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CEO Perspective: Confronting Some Slander!

Note to journalists: The author feels strongly that segments of this letter can easily be taken out of context and unfortunately misinterpreted when excerpted. If you intend to reprint or excerpt the following, please contact Drew Mauck at Strategics, 312.346.2005

Monday, January 12, 2004

To Whom It May Concern:

It has been stated several times on the CBOT TradeTalk, which CBOT members worldwide have access to, that along with much other anti-Harris Brumfield/TT slander - Harris is a traitor. This slander stems from the reaction to a recent deal where Eurex purchased software from TT. The slander has taken the form of gossip and spread all over the world. Being labeled a traitor is a serious charge. In my opinion, this is ridiculous and the furthest thing from the truth. Here are the facts; you be the judge.

I began investing in TT in early 1999. With the advent of unyielding globalization, I anticipated that multi-exchange connectivity would become essential to exchange participants, therefore making the multi-exchange front-end platform a valuable service to the futures industry. As the CBOT prepared to launch a/c/e (using Eurex's matching engine) in Aug 2000, they decided to open their products to third-party vendors via their API. Obviously, the CBOT also saw that the multi-exchange front-end platform was a valuable service to their exchange and to the futures industry in general. Consequently, TT wrote to a/c/e's API and was ready for launch along with the CBOT in Aug 2000. Our customers enjoyed trading CBOT products on TT software. As our customer base grew, so did CBOT's volume in the exchange's electronic products.

In January 2003, the CBOT made the decision to switch their matching engine from a/c/e to LIFFE CONNECT, knowing that Eurex would counter by creating a US Exchange and listing the CBOT products. However, the CBOT made the decision that they felt best enabled them to compete in the electronic age. Not surprisingly, Eurex then decided to make it easier than normal for customers worldwide to access their new exchange (in addition to an open API). Based on customer demand, Eurex's knowledge of TT's worldwide volume share, and Eurex's past experience with TT, Eurex decided that TT be the vehicle by which customers worldwide receive easiest access to their new exchange.

The access is achieved by Eurex buying software (for its customers) on a non-exclusive basis from TT. Eurex will pay TT a fee to offer any X_TRADER® users an upgrade to X_TRADER® Pro for a 3-month period starting the date of Eurex US launch. Additionally, for a 2-year period that also begins when Eurex US launches, Eurex will pay for all customers to receive Eurex US "server/exchange" licenses and Eurex US "client/exchange" licenses from TT. In my opinion, the two-year software purchase is the much bigger purchase and is, simply put, an exchange buying software in order to make their products more accessible to the world.

Over the years, many exchanges have purchased front-end software from ISVs. For example, the CBOT has bought front-end software from a non-US based TT competitor, Rolfe & Nolan. The CME has bought front-end software from TT's French competitor, GL. Up to this point, the CBOT has elected not to become even more strategically aligned with TT. I respect their decision. But, that's just the point, TT's position, that a few people are howling about, has been the CBOT's decision, period. Those are the facts.

More History with the CBOT

Here's a bit more of my/TT's history with the CBOT:

I went before the CBOT Board of Directors in January of 1998 and told them to take all the cash out of the ground and build a state-of-the-art matching engine. The leaders of the CBOT Board of Directors meeting basically cut me off before I could finish all of the reasoning behind my advice. For those of you who believe that my TT position biases my opinion, at that point in time, I didn't have a penny invested in TT and I had just finished in spring of 1997 the best floor (open-outcry) run in my career. I had been trading Bunds at Eurex for almost half a year, but my electronic career had a negative cash balance at that point in time. If anything, for me personally, I was still biased towards the floor and open-outcry model, but I had to keep my opinion of the future unbiased and try to advise the CBOT in the proper direction.

Leading up to the CBOT's launch of *a/c/e* in Sept 2000, David Brennan, the then CBOT Chairman, approached and pressed me several times about my brother Hardy and I making markets and trading on *a/c/e*. Both of us, at that point in time, were doing very well trading at Eurex, so to switch back and mostly trade at the CBOT was a tough call. We were also upset with how high the fees were so Hardy and I abstained from *a/c/e*'s first two trading days. *a/c/e* volume, those first two days, was poor (approximately 2% of open outcry). David was persistent and Hardy and I obliged and started making markets the third day of *a/c/e*. *a/c/e*'s third day of volume instantly jumped dramatically (several hundred percent) and continued to climb from then on out.

In January of 2003, the CBOT's five person Nominating Committee unanimously voted to nominate me and have me run for a position on the CBOT Board of Directors. Also, Charlie Carey and Bernie Dan asked me to run and wanted to endorse my candidacy. I had to turn down the honor of running for the position due to my conflict of interest with TT. In November of 2003, I called Bernie Dan before the announcement of the Eurex/TT software deal to explain what TT was about to do and he said he understood. I/TT have always treated the CBOT leaders with respect.

TT has done a first class job as a vendor for the CBOT. Well over half of the CBOT's volume stems from TT users. So many people selecting our software and combining it with CBOT products has been a great combination - TT has helped more with MD Trader™, Autospreader™, Autotrader™, and the

X_TRADER® API to build CBOT than any other ISV. As a result, TT and CBOT are working closer and more diligently than ever to facilitate the major migration that is currently taking place as CBOT switches to the LIFFE CONNECT platform. And, for that matter, I also think that TT has worked very well together with the CME to help grow their exchange.

Doing the Deal

Eurex independently selecting to buy software from TT and announcing to the world that “TT has the best front-end trading software in the world” is significant independent validation for TT. One reason so much volume (I estimate at least 50% of the electronic volume of the world’s top four futures exchanges) flows through TT’s front-end is that quite a few of TT’s users have made a fortune and can afford to take more risk. Maybe Eurex realized that the best software flat-out makes a big difference to the trader.

There have been rumors over the years that different exchanges might acquire certain other ISVs and that this might hurt TT. For that matter, any exchange could give away inferior front-end software for years and never make a difference in the ISV market. As long as the best software is priced reasonably, the pros will always gravitate towards the best software.

Considering Hardy’s and my trading track record the past few years and for me to mostly leave trading six months ago, says a lot of what I think of TT. TT has proven over and over that it is the visionary in its field. Basically, TT’s pipeline is loaded and from a TT innovation, etc. point-of-view, the market has seen nothing yet.

TT would be happy to sell its software to most any exchange, and cooperate with them in providing client-side software. In fact, TT’s neutrality has been a factor in its success, as exchanges, FCMs, and traders all are fond of and benefit from TT’s position. Regardless of whether TT works more closely with or sells software to an exchange, TT’s mission has always been and continues to be to provide the best trading platform to the exchanges we write to, including the CBOT.

It has been speculated that TT wouldn't have connected to Eurex US without Eurex's purchase of TT software. Well, regardless of the software purchase, we were connecting to Eurex US. Simply, our customers demanded it. TT had absolutely no sane choice but to connect to Eurex US.

Next, TT could have denied selling software to Eurex, but it would have been irresponsible for me not to look out for the best interest of TT. I would have harmed TT's 200 option-owning employees (many who have sweated and worked their butts off to help get TT to this point), and completely broken fiduciary duties. For someone to say TT shouldn't sell software to any exchange is ridiculous. Not a person in the world wouldn't have done the deal. Enough said.

In Closing

Again, up to this point, the CBOT has elected not to become even more strategically aligned with TT. Again, I respect their decision. However, I don't respect how in the heck slanderous authors translate CBOT choices into me becoming a traitor.

Blaming me/TT in the event that the CBOT loses ground and Eurex US succeeds is a joke. Just as I sold the software, and you would have sold the software if you were me, any other ISV in the world would have sold their software to Eurex. At the end of the day, CBOT should get 100% of the credit if the CBOT wins the market battle and by the same token, CBOT should get 100% of the blame if the CBOT loses - period.

It's one thing that gossip occurs and false rumors spread, but it's another to allow slander to remain all over CBOT's TradeTalk - in print. This slander spreads all over Chicago and eventually all over the world. People don't know what to believe. Just like many of you, I have kids. The slander hurts. Did I not treat each and every trader with fairness over all those years that I helped maintain order in the ten-year pit - through both my bad times and my good times? Somebody please put a stop to the written slander.

I won't continue to debate this issue back and forth any further. For those who still have problems with me/TT and the Eurex deal, it seems you have bigger problems than I can help you with. Finally, thanks to everyone who read this document and gave me a chance to set the record straight.

Sincerely,

Harris Brumfield

CEO, Trading Technologies International, Inc.