shall similarly apply to successive mergers and transfers.

(c) Subdivision or Combination of Shares. In case outstanding shares of Class A Stock shall be subdivided, the Per Share Warrant Price shall be proportionately reduced as of the effective date of such subdivision, or as of the date a record is taken of the holders of Class A Stock for the purpose of so subdividing, whichever is earlier. In case outstanding shares of Class A Stock shall be combined, the Per Share Warrant Price shall be proportionately increased as of the effective date of such combination, or as of the date a record is taken of the holders of Class A Stock for the purpose of so combining, whichever is earlier.

(d) Stock Dividends. In case shares of Class A Stock are issued as a dividend or other distribution on the Class A Stock (or such dividend is declared), then the Per Share Warrant Price shall be adjusted, as of the date a record is taken of the holders of Class A Stock for the purpose of receiving such dividend or other distribution (or if no such record is taken, as at the earliest of the date of such declaration, payment or other distribution), to that price determined by multiplying the Per Share Warrant Price in effect immediately prior to such declaration, payment or other distribution by a fraction (i) the numerator of which shall be the number of shares of Class A Stock outstanding immediately prior to the declaration or payment of such dividend or other distribution, and (ii) the denominator of which shall be the total number of shares of Class A Stock outstanding immediately after the declaration or payment of such dividend or other distribution. In the event that the Company shall declare or pay any dividend on the Class A Stock payable in any right to acquire Class A Stock for no consideration, then, for purposes of calculating such adjustment, the Company shall be deemed to have made a dividend payable in Class A

Stock in an amount of shares equal to the maximum number of shares issuable upon exercise of such rights to acquire Class A Stock.

(e) Adjustment of Aggregate Number of Warrant Shares Issuable. Upon each adjustment of the Per Share Warrant Price under the provisions of this Section 3, the aggregate number of Warrant Shares issuable upon exercise of this Warrant shall be adjusted to the nearest whole number to an amount determined by multiplying the Warrant Shares issuable prior to such adjustment by a fraction (x) the numerator of which is the Per Share Warrant Price in effect immediately prior to the event causing such adjustment and (y) the denominator of which is the adjusted Per Share Warrant Price.

(f) Minimum Adjustment. No adjustment of the Per Share Warrant Price shall be made if the amount of any such adjustment would be an amount less than 1% of the Per Share Warrant Price then in effect, but any such amount shall be carried forward and an adjustment in respect thereof shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate an increase or decrease of 1% or more. All calculations under this Section 3 shall be made to the nearest cent ($.01).

(g) Treasury Shares. The number of shares of Class A Stock at any time outstanding shall not include any shares thereof then directly or indirectly owned or held by or for the account of the Company.

(h) Notices. If at any time, (x) the Company shall declare a stock dividend (or any other distribution except for cash dividends) on its Class A Stock; (y) there shall be any capital reorganization or reclassification of the Class A Stock, or any consolidation or merger to which the Company is a party, or any sale or transfer of all of substantially all of the assets of the Company; or (z) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; then, in any one or more of such cases, the Company shall give written notice to the Holder, not less than 10 days before any record date or other date set for definitive action, or of the date on which such reorganization, reclassification, sale, consolidation, merger, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also set forth such facts as shall indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the current Per Share Warrant Price and the kind and amount of Class A Stock and other securities and property deliverable upon exercise of this Warrant. Such notice shall also specify the date (to the extent known) as of which the holders of the Class A Stock of record shall be

entitled to exchange their Class A Stock for securities or other property deliverable upon such reorganization, reclassification, sale, consolidation, merger, dissolution, liquidation or winding up, as the case may be. In addition, whenever the aggregate number of Warrant Shares issuable upon exercise of this Warrant and Per Share Warrant Price is adjusted as herein provided, the Chief Financial Officer of the Company shall compute the adjusted number of Warrant Shares and Per Share Warrant Price in accordance with the foregoing provisions and shall prepare a

written certificate setting forth such adjusted number of Warrant Shares and Per Share Warrant Price, and such written instrument shall promptly be delivered to the recordholder of this Warrant.

4. EXERCISE OF WARRANT. This Warrant shall be vested and exercisable in its entirety immediately upon issuance (the "Exercise Date").

5. FULLY PAID STOCK; TAXES. The Company agrees that the shares of the Class A Stock represented by each and every certificate for Warrant Shares delivered on the proper exercise of this Warrant shall, at the time of such delivery, be validly issued and outstanding, fully paid and non-assessable, and not subject to preemptive rights, and the Company will take all such actions as may be necessary to assure that the par value or stated value, if any, per share of the Class A Stock is at all times equal to or less than the then Per Share Warrant Price. The Company further covenants and agrees that it will pay, when due and payable, any and all federal and state stamp, original issue or similar taxes that may be payable in respect of the issuance of any Warrant Shares or certificates therefor.

6. TRANSFER

(a) Securities Laws. Neither this Warrant nor the Warrant Shares issuable upon the exercise hereof have been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws and unless so registered may not be transferred, sold, pledged, hypothecated or otherwise disposed of unless an exemption from such registration is available. In the event the Holder desires to transfer this Warrant or any of the Warrant Shares issued in accordance with the terms hereof, the Holder must give the Company prior written notice of such proposed transfer including the name and address of the proposed transferee, unless such transfer is a transfer of the Warrant Shares pursuant to an effective Registration Statement. Such transfer may be made only either (i) upon publication by the Securities and Exchange Commission (the "Commission") of a ruling, interpretation, opinion or "no action letter" based upon facts presented to said Commission, or (ii) upon receipt by the Company of an opinion of counsel reasonably acceptable to the Company to the effect that the proposed transfer will not violate the provisions of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or the rules and regulations promulgated under either such act, or to the effect that the Warrant or Warrant Shares to be sold or transferred have been registered under the Securities Act, and that there is in effect a current prospectus meeting the requirements of Subsection 10(a) of the Securities Act, which is being or will be delivered to

the purchaser or transferee at or prior to the time of delivery of the certificates evidencing the Warrant or Warrant Shares to be sold or transferred. The Warrant Shares are Registrable Securities within the meaning of that certain Registration Rights Agreement by the Company and the Preferred Stock Holder, dated July 30, 2001, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof.

(b) Swap Transactions. Without the prior written consent of the Company, the Holder may not enter into any swap transaction relating to this Warrant, the Warrant Shares (prior to the issuance thereof), or any interest therein, it being acknowledged and understood that hedging transactions can be entered into with respect to Warrants that have been issued. In no event shall the restrictions contained in this paragraph apply to any Warrant Shares that have been issued.

(c) Transfer. The Subscriber understands and agrees that it may not, without the Company's prior written consent, directly or indirectly, make any offer, sale, short sale, assignment, transfer, pledge, encumbrance, contract to sell, grant of an option to purchase or other disposition of (each of the

above-described actions being referred to herein as a "Transfer"), or enter into any swap transaction relating to, the Warrant, or any interest therein, prior to the exercise of the Warrant and the issuance of Warrant Shares (other than a Transfer of the Warrants by the Subscriber to an Affiliate, as defined below (a "Permissible Transfer"); provided, that any permissible transferee shall, prior to and as a condition precedent to such Transfer, execute a counterpart copy of this Warrant. If the Subscriber makes a Permissible Transfer, the Subscriber agrees not to Transfer all or a controlling ownership interest in such Affiliate-transferee except to another Affiliate (whereupon such Affiliate shall not Transfer such controlling ownership interest in such Affiliate-transferee except to another Affiliate of the Subscriber as long as such transferee owns the Warrant. Any sale, assignment, transfer, pledge, encumbrance or other disposition of this Warrant or any interest herein, attempted contrary to the provisions of this Warrant, shall be null and void and without effect. The provisions of this Section 6(c) shall not be applicable to the Warrant Shares.

(d) Legend and Stop Transfer Orders. Unless the Warrant Shares have been registered under the Securities Act or eligible for resale pursuant to Rule 144(k) under the Securities Act, upon exercise of any part of the Warrant and the issuance of any of the Warrant Shares, the Company shall instruct its transfer agent to enter stop transfer orders with respect to such shares, and all certificates representing Warrant Shares shall bear on the face thereof substantially the following legend, insofar as is consistent with Delaware law:

> "The shares of Class A Common Stock represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be sold, offered for sale, assigned, transferred or otherwise disposed of unless registered pursuant to the

> provisions of that Act or an opinion of counsel to the Company is obtained stating that such disposition is in compliance with an available exemption from such registration."

7. LOSS, ETC. OF WARRANT. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and of indemnity reasonably satisfactory to the Company, if lost, stolen or destroyed, and upon surrender and cancellation of this Warrant if mutilated, the Company shall execute and deliver to the Holder a new Warrant of like date, tenor and denomination.

8. WARRANT HOLDER NOT SHAREHOLDER. Except as otherwise provided herein, this Warrant does not confer upon the Holder any right to vote or to consent to or receive notice as a shareholder of the Company, as such, in respect of any matters whatsoever, or any other rights or liabilities as a shareholder, prior to the exercise hereof. Notwithstanding the foregoing, if the Company shall no longer be required to file reports pursuant to Sections 12 or 15(d) of the Exchange Act, the Company will deliver to Holder such information, documents, and reports as are generally distributed to the holders of any class or series of the Company's securities concurrently with the distribution thereof to the shareholders.

9. COMMUNICATION. No notice or other communication under this Warrant shall be effective unless the same is in writing and sent by overnight courier, delivered in person or mailed by first-class mail, postage prepaid, addressed to:

(a) the Company at 135 East 57th Street, New York, New York 10022, Attention: General Counsel, Facsimile No.: (212) 829-5441 or such other address as the Company has designated in writing to the Holder, or

(b) the Holder at such address as the Holder has designated in writing to the Company.

10. HEADINGS. The headings of this Warrant have been inserted as a matter of convenience and shall not affect the construction hereof.

11. APPLICABLE LAW. This Warrant shall be governed by and construed in accordance with the law of the State of New York without giving effect to the principles of conflict of laws thereof.

12. COMPLIANCE WITH OTHER INSTRUMENTS. Company represents and warrants to Holder that the execution and delivery of this Warrant are not, and the issuance of the Warrant Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the Company's charter or bylaws, do not and will not contravene any law,

governmental rule or regulation, judgment or order applicable to the Company, and do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration or filing with or the taking of any action in respect of or by, any Federal, state or local government authority or agency or other person, except for the filing of notices pursuant to federal and state securities laws, which filings will be effected by the time required thereby.

13. MODIFICATION AND WAIVER. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the Company and the holder of this Warrant, except that changes or waivers that adversely affect the rights of any Preferred Stock Holder under its Warrant (other than the holder of this Warrant) disproportionately to the rights of the other Preferred Stock Holders under their respective Warrants shall be in writing and signed by all of the Preferred Stock Holders and the Company.

14. BINDING EFFECT ON SUCCESSORS. This Warrant shall be binding upon any entity succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Warrant Shares issuable upon the exercise of this Warrant shall survive the exercise and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and permitted assigns of the holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of the holder hereof, but at the Company's expense, acknowledge in writing its continuing obligation to Holder in respect of any rights (including, without limitation, any right to registration of the Warrant Shares) to which the holder hereof shall continue to be entitled after such exercise or conversion in accordance with this warrant; provided, that the failure of Holder to make any such request shall not affect the continuing obligation of the Company to the holder hereof in respect of such rights.

15. REMEDIES. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, Holder (in the case of a breach by the Company), or the Company (in the case of a breach by Holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

16. NO IMPAIRMENT OF RIGHTS. The Company will not, by amendment of its Charter (except as permitted in the Certificate of Designation relating to the applicable series of Convertible Preferred Stock pursuant to which this Warrant

was issued) or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary in order to protect the rights of the holder of this Warrant against impairment.

17. SEVERABILITY. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

IN WITNESS WHEREOF, eSpeed, Inc. has caused this Warrant to be signed by a duly authorized officer as of the 1st day of August, 2002.

eSpeed, Inc.

By: /s/ Lee M. Amaitis

Lee M. Amaitis
Global Chief Operating Officer

SUBSCRIPTION

The undersigned, _____, pursuant to the provisions of the foregoing Warrant, hereby agrees to subscribe for the purchase of _____ shares of the Class A Common Stock of eSpeed, Inc. covered by said Warrant, and makes payment therefor in full at the price per share provided by said Warrant.

Dated _____ Signature_____
Address_____
_____

ASSIGNMENT

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____ the foregoing Warrant and all rights evidenced thereby, and does irrevocably constitute and appoint _____, attorney, to transfer said Warrant on the books of eSpeed, Inc.

Dated _____ Signature_____
Address_____
_____

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED _____ hereby assigns and transfers unto _____ the right to purchase _____ shares of the Class A Common Stock of eSpeed, Inc. by the foregoing Warrant, and a proportionate part of said Warrant and the rights evidenced hereby, and does irrevocably constitute and appoint _____, attorney, to transfer that part of said Warrant on the books of eSpeed, Inc.

Dated _____ Signature_____
Address_____
_____

EXHIBIT 10.26

AMENDED AND RESTATED JOINT SERVICES AGREEMENT

between

CANTOR FITZGERALD, L.P.,

On behalf of itself and its direct and indirect, current and future, subsidiaries, other than eSpeed, Inc. and its direct and indirect, current and future, subsidiaries

and

eSPEED, INC.,

On behalf of itself and its direct and indirect, current and future, subsidiaries

Dated as of May 12, 2003

AMENDED AND RESTATED JOINT SERVICES AGREEMENT

This AMENDED AND RESTATED JOINT SERVICES AGREEMENT is made and entered into as of May 12, 2003, among Cantor Fitzgerald, L.P., a Delaware limited partnership ("CFLP"), on behalf of itself and its direct and indirect, current and future, subsidiaries, other than eSpeed, Inc. and its direct and indirect, current and future, subsidiaries (the "Cantor Parties"), on the one hand, and eSpeed, Inc., a Delaware corporation ("eSpeed"), on behalf of itself and its direct and indirect, current and future, subsidiaries (the "eSpeed Parties"), on the other hand. All capitalized terms used in this Agreement and not otherwise defined shall have the meanings ascribed to such terms in Section 1 of this Agreement. Each direct and indirect subsidiary of CFLP and eSpeed will automatically become a party to this Agreement, unless it becomes a party to a substantially identical separate agreement, provided, however, that this Agreement shall not apply to any subsidiary, division or business unit of CFLP at such time as it is no longer controlled by CFLP or one of its direct or indirect subsidiaries, subject to reasonable arrangements and services provided during reasonable transitional periods, unless such entity contemporaneously with such change of control otherwise agrees in writing to be governed hereby.

W I T N E S S E T H:

WHEREAS, the eSpeed Parties and the Cantor Parties wish to amend and restate the Amended and Restated Joint Services Agreement among the Cantor Parties and the eSpeed Parties dated as of April 1, 2001, as amended;

NOW, THEREFORE, in consideration of the premises contained herein, it is agreed as follows:

1. Defined Terms. For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

"Ancillary IT Services" means technology support services (other than in respect of the Electronic Energy Marketplace and the Electronic Emissions Marketplace), including, but not limited to, (i) systems administration, (ii) internal network support, (iii) support and procurement for desktops of Cantor Party end-user equipment, (iv) operations and disaster recovery services, (v) voice communications, (vi) support and development of systems for Clearance, Settlement and Fulfillment Services, (vii) systems support for Cantor Party brokers, and (viii) electronic applications systems and network support and development for Unrelated Dealer Businesses; provided that Ancillary IT Services does not include (i) the provision of desktop hardware for use by Cantor Party employees or (ii) the eSpeed Equity Order Routing Business.

"Baseline Gaming Budget" means $750,000 for each calendar quarter, which shall be the minimum amount of costs required to be incurred by the eSpeed Parties with respect to any quarter for Gaming Development Services and Ancillary IT Services in connection with a Gaming Business, as requested by the Cantor Parties.

"Cantor Exchange" means Cantor Financial Futures Exchange, Inc. and any successor thereto or to the operations thereof.

"Cantor Services" means any one of, or any combination of, Voice Assisted Brokerage Services, Clearance, Settlement and Fulfillment Services and Related Services.

"Clearance, Settlement and Fulfillment Services" means all such services as are necessary to clear, settle and fulfill, or arrange settlement or fulfillment as a name give-up or other intermediary of, in accordance with customary market

practice and taking into account applicable regulatory requirements, a purchase and sale of a particular Product, including, but not limited to, collection of money; arrangement of delivery of Products; receipt, delivery and maintenance of margin and collateral, if appropriate; dealing with issues relating to failures to receive or deliver payments or Products; and collection and payment of transfer or similar taxes, to the extent applicable to such Product. Clearance, Settlement and Fulfillment Services may include, but are not limited to, acting as a riskless principal or other intermediary between the buyer and the seller of a Product.

"CO2e" means CO2e.com, LLC and its subsidiaries.

"Collaborative Marketplace" means an Electronic Marketplace that is operated by a Cantor Party and an eSpeed Party in collaboration pursuant to Section 3 of this Agreement. All Marketplaces shall be Collaborative Marketplaces, unless otherwise determined in accordance with this Agreement. In no event shall the Electronic Energy Marketplace, the Electronic Emissions Marketplace or a marketplace involved in a Gaming Business or an Unrelated Dealer Business be deemed to be a Collaborative Marketplace for purposes of this Agreement.

"Convention" means the United Nations Framework Convention on Climate Change.

"Electronic Brokerage Services" means the effecting of transactions in, and purchases and sales of, a Product on an Electronic Marketplace in and through the operation of an Electronic Trading System. Electronic Brokerage Services include, but are not limited to, the provision and operation of network distribution systems, transaction processing systems and customer interface systems, in each case that are related to the effecting of transactions in, and purchases and sales of, a Product on an Electronic Marketplace. Electronic Brokerage Services do not include Voice Assisted Brokerage Services, Clearance, Settlement and Fulfillment Services, Information Services or Related Services.

"Electronic Emissions Marketplace" means the marketplace and affiliated web portal sponsored by CO2e on or through which wholesale transactions in, and purchases and sales of, GHG Emission Reduction Units and derivatives thereof, including futures contracts and options on futures contracts involving GHG Emission Reduction Units (and related services) may be effected in whole or in part electronically.

"Electronic Gaming Marketplace" means a marketplace in which transactions constituting all or a portion of a Gaming Business may be effected in whole or in part electronically, but does not include a marketplace involving a Gaming Business that is merely electronically assisted, such as screen assisted phone betting.

"Electronic Marketplace" means a Marketplace on which transactions in, and purchases and sales of, Products may be effected in whole or in part electronically, but does not include a Marketplace that is merely electronically assisted, such as screen assisted open outcry. In no event shall the Electronic Energy Marketplace, the Electronic Emissions Marketplace or a marketplace involved in a Gaming Business or an Unrelated Dealer Business be deemed to be an Electronic Marketplace for purposes of this Agreement.

"Electronic Energy Marketplace" means the marketplace and affiliated web portal sponsored by TradeSpark on or through which North American wholesale transactions in, and purchases and sales of, Energy Products and derivatives thereof, including futures contracts and options on futures contracts involving Energy Products (and related services) may be effected in whole or in part electronically. Only transactions that are to be executed, settled and delivered in North America shall be effected on or through the Electronic Energy

Marketplace.

"Electronic Trading System" means, as to any Electronic Marketplace, the hardware, software, network infrastructure and other similar assets that are used to effect purchases and sales in that Electronic Marketplace.

"Emissions Government Agency" means any national, international, federal, provincial, state, municipal, county, regional or local government or authority, and includes: (i) any department, commission, bureau, board, administrative agency or regulatory body of any government; (ii) an Emissions International Agency; (iii) any person or corporation acting as a Registrar in connection with a GHG Emission Reductions Registry; or (iv) any person or corporation acting as an agent for an Emissions Governmental Agency.

"Emissions International Agency" means any international commission, bureau, board, administrative agency or regulatory body responsible for measures to achieve objectives of the Convention.

"Energy Products" means natural gas, electricity, coal, sulphur dioxide and nitrogen oxides emissions allowances, and weather financial products.

"eSpeed Equity Order Routing Business" means those activities that shall be conducted from time to time by the eSpeed Parties in connection with electronic execution of equity trade orders that are transmitted for the Cantor Parties on behalf of their customers directly to an unaffiliated exchange or electronic communications network (ECN).

"eSpeed Equity Order Routing Business Net Revenues" means eSpeed Equity Order Routing Business Revenues, LESS all marketing costs, help desk/customer support costs, sales costs (including all sales commissions), clearing fees and all other direct third-party costs, each as incurred by the eSpeed Parties or the Cantor Parties.

"eSpeed Equity Order Routing Business Revenues" means the fees, commissions, spreads, markups or other similar amounts received, directly or indirectly by the eSpeed Parties or the Cantor Parties, from a customer in consideration for the provision of services connected with the eSpeed Equity Order Routing Business.

"eSpeed Marketplace" means a Marketplace (i) in which an eSpeed Party renders Electronic Brokerage Services and (ii) that is not a Collaborative Marketplace. In no event shall a marketplace involved in a Gaming Business or an Unrelated Dealer Business be deemed an eSpeed Marketplace for the purposes of this Agreement.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Financial Product" means any financial asset or financial instrument, any intangible commodity or any tangible fungible commodity, including, but not limited to, any security, futures contract, foreign exchange transaction, swap transaction, credit derivative, repurchase or reverse repurchase obligation, currency or swap (as currently defined in the Federal Bankruptcy Code of 1978) or any option or derivative on any of the foregoing; provided that in no event shall (x) any Energy Product traded on the Electronic Energy Marketplace or any derivative thereof, including futures contracts and options on futures contracts involving Energy Products traded on the Electronic Energy Marketplace or (y) any GHG Emission Reduction Unit traded on the Electronic Emissions Marketplace or any derivative thereof, including futures contracts and options on futures contracts involving GHG Emission Reduction Units traded on the Electronic Emissions Marketplace, be considered a Financial Product, or (z) any product traded in a marketplace involving a Gaming Business or an Unrelated Dealer Business be considered a Financial Product.

"Gaming Business" means the current business conducted by Cantor Index Holdings, L.P. ("CIH") or a subsidiary thereof, which consists of financial spread betting and equity contracts for difference, and those activities described in clauses (i) through (iv) below that shall be conducted from time to time in the future by CIH or any of its subsidiaries controlled by CIH, directly or through its subsidiaries. Gaming Business shall also mean activities that the Cantor Parties may irrevocably designate in writing from time to time, primarily with individual customers, directly or indirectly, wherever located and however conducted, currently and in the future, that involve (i) receiving or negotiating bets or conducting pool betting operations or the provision of services in connection therewith; (ii) organizing or conducting gaming or the provision of services in connection therewith; (iii) organizing or conducting the distribution of prizes by lot or chance or the provision of services in connection therewith; and (iv) activities similar or related to the foregoing activities, including without limitation activities commonly known as fantasy games, hypothetical or virtual betting and spread betting, contracts for differences, gambling, odds making, lotteries, gaming, wagering, staking, drawing or casting lots; provided, however, that Gaming Business shall also include, to the extent and only to the extent designated by the Cantor Parties separately and in writing, those activities that would be gaming activities except for the fact that they are not conducted with individual customers, directly or indirectly, to the extent to which they are part of, ancillary to or substantially connected with the activities described in clauses (i) and/or (ii) above; provided, further, that Gaming Business does not include a Multi-dealer Futures Business. For the purposes of this definition, "bet" means entering into a contract by which each party undertakes to pay or forfeit to the other money or other value if an issue, in doubt at the time of the contract, is determined in accordance with the other party's forecast; "gaming" means the playing of a game of chance for winnings in money or other value; and "game of chance" includes a game of chance and skill combined and a pretended "game of chance."

"Gaming Development Services" means the services provided by the eSpeed Parties in connection with developing or otherwise acquiring technology in connection with a Gaming Business for the Cantor Parties; provided that Gaming Development Services does not include the provision of desktop hardware for use by Cantor Party employees.

"Gaming Product" means any intangible asset, good or interest that can be bought or sold or otherwise is the subject of an activity constituting a Gaming Business.

"Gaming Revenue Share" means 25% of Gaming Transaction Revenues.

"Gaming Transaction Revenues" means the net trading revenues (as determined by the Cantor Parties in a manner consistent with their customary business practices) and all other net fees (including without limitation participation fees, commissions, spreads, markups or other similar amounts) received from a customer in connection with participation by such customer in activities constituting a Gaming Business.

"GHG Emissions" means carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perflurocarbons and any other gas substance that is the subject of the Convention and related protocols, treaties, agreements and instruments, or other gases, tradable renewable energy instruments, and other tradable environmental instruments subject to domestic, regional, or international regulation.

"GHG Emission Reductions" means a reduction in GHG Emissions.

"GHG Emission Reduction Units" means all rights, benefits, title and interest related, in whole or in part, to GHG Emission Reductions, or

derivatives thereof, including futures contracts and options on futures contracts involving GHG Emission Reduction Units, whether in existence as of the date of this Agreement or arising in the future, without limitation: (i) any credit issued or granted by an Emissions Government Agency in connection with GHG Emission Reductions; (ii) any tradable allowance or allocated pollution right issued or granted in connection with GHG Emission Reductions; (iii) the sole right to claim credit in any reporting program established or maintained by any Emissions Government Agency for creation of GHG Emission Reductions; (iv) the sole right to bank GHG Emission Reductions in any registry system established or maintained by any Emissions Government Agency or non-governmental organization or entity (a "GHG Emission Reductions Registry"); (v) the sole right to any form of acknowledgment by an Emissions Governmental Agency that actions have been taken by a party or parties in connection with GHG Emission Reductions that result in the reduction, avoidance, sequestration or mitigation of GHG Emissions; (vi) the sole right to use GHG Emission Reductions; (vii) the sole right to any form of acknowledgment by an Emissions Government Agency to claim reduction from an emissions baseline when that baseline can be used for establishing a tradable GHG Emission allowance allocation, and that beneficial ownership in this reduction, avoidance, sequestration or mitigation or related tradable allowances can be; (viii) banked for credit in the event of regulation requiring a party to reduce, avoid, compensate for or otherwise mitigate GHG Emissions; (ix) claimed by a party for credit against that party's compliance requirement; (x) put to any other sanctioned use; or (xi) transferred to another party for any reason; (xii) the sole right to any form of acknowledgment by an Emissions International Agency in respect of GHG Emission Reductions including that the GHG Emission Reductions

constitute tradable emissions reduction units; and (xiii) the sole right to any offset of anthropogenic GHG Emissions caused wholly or in part by the GHG Emission Reductions.

"Information" means information relating to bids, offers or trades, or any other information, that is input into, created by or otherwise resides on an Electronic Trading System or is created in connection with a Gaming Business or an Unrelated Dealer Business.

"Information Services" means the provision of Information to a Person with respect to a Marketplace, a Gaming Business or an Unrelated Dealer Business as a separate service not in connection with transactions by such Person on such Marketplace or in connection with a Gaming Business or an Unrelated Dealer Business. Information Services shall not include the provision of Information to purchasers and sellers of a Product incident to the provision of Electronic Brokerage Services and/or Voice Assisted Brokerage Services to such customers.

"Marketplace" means a marketplace operated or to be operated by the Cantor Parties and/or the eSpeed Parties in and through which buyers and sellers of a Product may effect transactions in the Product. In no event shall the Electronic Energy Marketplace, the Electronic Emissions Marketplace or a marketplace involved in a Gaming Business or an Unrelated Dealer Business be deemed to be a Marketplace for purposes of this Agreement.

"Multi-dealer Futures Business" means activities with respect to futures contracts and options on futures contracts in marketplaces which, with respect to activities in such futures contracts and options on futures contracts, permit prices to be regularly offered by more than four market making entities ("dealers") that trade such futures contracts or options on futures contracts with multiple buyers and sellers.

"New Market Notice" means, with respect to a Marketplace, a written notice describing with reasonable specificity the anticipated nature, general level of volume and trading needs of that Marketplace.

"North America" means the United States, Canada and Mexico.

"Person" means any corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization or other entity or governmental or regulatory authority or agency.

"Product" means any tangible or intangible asset or good, other than (i) an Energy Product traded on the Electronic Energy Marketplace or any derivative thereof, including futures contracts and options on futures contracts involving Energy Products traded on the Electronic Energy Marketplace, (ii) a GHG Emission Reduction Unit traded on the Electronic Emissions Marketplace or any derivative thereof, including futures contracts and options on futures contracts involving GHG Emission Reduction Units traded on the Electronic Emissions Marketplace or (iii) a product traded in a marketplace involving a Gaming Business or an Unrelated Dealer Business.

"Product or Pricing Decisions" means, as to an Electronic Marketplace for a particular Product, (i) the definition of the Product, (ii) the hours of operation of the Marketplace, (iii) the rules relating to trading priority, incentives and other trading related issues and (iv) the

rates and schedules of commissions and other Transaction Revenues for the Marketplace, including any variation thereof for particular customers or classes of customers.

"Related Services" includes (i) credit and risk management services, (ii) services related to sales positioning of Products, (iii) oversight of customer suitability and regulatory compliance and (iv) such other services customary to brokerage operations as are agreed to by CFLP and eSpeed.

"TradeSpark" means TradeSpark, L.P.

"Transaction Revenues" means the standard fees, commissions, spreads, markups or other similar standard amounts received from a customer in connection with effecting transactions in a Marketplace.

"Unrelated Dealer Businesses" means (i) the equity businesses of the Cantor Parties as they may exist from time to time, (ii) the money market instruments and securities lending divisions of the Cantor Parties as they may exist from time to time, (iii) any business or portion thereof or activity in which a Cantor Party acts as a dealer or otherwise takes market risk or positions, including in the process of executing matched principal transactions, providing the services of a specialist or market maker or providing trading or arbitrage operations, (iv) any activities that are not within the definition of Gaming Business but would be if so designated by a Cantor Party, as set forth in the definition of Gaming Business herein, and (v) any business not involving operating a Marketplace, other than a Gaming Business.

"Voice Assisted Brokerage Services" means the effecting of transactions in, and purchases and sales of, a Product on an Electronic Marketplace in and through a broker or other human intermediary, in each case who is an employee of, or providing services to, a Cantor Party. Voice Assisted Brokerage Services include the entry of an order by a broker or other human intermediary into the Electronic Trading System.

2. Term. The term of this Agreement shall be in effect perpetually, unless sooner ended by the mutual agreement, in writing, of CFLP and eSpeed (the "Term").

3. Joint Services in Collaborative Marketplaces.

(a) Subject to the terms and conditions stated herein, the Cantor

Parties and the eSpeed Parties intend to collaborate in providing brokerage services to customers in and through Electronic Marketplaces. In any case in which the Cantor Parties and the eSpeed Parties do so collaborate, the Marketplace shall be a Collaborative Marketplace and the respective authority, responsibilities and obligations of the parties shall be governed by this Section 3.

(b) In the case of each Collaborative Marketplace, any Product or Pricing Decision shall be made jointly by the Cantor Parties and the eSpeed Parties. If the parties are unable to agree on a particular Product or Pricing Decision after good faith efforts to do so, then the final Product or Pricing Decision shall be made by (i) a Cantor Party, in the case of a Marketplace or the portion thereof in which or for which a Cantor Party provides any Voice Assisted Brokerage Services, and (ii) an eSpeed Party, in the case of

a fully electronic Marketplace (that is, a Marketplace in which no Cantor Party provides Voice Assisted Brokerage Services) or the portion of a Marketplace that is fully electronic; provided, however, that no Product and Pricing Decision made by an eSpeed Party with respect to a fully electronic Marketplace shall result in the Cantor Party's share of Transaction Revenues for the transactions effected in the Marketplace being less than the amount necessary to cover the Cantor Party's actual costs of providing Cantor Services in connection with such Marketplace.

(c) In the case of each Collaborative Marketplace, the applicable eSpeed Party (i) shall own and operate the Electronic Trading System associated with the Electronic Marketplace, (ii) shall be responsible, as between the parties, for the provision of Electronic Brokerage Services to customers and (iii) except as provided above with respect to Product or Pricing Decisions, shall have reasonable discretion as to the manner and means of operating the Electronic Trading System and providing Electronic Brokerage Services to customers and Cantor brokers in connection therewith.

(d) In the case of each Collaborative Marketplace, the applicable Cantor Party (i) shall be responsible, as between the parties, for the provision of Cantor Services to customers and (ii) except as provided above with respect to Product or Pricing Decisions, shall have reasonable discretion as to the manner and means of providing the Cantor Services. The applicable Cantor Party shall be responsible for maintenance of books and records and compliance with applicable securities laws, rules and regulations, as determined by the applicable Cantor Party. Cantor Parties that are U.S. registered broker-dealers pursuant to the Exchange Act shall be responsible for compliance with the reporting requirements under Regulation ATS and related provisions of the Exchange Act. In that regard, such Cantor Parties that are U.S. registered broker-dealers each will be the broker for all transactions in the systems, and each will determine the various non-discretionary parameters under which transactions are executed in their respective systems. eSpeed Parties that are U.S. registered broker-dealers pursuant to the Exchange Act shall cooperate with the Cantor Parties that are U.S. registered broker-dealers in all regulatory compliance matters and, if applicable, in complying with Regulation ATS.

(e) Without limiting the authority of the parties in their respective areas of responsibility pursuant to paragraphs (c) and (d), the parties recognize the importance of providing an integrated and seamless service to customers. Accordingly, the parties shall consult diligently and in good faith, as and as often as necessary, to ensure that their respective services are properly integrated.

(f) All information and data, other than Information, created, developed, used in connection with or relating to the operation of and

effecting of transactions in any Marketplace or in connection with a Gaming Business or an Unrelated Dealer Business ("Data") shall constitute the sole property of the Cantor Parties or the eSpeed Parties, as applicable, on the following basis: (i) if the Data relate to Financial Products, a Gaming Business or an Unrelated Dealer Business, the Data shall belong solely to the Cantor Parties, (ii) if the Data relate to a Collaborative Marketplace in which only Products that are not Financial Products are traded, the ownership of the Data shall be determined by the Cantor Parties and the eSpeed Parties on a case-by-case basis based on good faith

negotiations, (iii) if the Data relate to an eSpeed Marketplace in which only Products that are not Financial Products are traded, the Data shall belong solely to the eSpeed Parties and (iv) if the Data relate to a non-Collaborative Marketplace that is not an eSpeed Marketplace and in which Financial Products are traded, the Data shall belong solely to the Cantor Parties. All Information relating to Financial Products transmitted and disseminated on or through the Electronic Marketplace or relating to a Gaming Business or an Unrelated Dealer Business shall be the sole property of the Cantor Parties and, as between the parties, the Cantor Parties shall have the sole and exclusive right to use, publish and be compensated for Information Services in connection with or relating to such Information; provided, however, in the case of each Collaborative Marketplace, that the eSpeed Parties shall have the right (without any obligation to pay the Cantor Parties therefor) to use such Information in connection with the execution of transactions in the applicable Collaborative Marketplace. With respect to Information and Data revenues generated from any regulated futures or options contract(s) consisting of or related to Commodity Futures Trading Commission regulated futures or options contract(s) that are related to movies, music or any other aspect of the entertainment business and sponsored by CIH, or a subsidiary thereof, then the applicable eSpeed Party will receive the aggregate revenues resulting from the publication or sale of such Information and Data and will pay the applicable Cantor Party 65% of such revenues.

(g) To such extent as is consistent with the Cantor Parties' own businesses of providing Electronic Brokerage Services in Marketplaces that are not Collaborative Marketplaces, the Cantor Parties shall promote and market eSpeed Marketplaces for effecting transactions in Financial Products, and shall refer customers and prospective customers to the applicable eSpeed Parties in an effort to cause such customers to effect transactions in Financial Products in eSpeed Marketplaces.

4. Sharing of Transaction Revenues. (A) The Cantor Parties and the eSpeed Parties agree to share Transaction Revenues with regard to transactions effected through Collaborative Marketplaces in the following manner:

(a) If (i) the Electronic Marketplace is a Collaborative Marketplace, (ii) the transaction relates to a Financial Product (other than a Financial Product that is traded on the Cantor Exchange) and (iii) no Cantor Party provides Voice Assisted Brokerage Services in connection with the transaction to which the Transaction Revenues relate (that is, the transaction is fully electronic), then the applicable eSpeed Party will receive the aggregate Transaction Revenues and will pay to the applicable Cantor Party a service fee equal to 35% of the Transaction Revenues.

(b) If (i) the Electronic Marketplace is a Collaborative Marketplace, (ii) the transaction relates to U.S. Treasury securities and U.S. federally-sponsored agency securities involving that certain eSpeed business unit generally known as eSpeed Online, or any successor thereof, and (iii) a Cantor Party provides Voice Assisted Brokerage Services through any of the employees of such eSpeed Online business unit or successor thereof in connection with the transaction to which the Transaction

Revenues relate, then the applicable eSpeed Party will receive the aggregate Transaction Revenues and will pay to the applicable Cantor Party a service fee equal to 35% of the Transaction Revenues.

(c) If (i) the Electronic Marketplace is a Collaborative Marketplace, (ii) the transaction relates to a Financial Product (other than a Financial Product that is traded on the Cantor Exchange) and (iii) a Cantor Party provides Voice Assisted Brokerage Services in connection with the transaction to which the Transaction Revenues relate, then the applicable Cantor Party will receive the aggregate Transaction Revenues and will pay to the applicable eSpeed Party a service fee equal to 7% of the Transaction Revenues.

(d) If (i) the Electronic Marketplace is a Collaborative Marketplace, (ii) the transaction relates to a Product that is traded on the Cantor Exchange and (iii) no Cantor Party provides Voice Assisted Brokerage Services in connection with the transaction to which the Transaction Revenues relate (that is, the transaction is fully electronic), then the applicable eSpeed Party will receive the aggregate Transaction Revenues and will pay to the applicable Cantor Party a service fee equal to 20% of the Transaction Revenues. With respect to exchange fees on any regulated futures or options contract(s) consisting of or related to Commodity Futures Trading Commission regulated futures or options contract(s) that are related to movies, music or any other aspect of the entertainment business and sponsored by CIH, or a subsidiary thereof, the applicable eSpeed Party will receive the aggregate exchange fees and will pay to the applicable Cantor Party a fee equal to 50% of the exchange fees.

(e) If (i) the Electronic Marketplace is a Collaborative Marketplace, (ii) the transaction relates to a Product that is traded on the Cantor Exchange and (iii) a Cantor Party provides Voice Assisted Brokerage Services in connection with the transaction to which the Transaction Revenues relate, then the applicable eSpeed Party will receive the aggregate Transaction Revenues and will pay to the applicable Cantor Party a service fee equal to 55% of the Transaction Revenues. With respect to exchange fees on any regulated futures or options contract(s) consisting of or related to Commodity Futures Trading Commission regulated futures or options contract(s) that are related to movies, music or any other aspect of the entertainment business and sponsored by CIH, or a subsidiary thereof, the applicable eSpeed Party will receive the aggregate exchange fees and will pay to the applicable Cantor Party a fee equal to 50% of the exchange fees.

(f) If (i) the Electronic Marketplace is a Collaborative Marketplace and (ii) the transaction relates to a Product that (x) is not a Financial Product and (y) is not traded on the Cantor Exchange, then the applicable Cantor Party and the applicable eSpeed Party will share Transaction Revenues in such manner as they shall agree.

(B) The Cantor Parties and the eSpeed Parties agree to share Transaction Revenues with regard to transactions effected through eSpeed Marketplaces in the following manner:

(a) If (i) the Electronic Marketplace is an eSpeed Marketplace and (ii) the transaction relates to a Financial Product, then the applicable eSpeed Party will receive the aggregate Transaction Revenues and will pay to CFLP a service fee equal to 20% of the Transaction Revenues.

(b) If (i) the Electronic Marketplace is an eSpeed Marketplace and (ii) the transaction relates to a Product other than a Financial Product, then the applicable eSpeed Party will receive and retain all of the Transaction Revenues.

(C) The Cantor Parties and the eSpeed Parties agree to share Transaction Revenues with regard to transactions effected through other Marketplaces, other than in connection with a Gaming Business or an Unrelated Dealer Business, in the following manner:

(a) If (i) a transaction is effected in an Electronic Marketplace that is not a Collaborative Marketplace and is not an eSpeed Marketplace, but that is a Marketplace in which Cantor provides Electronic Brokerage Services, and (ii) the transaction relates to a Financial Product, then the applicable Cantor Party will receive the aggregate Transaction Revenues and pay to eSpeed a service fee equal to 30% of the amount eSpeed would have received pursuant to Section 4(a) or 4(c) of this Agreement if the Marketplace had been a Collaborative Marketplace. For purposes of this paragraph (i), the Transaction Revenues shall be reduced by the costs incurred or paid by a Cantor Party to a third party to provide or arrange for the provision of Electronic Brokerage Services.

(b) If a transaction (i) is not effected through an Electronic Marketplace, but (ii) is electronically assisted (by way of example, but not limited to, a screen-assisted open outcry transaction), then the applicable Cantor Party will receive the aggregate Transaction Revenues and will pay to the applicable eSpeed Party 2.5% of the Transaction Revenues.

(D) Each of the Cantor Parties and the eSpeed Parties agree to share Gaming Transaction Revenues in connection with Gaming Businesses in the following manner, such amount to be determined on a quarterly basis as provided in Section 12 hereof. The applicable Cantor Party shall be responsible for and shall collect 100% of all Gaming Transaction Revenues and shall pay over to eSpeed with respect to any applicable calendar quarter as follows: eSpeed shall receive the Gaming Revenue Share PLUS the excess, if any, of (i) the actual costs in such calendar quarter of Gaming Development Services and Ancillary IT Services incurred by the eSpeed Parties in connection with Gaming Businesses, as requested by the Cantor Parties in writing, LESS the Baseline Gaming Budget, OVER (ii) one-half of the difference of (x) the Gaming Revenue Share MINUS (y) 133% of the Baseline Gaming Budget, provided that, if (x) minus (y) is a negative number, then it shall be considered zero for the purpose of calculating the foregoing formula. All amounts due and payable pursuant to this Section 4(D) shall be paid in the manner specified in Section 12 of this Agreement.

(E) Notwithstanding the foregoing, in the event that a Cantor Party's direct costs payable to third parties (other than the Cantor Parties and their affiliates) for providing Clearance, Settlement and Fulfillment Services with respect to transactions in a Collaborative Marketplace with respect to any Financial Product for any month exceed the direct costs incurred by the Cantor Parties to clear and settle cash transactions in United States Treasury securities for such month, the cost of such excess shall be borne pro rata by the applicable Cantor Party and the applicable eSpeed Party in the same proportion as the Transaction Revenues and service fees for such transactions are to be shared.

(F) For any month, for any Product for which sales and purchases during such month are effected both through fully electronic transactions and through voice-brokered transactions, Transaction Revenues earned with respect to such Product shall be allocated between fully electronic transactions and voice-brokered transactions as follows: the amount of Transaction Revenues attributable to fully electronic transactions or voice-brokered transactions, as

the case may be, for such Product during such month in a Marketplace shall be equal to (x) total Transaction Revenues for such Product for such month in such Marketplace multiplied by (y) a fraction, the numerator of which is the notional volume (by currency) of all transactions in such specific Product type for such month in such Marketplace effected by fully electronic transactions or voice-brokered transactions, as the case may be, and the denominator of which is the notional volume (by currency) of all transactions in such specific Product type for such month in such Marketplace.

(G) In the event that a customer does not pay, or pays only a portion of, the Transaction Revenues, Gaming Transaction Revenues or eSpeed Equity Order Routing Business Revenues, as the case may be, relating to a transaction described in paragraphs (A) through (D), (F) and (J) (a "Loss Event"), then the relevant Cantor Party and the relevant eSpeed Party each shall bear its respective share of the loss arising from the Loss Event in the same proportion as the Transaction Revenues, Gaming Transaction Revenues or eSpeed Equity Order Routing Business Revenues, as the case may be, and service fees for such transaction are to be shared.

(H) All amounts due and payable to a Cantor Party or an eSpeed Party by the other pursuant to this Section 4 shall be paid in the manner specified in Section 12 of this Agreement.

(I) In the event that any tax is imposed on Transaction Revenues, Gaming Transaction Revenues or eSpeed Equity Order Routing Business Revenues, as the case may be, with respect to a transaction (other than a Tax on net income), the cost of such tax will be borne by the applicable eSpeed Party and the applicable Cantor Party in the same proportion as the Transaction Revenues, Gaming Transaction Revenues or eSpeed Equity Order Routing Business Revenues, as the case may be, and service fees for such transaction are to be shared.

(J) All marketing costs, help desk/customer support costs, sales costs (including all sales commissions), clearing fees and all other direct third-party costs, each as incurred by the eSpeed Parties or the Cantor Parties, including any such unpaid costs from previous calendar months shall be paid out of any eSpeed Equity Order Routing Business revenues collected by the eSpeed Parties or the Cantor Parties, as the case may be. Following such payment, each of the Cantor Parties and the eSpeed Parties agree to share eSpeed Equity Order Routing Business Net Revenues in connection with the provision of eSpeed Equity Order Routing Business services in the following manner: the applicable eSpeed Party shall receive 50% of the eSpeed Equity Order Routing Business Net Revenues and the applicable Cantor Party shall receive 50% of the eSpeed Equity Order Routing Business Net Revenues.

5. Ancillary IT Services and Gaming Development Services.

(a) During the Term, the eSpeed Parties shall provide Ancillary IT Services to the Cantor Parties.

(b) CFLP shall pay to eSpeed in consideration for the Ancillary IT Services an amount equal to the direct and indirect costs, including overhead, that the eSpeed Parties incur in performing those services other than in connection with a Gaming Business.

(c) The eSpeed Parties shall provide Gaming Development Services and Ancillary IT Services to the Cantor Parties with respect to Gaming Businesses and shall incur costs in each calendar quarter in respect of such services in an amount equal to the Baseline Gaming Budget for such quarter or, at the election of and in the sole discretion of the Cantor Parties, such larger amount as may be requested by the Cantor Parties in writing. For the avoidance of doubt, Gaming Development Services and

Ancillary IT Services do not include the provision of desktop hardware for use by Cantor Party employees.

(d) The Cantor Parties shall not be required to reimburse eSpeed for any amounts expended for the Ancillary IT Services for any Gaming Business or Gaming Development Services pursuant to this Section 5, it being understood that the eSpeed Parties are being compensated for such services and expenses solely by the amounts earned by the eSpeed Parties hereunder pursuant to Section 4(D).

(e) Notwithstanding any prior agreement or arrangement between or among the parties hereto, the eSpeed Parties and the Cantor Parties agree that they do not owe any monies to each other for the provisions of Ancillary IT Services, Gaming Development Services, Gaming Revenue Share or otherwise with respect to any Gaming Business prior to the date of this Agreement.

(f) If any direct or indirect subsidiary, division or business unit of a Cantor Party becomes no longer controlled by CFLP or one of its direct or indirect subsidiaries (including any successors or assigns of such direct or indirect subsidiary, division or business unit, the "Separating Business"), contemporaneously with such change of control any such Separating Business shall have the right, in its sole discretion, to agree in writing to be governed by this Agreement; provided, however, that in the event that the Separating Business does not choose to be governed by this Agreement, the eSpeed Parties agree, if requested by CFLP, to (i) provide reasonable transition services for a reasonable period of time to the Separating Business and (ii) (x) transfer (at cost) or (y) license on a non-exclusive basis (for a fee that, in the discretion of eSpeed, reasonably approximates cost), at eSpeed's option, any assets (or their functional equivalent, at eSpeed's discretion) that may be reasonably requested by the Separating Business in order for it to continue operating its business without the benefit of the services contemplated by this Agreement.

6. Representations and Warranties.

(a) Organization and Good Standing.

(i) CFLP is duly organized, validly existing and in good standing under the laws of the state of Delaware and has the requisite power and

authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

(ii) eSpeed is duly organized, validly existing and in good standing under the laws of Delaware and has the requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby.

(b) Authority; Binding Effect; No Conflicts.

(i) CFLP has taken all necessary actions to authorize the execution and delivery of this Agreement and to perform all of its obligations under, and to consummate the transactions contemplated by, this Agreement. This Agreement has been duly and validly executed by CFLP. This Agreement constitutes the valid and binding obligation of CFLP enforceable against CFLP in accordance with its terms, subject to the effect of reorganization, bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar laws relating to or affecting

creditors' rights generally and court decisions with respect thereto, and subject to the application of equitable principles and the discretion of the court (regardless of whether the enforceability is considered in a proceeding in equity or at law). The execution, delivery and performance by CFLP of this Agreement shall not, with or without the giving of notice or the lapse of time or both, (x) violate any provision of any federal, state, local or foreign law, statute, rule or regulation to which CFLP is subject, (y) violate any injunction, order, judgment, ruling, decree or settlement applicable to CFLP or (z) conflict with, or result in a breach or violation of, any provision of the certificate of incorporation, by-laws, partnership agreement or similar governing document of CFLP or any lease, contract, agreement, instrument, undertaking or covenant by which CFLP is bound.

(ii) eSpeed has taken all necessary corporate actions to authorize, execute and deliver this Agreement and to perform all of its obligations under, and to consummate the transactions contemplated by, this Agreement. This Agreement has been duly and validly executed by eSpeed. This Agreement constitutes the valid and binding obligation of eSpeed enforceable against eSpeed in accordance with its terms, subject to the effect of reorganization, bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally and court decisions with respect thereto, and subject to the application of equitable principles and the discretion of the court (regardless of whether the enforceability is considered in a proceeding in equity or at law). The execution, delivery and performance by eSpeed of this Agreement will not, with or without the giving of notice or the lapse of time or both, (x) violate any provision of any federal, state or local law, statute, rule or regulation to which eSpeed is subject, (y) violate any injunction, order, judgment, ruling,

decree or settlement applicable to eSpeed, or (z) conflict with, or result in a breach or violation of, any provision of the certificate of incorporation or by-laws of eSpeed or any lease, contract, agreement, instrument, undertaking or covenant by which eSpeed is bound.

(c) Litigation; No Undisclosed Liabilities. Except as disclosed in the documents filed by eSpeed with the Securities and Exchange Commission pursuant to the Exchange Act, there is no litigation pending or, to eSpeed's or CFLP's knowledge, threatened, which questions the validity or enforceability of this Agreement or seeks to enjoin the consummation of any of the transactions contemplated hereby.

7. New Marketplaces; Non-competition; Strategic Alliances.

(a) If a Cantor Party wishes to create a new Marketplace for a Financial Product, then such Cantor Party may, by providing a New Market Notice to eSpeed, require eSpeed to provide, or cause another eSpeed Party to provide, Electronic Brokerage Services with respect to that Marketplace. In such a case, eSpeed shall use commercially reasonable efforts to develop an Electronic Trading System for, and to render Electronic Brokerage Services with respect to, that Marketplace under the terms of this Agreement. If eSpeed is able to develop and put into operation an Electronic Trading System for the Marketplace within 180 days, then the Marketplace shall be a Collaborative Marketplace and the operation thereof shall be subject to the provisions of Section 3 of this Agreement. If, after diligent effort, eSpeed is unable to develop and put into operation an Electronic Trading System for the Marketplace within 180 days, then (i) eSpeed shall have no liability to any Cantor Party for its failure to

provide an Electronic Trading System, (ii) the Cantor Party may create and operate the Marketplace in any manner that the Cantor Party deems to be acceptable and (iii) the Marketplace shall not be a Collaborative Marketplace. CFLP agrees that its proposal to create a new Marketplace and the requirements relating thereto will be commercially reasonable in scope and that CFLP or another Cantor Party will diligently pursue the development of such Marketplace in a meaningful way and that failure to do so within two years of the provision of the New Market Notice will cause any rights of the eSpeed Parties and the Cantor Parties in this Section 7 and Section 8 of this Agreement to revert to their original status.

(b) If a Cantor Party wishes to create a new Marketplace for a Financial Product that will involve the provision of Electronic Brokerage Services and the Cantor Party does not require eSpeed to operate an Electronic Trading System and to provide Electronic Brokerage Services for that Marketplace pursuant to paragraph (a) of this Section 7, then the Cantor Party shall provide to eSpeed a New Market Notice relating thereto and eSpeed shall have a right of first refusal to provide Electronic Brokerage Services with respect to that Marketplace under the terms of this Agreement. If eSpeed notifies the Cantor Party that it wishes to provide Electronic Brokerage Services with respect to the new Marketplace, then eSpeed shall use commercially reasonable efforts to develop and put into operation an Electronic Trading System for the Marketplace within 180 days. If eSpeed is able to develop and put into operation an Electronic Trading System for the Marketplace within 180 days, then the Marketplace shall be a

Collaborative Marketplace and the operation thereof shall be subject to Section 3 of this Agreement. If, after diligent effort, eSpeed is unable to develop and put into operation an Electronic Trading System for the Marketplace within 180 days, or eSpeed notifies the Cantor Party that it does not wish to provide Electronic Brokerage Services with respect to the new Marketplace, then (i) the applicable Cantor Party may provide or obtain from a third party Electronic Brokerage Services for that Marketplace in any manner that the Cantor Party deems to be acceptable and (ii) the Marketplace shall not be a Collaborative Marketplace. CFLP agrees that its proposal to create a new Marketplace and the requirements relating thereto will be commercially reasonable in scope and that CFLP or another Cantor Party will diligently pursue the development of such Marketplace in a meaningful way and that failure to do so within two years of the provision of the New Market Notice will cause any rights of the eSpeed Parties and the Cantor Parties in this Section 7 and Section 8 of this Agreement to revert to their original status.

(c) If a Cantor Party wishes to create a new Electronic Marketplace for a Product that is not a Financial Product, then the Cantor Party shall provide to eSpeed a New Market Notice relating thereto. eSpeed or another eSpeed Party shall have the opportunity to offer to provide Electronic Brokerage Services with respect to the new Marketplace, which offer the Cantor Party shall review and negotiate in good faith, but may accept or reject in its reasonable discretion. If the Cantor Party accepts the eSpeed Party's negotiated terms of proposed offer to provide Electronic Brokerage Services, then the Marketplace shall be a Collaborative Marketplace and the operation thereof shall be subject to Section 3 of this Agreement on such terms as the applicable Cantor Party and the applicable eSpeed Party shall agree. If the Cantor Party rejects the eSpeed Party's negotiated terms of proposed offer to provide Electronic Brokerage Services, then (i) the Marketplace shall not be a Collaborative Marketplace and (ii) the Cantor Party may create and operate the Marketplace in any manner that the Cantor Party deems to be acceptable.

(d) If an eSpeed Party wishes to create a new Electronic Marketplace

for a Financial Product, then the eSpeed Party shall provide to CFLP a New Market Notice relating thereto and CFLP or another Cantor Party shall have a right of first refusal to provide the applicable Cantor Services with respect to that Marketplace under the terms of this Agreement. If, within 30 days of receiving the New Market Notice, CFLP or another Cantor Party notifies the eSpeed Party that it wishes to provide such Cantor Services with respect to the new Marketplace, then the Marketplace shall be a Collaborative Marketplace and the operation thereof shall be subject to Section 3 of this Agreement. If (i) CFLP notifies the eSpeed Party that it does not wish to provide such Cantor Services or (ii) CFLP fails to notify the eSpeed Party within the 30-day time period that it wishes to provide such Cantor Services with respect to the new Marketplace, then the eSpeed Party may provide or obtain from a third party those services for that Marketplace in any manner that the eSpeed Party deems to be acceptable, and the Marketplace shall be an eSpeed Marketplace for purposes of this Agreement.

(e) If an eSpeed Party wishes to create a new Electronic Marketplace for a Product that is not a Financial Product, then the eSpeed Party shall provide to CFLP a

New Market Notice relating thereto. CFLP or another Cantor Party shall have the opportunity to offer to provide Cantor Services with respect to the new Marketplace if, within 30 days of receiving the New Market Notice, CFLP or another Cantor Party notifies the eSpeed Party that it wishes to provide such Cantor Services with respect to the new Marketplace. The eSpeed Party shall review and negotiate the offer of CFLP or the other CFLP Party in good faith, but may accept or reject that offer in its reasonable discretion. If the eSpeed Party accepts a Cantor Party's negotiated terms of proposed offer to provide Cantor Services, then the Marketplace shall be a Collaborative Marketplace and the operation thereof shall be subject to Section 3 of this Agreement on such terms as the applicable Cantor Party and the applicable eSpeed Party shall agree. If the eSpeed Party rejects the Cantor Party's negotiated terms of proposed offer to provide Cantor Services, then (i) the Marketplace shall not be a Collaborative Marketplace and (ii) the eSpeed Party may create and operate the Marketplace in any manner that the eSpeed Party deems to be acceptable.

(f) No eSpeed Party shall, directly, indirectly or in connection with a third Person, engage in any activities competitive with a business activity now or hereafter conducted by a Cantor Party or provide or assist any other Person in providing any Cantor Service, other than (i) in collaboration with a Cantor Party pursuant to Section 3 of this Agreement, (ii) with respect to a new Marketplace involving a Financial Product, after CFLP (x) has indicated that it is unable or unwilling to provide such Cantor Service or (y) fails to indicate to the eSpeed Party within the prescribed 30-day period that it does wish to provide such Cantor Service with respect to that Marketplace in accordance with paragraph (d) of this Section 7, (iii) with respect to a new Marketplace involving a Product that is not a Financial Product, an Energy Product traded on the Electronic Energy Marketplace or a GHG Emission Reduction Unit traded on the Electronic Emissions Marketplace in accordance with paragraph (c) or paragraph (e) of this Section 7, (iv) with respect to an Unrelated Dealer Business in which an eSpeed Party develops and operates a fully electronic Marketplace, (v) with respect to the Electronic Energy Marketplace, or (vi) with respect to the Electronic Emissions Marketplace. No eSpeed Party shall, directly, indirectly or in connection with a third Person, engage in or otherwise provide services for any Gaming Business, or engage in or otherwise provide services for any activities that are not within the definition of Gaming Business but would be if so designated by a Cantor Party, as set forth in the definition of Gaming Business herein, without the prior written consent of CFLP.

(g) No Cantor Party shall, directly, indirectly or in connection with a third Person, provide or assist any other Person in providing Electronic Brokerage Services, other than (i) in collaboration with eSpeed pursuant to Section 3 of this Agreement, (ii) with respect to a new Marketplace, after eSpeed (x) has indicated that it is unable to develop and put into operation an Electronic Trading System with respect to that new Marketplace in accordance with paragraph (a) of this Section 7 or (y) has declined to exercise its right of first refusal or is unable to develop and put into operation an Electronic Trading System with respect to that new Marketplace in accordance with paragraph (b) of this Section 7, including, without limitation, the time period specified therein, (iii) with respect to an Unrelated Dealer Business, (iv) with respect to the Electronic Energy Marketplace, (v)

with respect to the Electronic Emissions Marketplace or (vi) with respect to a Gaming Business.

(h) Notwithstanding the foregoing and anything to the contrary in this Section 7, the Unrelated Dealer Businesses and Gaming Businesses are expressly excluded from eSpeed's rights of first refusal under paragraph (b) and the conduct by any Cantor Party either directly, or indirectly with or through another Person, of any of the Unrelated Dealer Businesses and Gaming Businesses shall not be deemed to be a violation of this Section 7.

(i) The Cantor Parties and the eSpeed Parties shall be entitled to and may enter into strategic alliances, joint ventures, partnerships or similar arrangements with Persons and consummate Business Combinations with Persons (all of the foregoing, collectively, "Alliance Opportunities") on the following basis only. If an Alliance Opportunity (i) relates to a Person that directly or indirectly provides Cantor Services and engages in business operations that do not involve Electronic Brokerage Services, then any Cantor Party shall be entitled to consummate a transaction with respect to such an Alliance Opportunity, (ii) relates to a Person that directly or indirectly provides Electronic Brokerage Services and engages in business operations that do not involve any Cantor Service, then any eSpeed Party shall be entitled to consummate a transaction with respect to such an Alliance Opportunity and (iii) is an Alliance Opportunity with respect to a Person other than those described in clauses (i) and (ii) above, then the Cantor Parties and the eSpeed Parties shall cooperate to jointly pursue and consummate a transaction with respect to such Alliance Opportunity on mutually agreeable terms, provided, however that any Alliance Opportunity with TradeSpark with respect to the Electronic Energy Marketplace shall not be considered an Alliance Opportunity and any such Alliance Opportunity with TradeSpark with respect to the Electronic Energy Marketplace shall be specifically permitted in accordance with the terms and conditions agreed to by any eSpeed Party or any Cantor Party, and any Alliance Opportunity with CO2e with respect to the Electronic Emissions Marketplace shall not be considered an Alliance Opportunity and any such Alliance Opportunity with CO2e with respect to the Electronic Emissions Marketplace shall be specifically permitted in accordance with the terms and conditions agreed to by any eSpeed Party or any Cantor Party. For purposes of this paragraph, a "Business Combination" shall mean, with respect to any Person (other than TradeSpark with respect to the Electronic Energy Marketplace and other than CO2e with respect to the Electronic Emissions Marketplace), a transaction initiated by and/or in which a Cantor Party or an eSpeed Party is the acquiror involving (i) a merger, consolidation, amalgamation or combination, (ii) any sale, dividend, split or other disposition of any capital stock or other equity interests (or securities convertible into or exchangeable for or options or warrants to purchase any capital stock or other equity equivalents) of the Person, (iii) any tender offer (including without limitation a self-tender), exchange offer, recapitalization,

liquidation, dissolution or similar transaction, (iv) any sale, dividend or other disposition of a significant portion of the assets and properties of the Person (even if less than all or substantially all of such assets or properties), and (v) entering into of any agreement or understanding, or the granting of any rights or options, with respect to any of the foregoing.

(j) Notwithstanding anything else contained herein to the contrary, in no event shall eSpeed's or CFLP's direct or indirect relationship with CO2e with respect to the Electronic Emissions Marketplace be deemed to be a violation of this Agreement.

8. Exclusive Patent Licenses.

(a) Subject to the second following sentence, the Cantor Parties hereby grant to the eSpeed Parties an exclusive, perpetual, irrevocable, worldwide, royalty-free right and license, with the right to sublicense to its subsidiaries, under all patents, patent applications and inventions of the Cantor Parties related to Electronic Marketplaces and Electronic Gaming Marketplaces, now known and existing, including all provisionals, divisionals, continuations, continuations-in-part, reissues and extensions derived therefrom, as well as all foreign patents and patent applications now known or pending and other counterparts thereof (the "Patent Rights"). The Cantor Parties agree to take all commercially reasonable actions requested by the eSpeed Parties, at the sole expense of the eSpeed Parties, to cause the Patent Rights to remain in full force and effect to the extent permitted by law. In the event that eSpeed (x) has indicated that it is unable to develop and put into operation an Electronic Trading System with respect to a new Marketplace in accordance with paragraph (a) of Section 7 or (y) has declined to exercise its right of first refusal with respect to a new Marketplace in accordance with paragraph (b) of Section 7, then the Cantor Parties shall have a limited right to use the Patent Rights solely in connection with the operation of that new Marketplace. The Cantor Parties shall cooperate with the eSpeed Parties, at the eSpeed Parties' sole expense, in any attempt by the eSpeed Parties to prevent or otherwise seek remedies or damages which, in any case, shall inure to the eSpeed Parties for any third party infringement of the Patent Rights that are the subject of the license granted to the eSpeed Parties pursuant to this Section 8 or to defend against any third party claim relating to the Patent Rights.

(b) The Cantor Parties hereby grant to the eSpeed Parties a non-exclusive, perpetual, irrevocable, worldwide, royalty-free right and license, with the right to sublicense to its subsidiaries and affiliates, to use such trademarks and servicemarks as now or hereinafter may be used (collectively, the "Trademark Rights"), in all media now known or hereinafter developed, in connection with Electronic Marketplaces and Electronic Gaming Marketplaces. The Cantor Parties agree to take all commercially reasonable actions requested by the eSpeed Parties, at the sole expense of the eSpeed Parties, to cause the Trademark Rights to remain in full force and effect to the extent permitted by law. The eSpeed Parties acknowledge that the applicable Cantor Parties own the Trademark Rights, including all goodwill now or hereafter associated therewith, and that all goodwill and improved reputation generated by the eSpeed Parties' use of the Trademark Rights shall inure to the benefit of the applicable Cantor Parties. In order to preserve the inherent value of the Trademark Rights, the eSpeed Parties agree to use reasonable efforts to ensure that the products and services in connection with which the eSpeed Parties use the Trademark Rights shall be at least equal to the standard prevailing in the operation of the Electronic Marketplaces and in connection with Gaming Businesses immediately prior to the date of the Agreement.

9. Indemnification.

(a) CFLP's Indemnification Obligations. Subject to the terms and conditions of this Section 9, CFLP agrees to defend, indemnify and hold eSpeed, the other eSpeed Parties and their respective officers, directors, affiliates, agents, attorneys, employees and representatives harmless from and against any and all liabilities, losses, costs, damages, expenses, penalties, fines and taxes, including, without limitation, reasonable legal and other expenses (collectively, "Damages"), directly or indirectly arising out of, resulting from or relating to:

(i) any breach of any covenant, agreement or obligation of any Cantor Party contained in this Agreement; and

(ii) any liability resulting from CFLP broker errors and errors arising in connection with the provision by any Cantor Party of Clearance, Settlement and Fulfillment Services.

(b) eSpeed's Indemnification Obligations. Subject to the terms and conditions of this Section 9, eSpeed agrees to defend, indemnify and hold CFLP, the other Cantor Parties and their respective officers, directors, affiliates, agents, attorneys, employees and representatives harmless from and against any and all Damages directly or indirectly arising out of, resulting from or relating to:

(i) any breach of any covenant, agreement or obligation of any eSpeed Party contained in this Agreement;

(ii) any liability resulting from failures of eSpeed's technology and errors caused by the technology of the Electronic Marketplaces; and

(iii) any liability resulting from any claims asserted against Cantor with respect to an eSpeed Party's exercise of its Patent Rights.

(c) Claims for Indemnification; Defense of Indemnified Claims. For purposes of this Section, the party entitled to indemnification shall be referred to as the "Indemnified Party" and the party required to indemnify shall be referred to as the "Indemnifying Party." In the event that the Indemnifying Party shall be obligated to the Indemnified Party pursuant to this Section 9 or in the event that a suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which the Indemnifying Party may become obligated to the Indemnified Party hereunder, the Indemnified Party shall give prompt written notice to the Indemnifying Party of the occurrence of such event, specifying the basis for such claim or demand, and the amount or estimated amount thereof to the extent then determinable (which estimate shall not be conclusive of the final amount of such claim or demand); provided, however, that the failure to give such notice shall not constitute a waiver of the right to indemnification hereunder unless the Indemnifying Party is actually prejudiced in a material respect thereby. The Indemnifying Party agrees to defend, contest or otherwise protect the Indemnified Party against any such suit, action, investigation, claim or proceeding at the Indemnifying Party's own cost and expense with counsel of its own choice, who shall be, however, reasonably acceptable to the Indemnified Party. The Indemnifying Party may not make

any compromise or settlement without the prior written consent of the Indemnified Party (which will not be unreasonably withheld or delayed) and the Indemnified Party shall receive a full and unconditional release reasonably satisfactory to it pursuant to such compromise or settlement. The Indemnified Party shall have the right but not the obligation to participate at its own expense in the defense thereof by counsel of its own choice. If requested by the Indemnifying Party, the Indemnified Party shall (at the Indemnifying Party's expense) (i) cooperate with the Indemnifying Party and its counsel in contesting any claim or demand which the Indemnifying Party defends, (ii) provide the Indemnifying Party with reasonable access during normal business hours to its books and records to the extent they relate to the condition or operation of a Marketplace and are requested by the Indemnifying Party to perform its indemnification obligations hereunder, and to make copies of such books and records, and (iii) make personnel available to assist in locating any books and records relating to a Marketplace or whose assistance, participation or testimony is reasonably required in anticipation of, preparation for or the prosecution and defense of, any claim subject to this Section 9. In the event that the Indemnifying Party fails timely to defend, contest or otherwise protect the Indemnified Party against any such suit, action, investigation, claim or proceeding, the Indemnified Party shall have the right to defend, contest or otherwise protect the Indemnified Party against the same and may make any compromise or settlement thereof and recover the entire cost thereof from the Indemnifying Party, including, without limitation, reasonable attorneys' fees, disbursements and all amounts paid as a result of such suit, action, investigation, claim or proceeding or compromise or settlement thereof.

(d) Payments; Non-Exclusivity. Any amounts due an Indemnified Party under this Section 9 shall be due and payable by the Indemnifying Party within fifteen (15) business days after (i) in the case of a claim which does not involve any third party, receipt of written demand therefor and (ii) in the case of a claim which involves a third party, the final disposition of such claim or demand, provided that reasonable legal and other out-of-pocket costs and expenses are reimbursed currently within 15 business days after demand therefor. The remedies conferred in this Section 9 are intended to be without prejudice to any other rights or remedies available at law or equity to the Indemnified Parties, now or hereafter.

10. Relationship of the Parties.

(a) The relationship of the Cantor Parties on the one hand and the eSpeed Parties on the other hand is that of independent contractors. Pursuant to this Agreement, the Cantor Parties and the eSpeed Parties intend to render separate but related services to customers and to divide certain of the revenues arising from those services, but the parties do not intend to share profits or losses or to enter into or create any partnership, and no partnership or other like arrangement shall be deemed to be created hereby. None of the Cantor Parties or eSpeed Parties shall have any claim against the others or right of contribution with respect to any uninsured loss incurred by any of them nor shall any of them have a claim or right against the others with respect to any loss that is deemed to be included within the deductible, retention or self-insured portion of any insured risk.

(b) eSpeed agrees to execute a separate agreement that is substantially identical to this Agreement with respect to any discrete line of business or businesses and/or with any company or companies that are Cantor Parties at CFLP's request.

11. Audit. eSpeed may request a review, by those certified public

accountants who examine CFLP's books and records, of CFLP's allocation of Transaction Revenues and Gaming Transaction Revenues to eSpeed to determine whether such allocation was based upon the procedures set forth herein. Such a review is to be conducted at eSpeed's expense. CFLP may request a review, by those certified public accountants who examine eSpeed's books and records, of eSpeed's allocation of Transaction Revenues and eSpeed Equity Order Routing Business Net Revenues to CFLP to determine whether such allocation was based upon the procedures set forth herein.

12. Invoicing and Billing; Payment of Service Fees.

(a) Except with respect to a Gaming Business, the eSpeed Parties and the Cantor Parties shall pay to the other, within 30 days of the end of each calendar month, the amounts owed to the Cantor Parties or the eSpeed Parties, as the case may be (determined in the manner provided in Section 4 of this Agreement), during that calendar month. The eSpeed Parties shall invoice the Cantor Parties for charges for Ancillary IT Services provided pursuant hereto on a monthly basis as incurred, such invoices to be delivered to CFLP by eSpeed within 15 days after the end of each calendar month. The Cantor Parties shall pay to the eSpeed Parties the aggregate charge for Ancillary IT Services provided under this Agreement in arrears within 30 days after the end of each calendar month.

(b) Each of the Cantor Parties shall pay to the eSpeed Parties, within 30 days of the end of each calendar quarter, the amounts due to the eSpeed Parties with respect to Gaming Businesses (determined in the manner provided in Section 4(D) of this Agreement) during that calendar quarter.

(c) Amounts due by one party to another under this Agreement shall be settled against amounts due by the second party to the first under this or any other agreement. All payments to be made pursuant to this Agreement shall be exclusive of United Kingdom Value Added Tax which, if applicable to any payments hereunder, shall be added to the amount of, and be paid in addition to, such payments.

(d) Amounts paid to eSpeed in respect of any Transaction Revenues or Gaming Transaction Revenues for which the payments by a customer to a Cantor Party under applicable bankruptcy or insolvency laws are deemed voidable preference payment or similar voidable payment, and for which a Cantor Party has been required to refund or pay-over to such bankrupt or insolvent customer or debtor's estate, may be deducted by the Cantor Parties from the amounts otherwise due to an eSpeed Party in the month following the month in which such amounts are returned to the customer or the debtor's estate.

13. Documentation. All Transaction Revenues, Gaming Transaction Revenues, eSpeed Equity Order Routing Business Revenues, eSpeed Equity Order Routing Business Net Revenues, service fees, costs of Ancillary IT Services, Gaming Development Services, eSpeed Equity Order Routing Business services and other benefits hereunder shall be substantiated by and payments thereof shall be preceded or accompanied by, as applicable, appropriate schedules, invoices or other documentation.

14. Force Majeure. Any failure or omission by a party in the performance of any obligation under this Agreement shall not be deemed a breach of this Agreement or create any liability if the same arises from any cause or causes beyond the control of such party, including, but not limited to, the following, which, for purposes of this Agreement shall be regarded as beyond the control of each of the parties hereto: acts of God, fire, storm, flood, earthquake, governmental regulation or direction, acts of the public enemy, war, rebellion, insurrection, riot, invasion, strike or lockout; provided, however, that such party shall resume the performance whenever such causes are removed.

15. Post-Termination Payments. Notwithstanding any provision herein to the contrary, all payment obligations hereof shall survive the happening of any termination of this Agreement until all amounts due hereunder have been paid.

16. Confidentiality.

(a) CFLP and its affiliates agree to treat as confidential and not to disclose to any person (other than to CFLP employees who have a need to know the same for purposes of CFLP's performing its obligations hereunder) or use the same for its own benefit or for any purpose other than performing its obligations hereunder, all confidential or proprietary information, trade secrets, information related to, and all subject matter covered by, any pending patent applications, data, plans, strategies, projections, budgets, reports, research, financial information, files, reports, software, agreements and other materials and information (individually and collectively, "Confidential Information") it receives, obtains or learns about eSpeed and its affiliates, an Electronic Marketplace or any other program, service, software or system eSpeed and/or CFLP develops in connection with this Agreement. CFLP shall notify those of its employees who perform services for eSpeed and its affiliates of this covenant and shall, to the extent practical, secure their agreement to abide by its terms.

(b) eSpeed and its affiliates agree, during the term of this Agreement, to treat as confidential and not to disclose to any person (other than to eSpeed employees who have a need to know the same for purposes of eSpeed's performing its obligations hereunder) or use the same for its own benefit or for any purpose other than performing its obligations hereunder, all Confidential Information it receives, obtains or learns about CFLP and its affiliates or any other program, service, software or system CFLP and/or eSpeed develops in connection with this Agreement. eSpeed shall notify those of its employees who perform services under this Agreement of this covenant and shall, to the extent practical, secure their agreement to abide by its terms.

(c) Notwithstanding the foregoing, neither party shall be obligated with respect to confidential or proprietary information that it can document: (i) is or has become readily publicly available through no fault of its own or that of its affiliates, employees or agents; or (ii) is received from a third party lawfully in possession of such information and lawfully empowered to freely disclose such information to it; or (iii) was lawfully in its possession, without restriction, after the date hereof.

17. Miscellaneous.

(a) This Agreement and all the covenants herein contained shall be binding upon the parties hereto, their respective heirs, successors, legal representatives and assigns. No party shall have the right to assign all or any portion of its rights, obligations or interests in this Agreement or any monies which may be due pursuant hereto without the prior written consent of the other affected parties and which consent may not be unreasonably withheld, provided, however, that CFLP may make such assignment to any of its direct or indirect, current or future, subsidiaries, other than eSpeed and its direct or indirect, current or future subsidiaries, such assignment shall relieve CFLP of its obligations hereunder with respect to such assignment and following such assignment the eSpeed Parties shall not have recourse to CFLP with respect to such assignment.

(b) No waiver by any party hereto of any of its rights under this Agreement shall be effective unless in writing and signed by an officer of the party waiving such right. No waiver of any breach of this Agreement shall constitute a waiver of any subsequent breach, whether or not of the

same nature. This Agreement may not be modified except by a writing signed by officers of each of the parties hereto; provided, however, that each amendment, modification and/or waiver hereof or hereunder must be approved by a majority of the outside directors of eSpeed or the applicable eSpeed Party. For purposes of this Agreement, an outside director shall mean a director who is not an employee, partner or affiliate (other than solely by reason of being an eSpeed director) of eSpeed, CFLP or any of their respective affiliates.

(c) This Agreement constitutes the entire Agreement of the parties with respect to the services and benefits described herein, and cancels and supersedes any and all prior written or oral contracts or negotiations between the parties with respect to the subject matter hereof.

(d) This Agreement shall be strictly construed as independent from any other agreement or relationship between the parties.

(e) This Agreement is made pursuant to and shall be governed and construed in accordance with the laws of the State of New York, without regard to the principles of conflict of laws thereof.

(f) The descriptive headings of the several sections hereof are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

(g) Any notice, request or other communication required or permitted in this Agreement shall be in writing and shall be sufficiently given if personally delivered or if sent by registered or certified mail, postage prepaid, addressed as follows:

(i) If to a Cantor Party:

135 East 57th Street
New York, NY 10022
Attention: General Counsel
Facsimile: (212) 829-4708

(ii) If to an eSpeed Party:

135 East 57th Street
New York, NY 10022
Attention: General Counsel
Facsimile: (212) 829-4708

The address of any party hereto may be changed on notice to the other parties hereto duly served in accordance with the foregoing provisions.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have executed or caused this Amended

and Restated Joint Services Agreement to be executed in their respective names by their respective officers thereunto duly authorized, as of the date first written above.

CANTOR FITZGERALD, L.P., on behalf of itself and its direct and indirect, current and future, subsidiaries, other than eSpeed, Inc. and its direct and indirect, current and future, subsidiaries

By: CF Group Management, Inc.
its Managing General Partner

By: /s/ Howard W. Lutnick

Name: Howard W. Lutnick
Title: President

ESPEED, INC., on behalf of itself and its direct and indirect, current and future, subsidiaries

By: /s/ Howard W. Lutnick

Name: Howard W. Lutnick
Title: Chairman and Chief Executive Officer

[Signature Page for Amended and Restated Joint Services Agreement]

EXHIBIT 31.1

I, Howard W. Lutnick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of eSpeed, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

c. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: August 11, 2003

/s/ Howard W. Lutnick

Howard W. Lutnick
Chairman of the Board, Chief Executive Officer and President

EXHIBIT 31.2

I, Jeffrey M. Chertoff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of eSpeed, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 and presented in this report our conclusions about the effectiveness of this disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

c. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; 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 over financial reporting.

Date: August 13, 2003

/s/ Jeffrey M. Chertoff

Jeffrey M. Chertoff
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of eSpeed, Inc., a Delaware corporation (the "Company") on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), each of Howard W. Lutnick, Chief Executive Officer of the Company, and Jeffrey M. Chertoff, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Howard W. Lutnick	/s/ Jeffrey M. Chertoff
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Name: Howard W. Lutnick	Name: Jeffrey M. Chertoff
Title: Chairman of the Board,	Title: Senior Vice President and

Chief Executive Officer and President	Chief Financial Officer
Date: August 11, 2003	Date: August 13, 2003

End of Filing