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Wit SoundView Group, Inc. (NASDAQ: WITC)

Update: **Strong Q4 results; strategic growth via merger with SoundView and alliance with E-trade**

Rating: Hold

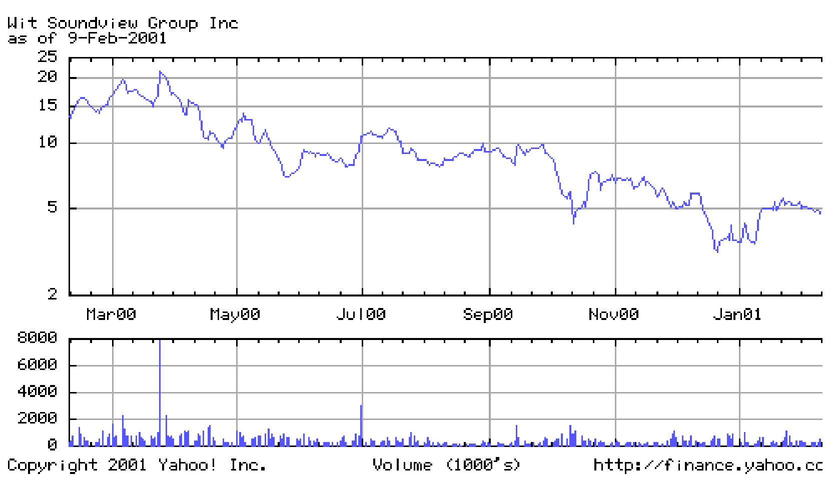
February 12. 2001

KEY CONSIDERATIONS

- WITC and E*Trade expanded their alliance by increasing the duration of exclusivity, increasing the volume of trading flow to Wit SoundView, and enhancing international opportunities and resolving other open issues on their various agreements and then finalized the acquisition of E*Offering and their alliance on October 16, 2000.
- WITC reported 375.5 M in revenues for 2000FY with 4Q00 revenues up 14% from 3Q00 revenues.
- WITC reported a net loss per share of $0.24 during 4Q00 and an overall net loss per share of $0.26 for the year.
- We expect that earnings per share for WITC in the first quarter of 2001 will drop from 2000's ($0.08 to $0.03), but Y/E earnings per share for 2001 to be $0.20 and for that to increase to $0.31 in 2002.
- WITC Japan exited the retail brokerage business in order to focus on its core investment banking business.
- WITC increased by 22% the number of stocks in which it makes markets, bringing its total market coverage to 241 stocks.
- WITC's Board of Directors has authorized the repurchase of up to 2 million shares in the open market or through privately negotiated transactions.

Recent Price	$4.81
52WK Low	$3.09
52WK High	$22.25
P/E	NM
P/Book	0.75
P/Sales	1.23
Market Capitalization	$592.60 M
Shares Outstanding	123.13 M
Float	72.40 M
Daily Volume (3-month Average)	392.5 K
EPS	
1999A	$(0.52)
1Q00A	$0.08
2Q00A	$0.02
3Q00A	$(0.08)
4Q00A	$(0.24)
2000A	$(0.26)
1Q01E	$0.03
2001E	$0.20
2002E	$0.31
Current Ratio	NM
Total Debt to Equity	0.00

ONE-YEAR PRICE AND VOLUME GRAPH



COMPANY PROFILE

Wit SoundView Group (WITC) is an investment banking and brokerage firm that uses electronic mail and the web to offer and sell shares in public offerings to institutions and individuals. The company also produces and disseminates investment research teams that focus on over 285 Internet and technology companies. It also advises corporate clients in connection with significant transactions like mergers and acquisitions and assists them with the development of Internet strategies and businesses and in raising funds from private sources. As the Internet becomes a critical medium, Wit SoundView believes that corporate clients will gravitate towards those investment banks that use their knowledge and expertise about the Internet.

This report was prepared by Joydeep Sarkar and David R. Rivas, Ph.D.

COMPANY UPDATE

On January 23, 2001 the Company reported revenues of 375.5 million for the year 2000 and $91.9 million for the quarter ended December 31, 2000 compared to their $21 million for the same quarter in 1999. The reported $91.9 million was a 14% increase from the third quarter although still less than the 1Q00 and 2Q00 reported revenues. We still feel this is a positive sign since commencing in mid April 2000; the market for public equity offerings has dwindled from the peak of the 4Q99 and 1Q00. For the majority of the second and third quarters of 2000, Wit SoundView was operating under market conditions that were unfavorable to potential issuers. The volatility of the equity markets, and in particular the market for technology companies, has the potential to influence the strength of the Company's business operations. Cash earnings for the year were $0.61 per diluted share excluding one-time charges and including $0.17 of non- cash tax expense. On a GAAP basis, the Company reported a net loss of $0.26 per basic and diluted share. Cash earnings for the 4Q00 were $0.09 per diluted share, including $0.03 of non-cash tax expense. GAAP figures were impacted by two non-cash items: $14.2 million in goodwill amortization and a $13.7 million reserve related to an agreement in principle to un-winding our joint venture with enba, plc relating to Wit Capital Europe. On a GAAP basis, the Company reported a loss of $0.24 per basic and diluted share.

Investment Banking

On a sequential basis, the Company participated as co-manager in a total of 31 deals in the first quarter of 2000 and 16 and 19 in the second and third quarters of 2000, respectively. Sequentially, from the first to the third quarters of 2000, the Company has experienced a decline in investment banking revenues as a result of unfavorable market conditions for technology companies. During the second and third quarters of 2000, when the market for new public issues had slowed, the Company experienced contributions from both its mergers and acquisitions and private equity operations, which helped to offset the decline in revenues, recognized from public equity issuances. WITC generated $52.1 million in revenue from their investment banking division during the 4Q00.

Equity Underwriting
Wit SoundView participated as a co-manager in 6 deals during the quarter, including 2 IPOs and 4 secondaries. For the full year Wit SoundView co-managed 72 deals, including 40 IPOs and 32 secondaries, up from a total of 57 deals last year. In total, Wit SoundView was involved in raising over $17 billion in public offerings for its clients in 2000.

Mergers & Acquisitions / Strategic Advisory -- Wit SoundView's M&A group performed strongly during the quarter, advising on seven transactions. For the year, WITC advised on 17 transactions with a total combined value of over $8 billion. Key transactions during the year, either announced or closed, include: advisor to Ortel Corporation in its $2.9 billion sale to Lucent Technologies; advisor to Photonic Integration Research, Inc. in its $1.8 billion sale to SDL, Inc.; advisor to Photonetics Inc. in its $1.1 billion sale to GN Nettest; advisor to Primedia in its $690 million acquisition of About.com; advisor to Chatham Technologies, Inc. in its $594 million sale to Flextronics International, Ltd.

Brokerage

Institutional Brokerage
Wit SoundView had its best quarter ever in institutional brokerage, with $42.1 million in revenues. This surpassed their previous best quarter of $36.3 million, reported in 2Q 2000. For the year, the company reported $146.5 million in institutional brokerage revenues. During the year, Wit SoundView increased by approximately 22% the number of stocks in which it makes markets, bringing its total market making coverage to 241 stocks.

Retail Brokerage
WITC is slowly removing itself from this sector, which has been one of lackluster growth for them. This is evidenced by the alliance with E*Trade when Wit SoundView transferred its brokerage accounts to E*Trade on September 29, 2000. Wit SoundView will leverage E*Trade's online brokerage platform to distribute products to retail investors.

WITC Japan has also exited the retail brokerage sector due to high investment costs in order to focus on its core investment banking businesses by transferring the company's retail division to a new firm to be jointly set up with eWing Securities and Japan Online Securities in April, 2001. In Japan Wit will concentrate on underwriting IPOs, fundraising, mergers and acquisitions, as well as raising funds for unlisted firms.

International

WITC expenses this quarter included $6.9 million related to their equity in the net losses of Wit Capital Europe and Wit Capital Japan. Both entities continue to align their business models with WITC in the US and are taking steps to minimize their losses.

Wit Capital Europe
As noted earlier, Wit SoundView's reported earnings were impacted by a write down of $13.7 million related to its investment in enba plc. In March of 2000, pursuant to a joint venture agreement relating to the creation of Wit Capital Europe plc, Wit SoundView exchanged 1,878,596 of its shares for approximately 10.75% of the outstanding shares of enba. The parties to the joint venture have been negotiating an unwinding of the joint venture, including the settlement of claims that the parties may have against each other, and an agreement in principle involving the settlement of all claims among the parties (including Wit Capital Europe, enba and the Company) was reached late last year. Based on the agreement in principle, they have written down their investment in enba to equal the value of their shares as of December 31, 2000 that they will receive in the unwinding plus the increase in the value of our holdings of Wit Capital Europe resulting from their ownership interest increasing from its current level to over 80%. This settlement agreement has not yet been finalized, however, and there is no assurance that it will ever be finalized.

Going forward, we expect that as their ownership in Wit Capital Europe increases to over 80%, assuming the finalization of the agreement in principle with enba, the results of a restructured Wit SoundView Europe will be consolidated with our own.

Wit Capital Japan
During the fourth quarter, Wit Capital Japan prepared to exit the retail brokerage business in order to focus on its core investment banking business. That transaction took place in early 2001.

Asset Management

Asset management fees for the year increased to $11.4 million from $0 for 1999. The fees decreased $1.1 million for the 4Q00. For the 3Q00, revenue from asset management fees increased to $12.6 million from $0 for the nine months ended September 30, 1999. This revenue is derived from management and syndication fees received from the Company's series of Dawntreader II venture capital funds, which closed during the 1Q00, and from incentive royalties from hedge funds that were formerly managed by SoundView.

Interest and investment income for the year was $12.2 million The Company earns interest income from the investment of cash balances raised through financing activities and from its results of operations until the funds are used in its business. For the nine months ended September 30, 2000, revenue from interest income increased to $7.8 million from $3.2 million for the nine months ended September 30, 1999. During the first nine months of 2000, the Company's average monthly cash balance was $170 million as compared to a monthly average of $82.5 million for the first nine months of 1999. It is the Company's current policy to pay bonuses and other compensation related payments to its employees on a semi-annual basis.

Expenses

Compensation and benefits expense for the 4Q00 increased to $54.1 million from the 3Q00 and was $215.3 million for the year. Compensation and benefits expense consists of salaries, bonuses and other benefits paid or provided to the Company's employees. The increase in compensation expense primarily relates to higher incentive compensation accrued on higher revenues and a nearly twofold increase in the number of employees. Compensation and benefits expense, as a percentage of total revenues was 57% for the year. In connection with the transfer of their online retail brokerage accounts to E*Trade, the Company expects a reduced its employed staff in its retail brokerage operations by approximately 75 people, but also gained approximately 75 new employees as a result of its merger with E*Offering. As the Company continues to hire more investment banking and research professionals as well as increase the capacity of its market making operation to receive additional order flow from E*Trade, we expect compensation expense to grow.

Brokerage and clearance expense for the 4Q00 increased to $6.5 million from the $6.3 million during the 3Q00. For the year, brokerage and clearance expense was $25.5 million. This expense primarily consists of fees paid to independent floor brokers on the New York Stock Exchange for the execution of institutional customer agency business, as well as, amounts paid to the Company's clearing brokers for processing and clearing customers' trades. The increase in brokerage and clearance expense reflects the increased transactional volume and growth of the Company's institutional brokerage operations. As a result of the transfer of the Company's online retail brokerage accounts to E*Trade, the Company will no longer incur expenses related to processing and clearing online retail customer's trades. Additionally, in connection with the distribution of equity securities to retail customers of E*Trade, E*Trade will receive a portion of the dealer selling concession received by Wit SoundView. E*Trade's percentage of such revenue will depend on the number of shares allocated to E*Trade's customers and whether Wit SoundView acts as lead managing underwriter or in another capacity. Under the amended and restated Strategic Alliance Agreement, the Company has also agreed to pay E*Trade a competitive market rate for the order flow it directs to them. Accordingly, the Company expects an increase in its brokerage related expenses as a result of these provisions in the Strategic Alliance with E*Trade.

Marketing and business development expense for the 4Q00 increased to $4.4 million from $3.6 million for the 3Q00. For the year, marketing and business development expense was $15.7. Marketing and business development expense consists primarily of travel, entertainment, costs associated with the Company's conferences and a focused print advertising campaign that the Company commenced in 2000. The Company expects these expenses to continue to increase as it continues to expand its business.

Amortization of intangible assets and goodwill for the 4Q00 increased to $14.1 million from the $4.1 million for the 3Q00. For the year, amortization of intangible assets and goodwill increased to $25.1 million. This expense results from the amortization of intangible assets and goodwill related to the Company's merger with SoundView on January 31, 2000 and also as a result of WITC’s merge with E*Offering.

For the year, the Company recorded an expense of approximately $11.6 million related to the transfer of its online retail brokerage accounts to E*Trade and the corresponding discontinuance of its retail brokerage operations. This charge includes a payment to Wit Capital Corporation's clearing agent to terminate its contract, an accrual for severance payments to be made to certain employees whose services will no longer be required, and an expense for all brokerage related assets that the Company will not employ in our business in the future.

Technology development expense for the 4Q00 increased to $1.7 million from the $1.5 million of the 3Q00. For the year, technology development expense was reported as $5.7 million. This increase resulted from continued enhancements to the Company's technologyi infrastructure, primarily related to the development of Vostock, the Company's online auction system for secondary and follow-on offerings and ts online brokerage operations. The Company expects technology development expense to increase as operations continue to grow and as the Company continues to invest in its infrastructure and new business initiatives.

STRATEGIES FOR GROWTH

E*Offering Acquisition

On October 16, 2000 WITC announced that a majority of its shareholders voted in favor of the acquisition of the investment banking firm called E*Offering officially sealing its alliance with E*Trade after expanding on the original terms. The acquisition combines Wit SoundView's strengths in deal origination, research and fund raising with E*Offering's technology platform, product capabilities, presence in Silicon Valley and retail distribution channels. We believe that this acquisition will assert WitSoundView's position as the leading Internet investment-banking firm.

About E*Offering

E*Offering was a California based Internet investment banking firm that used the Internet and related technologies such as e-mail and multimedia to deliver investment banking products to online individual investors and institutional clients. E*Offering provided a range of investment banking services, including initial and follow-on public offering underwriting, private equity agency services, sales and trading, equity research and financial advisory services. E*Offering was privately owned by E*Trade Group, Inc., General Atlantic Partners, LLC, other venture capitalists, its employees and other investors.

Exclusive Agreement With E*Trade

As per the terms of the acquisition of E*Offering, Wit SoundView has entered into an exclusive alliance with E*Trade. Wit SoundView is now the exclusive provider of IPOs, follow-on offerings, and other investment banking products to E*Trade's approximately 3 million customer accounts. After expanding on the initial terms of the deal, Wit SoundView now has a right to receive from E*Trade all secondary market order flow in which Wit SoundView is a market maker. Wit SoundView currently makes markets in over [241] stocks (a number that has grown 22% in the year 2000). In return, WitSoundView will transfer its brokerage accounts to E*Trade although they will be able to leverage E*Trade's online brokerage platform to distribute products to retail investors. We believe this alliance to be mutually beneficial for both partners, it allows WITC to ease out of the retail brokerage sector which has been a lagging sector for them and gives them access to approximately 3.3 million individual investors without having to endure the hassle of acquiring them, eliminating client acquisition costs. This alliance allows both companies to concentrate their resources on their respective areas of expertise.

MANAGEMENT CHANGES

As per the terms of the alliance with E*Trade, E*Trade and General Atlantic Partners, LLC, purchased 2 million shares of Wit SoundView Group, Inc. common stock at a price of $10.25 per share, generating approximately $41 million in proceeds to Wit SoundView.

Christos M. Cotsakos, chairman of the board and chief executive officer, E*Trade Group, Inc.; Bill Ford, partner of General Atlantic Partners; and Mark Loehr, co-President of Wit SoundView join Wit SoundView's Board of Directors. As previously announced, Ronald Readmond will end his term as a director in connection with completion of the acquisition.

WITC is in the process of a thorough review of personnel and market conditions which has resulted in the reduction of at least 60 personnel.

Key Risk Factors

- The transition into the lead manager position may be a difficult one, in view of the competition from well-established investment banks.
- Compensation and benefit expenses will continue to increase as the Company restructures its personnel and continues its review. Thus we believe that this may eat into the Company's 1Q01 earnings in the form of severance pay.
- The launch of Vostock still cannot be measured at this time.
- WITC Europe is still in flux as a settlement still has not been reached and may never be finalized.
- The current IPO market is still average at best; will WITC be able to continue its growth to the satisfaction of buyers?

Competition

As of February 09, 2001

Company	Ticker	Price ($)	Book Value/Share ($)	Price/Book	Price/Sales	Est EPS Current Yr	Est P/E Current Year
Wit SoundView Group	**WITC**	**4.81**	**6.45**	**0.75**	**1.23**	**0.2**	**25.23**
Goldman Sachs*	**GS**	107.75	27.93	3.86	1.67	6.33	18.01
Morgan Stanley Dean Witter*	**MWD**	79.35	16.15	4.92	2	4.97	17.36
Lehman Brothers Holdings*	**LEH**	79.65	29.95	2.66	0.8	6.38	12.87
	Average	**67.89**	**20.12**	**3.05**	**1.43**	**4.47**	**18.3675**

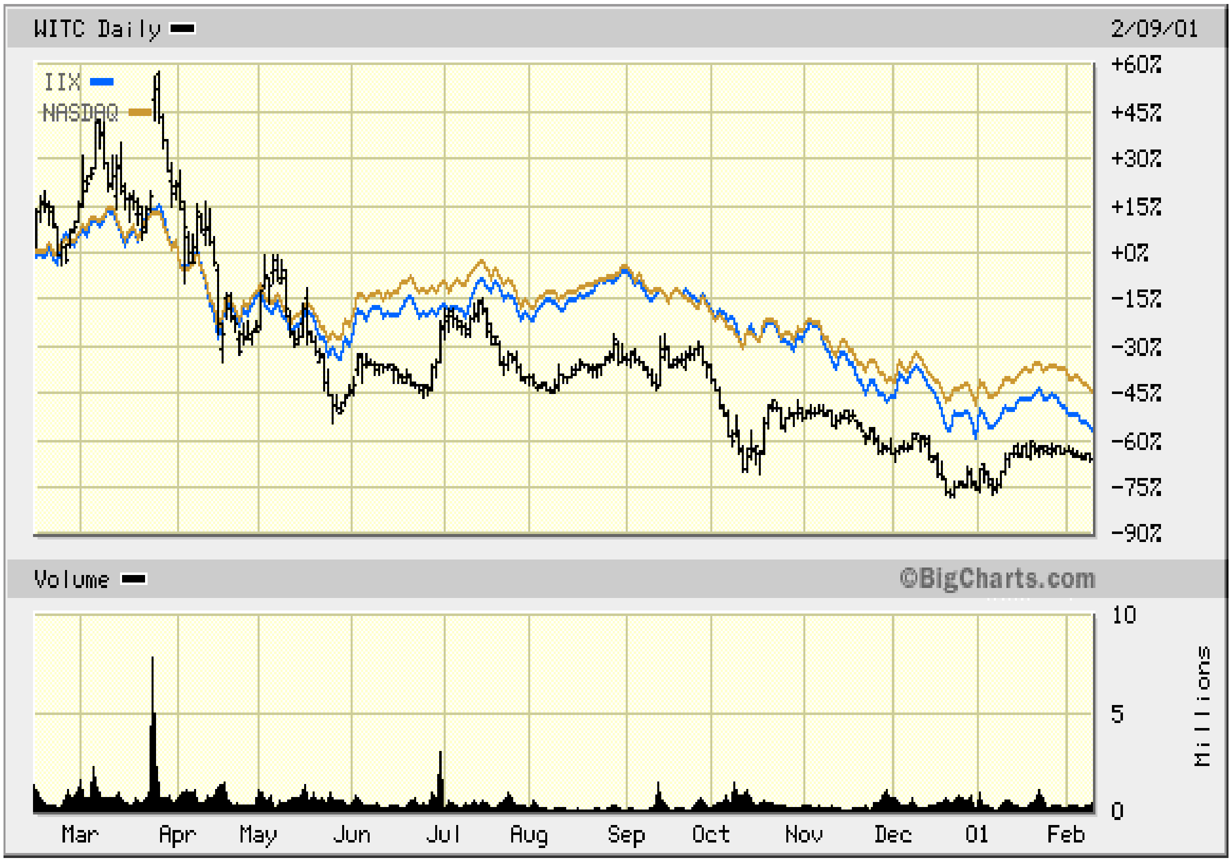
SUMMARY AND OPINION

The current capital markets environment can best be described as challenging, particularly for investment banking services such as IPOs and follow-on offerings. While we expect WITC's institutional brokerage to continue to grow, we expect overall revenues and earnings comparisons for the first half to be down from last year's reported results, and expect slower growth for 2001 than what was seen in 2000.

According to Chairman and CEO, Robert Lessin is committed to increasing shareholder value. "We have focused on retaining our key employees and, to more closely align their interests with shareholders interests, our Board has approved amendments to our stock incentive plan that allows us to grant an additional 20 million options to our employees, most of which are expected to be granted by the end of the first quarter." WITC's Board of Directors have also authorized the repurchase of up to 2 million shares. These repurchases will be made from time to time in the open market or in privately negotiated transactions.

All this leads us to reiterate out short-term **HOLD** rating with a long-term **Market Perform** rating. We have a 12-month price target of $11.

WITC v.s. Nasdaq v.s. IIX



Wit SoundView Group							
Statement of Operations (in thousands, except per share data)							
Year ending December 31	3/31/00	6/30/00	9/30/00	12/31/00	2000	3/31/01 E	2001 E
REVENUES:							
Investment Banking	$60,349.09	$54,157.90	$33,617.25	$52,115.19	$200,239.44	$47,635.36	$177,815.00
Brokerage	$36,524.95	$38,902.16	$37,414.25	$42,086.82	$154,928.19	$37,458.88	$139,019.00
Asset Management Fees	$7,833.03	($185.17)	$4,955.52	($1,154.04)	$11,449.34	$3,272.23	$8,340.50
Interest and Investment Income	$1,819.21	$2,828.30	$3,143.06	$4,484.45	$12,276.02	$5,830.00	$15,340.50
Unrealized gains (losses) on investments	$61.88	$585.44	$1,725.41	($5,585.93)	($3,213.20)	($2,341.64)	($4,215.00)
Other income	$0.00	($155.14)	$0.00	$0.00	($155.14)	$0.00	$0.00
Total revenues	$106,588.17	$96,133.49	$80,855.50	$91,947.48	$375,524.65	$91,764.83	$336,300.00
EXPENSES:							
Compensation and Benefits	$64,942.36	$55,704.77	$40,520.91	$54,150.60	$215,318.64	$55,058.90	$195,054.00
Brokerage and Clearance	$6,196.71	$6,561.75	$6,270.61	$6,508.46	$25,537.53	$6,423.54	$23,541.00
Marketing and Business Development	$3,047.03	$4,574.60	$3,625.16	$4,464.55	$15,711.36	$3,670.00	$13,452.00
Amortization of Intangible Assets and Goodwill	$2,749.40	$4,124.10	$4,124.10	$14,178.55	$25,176.15	$2,752.95	$15,541.00
Professional Services	$2,277.12	$2,201.24	$2,267.60	$2,462.99	$9,208.95	$2,294.12	$8,407.50
Data Processing and Communications	$1,772.26	$2,568.76	$2,282.67	$2,963.39	$9,587.08	$2,110.59	$9,416.40
Discontinuance of Retail Brokerage Sector	$0.00	$0.00	$11,605.40	$0.00	$11,605.40	$0.00	$0.00
Write-off of Computer Software and Equipment	$1,339.77	$0.00	$0.00	$0.00	$1,339.77	$0.00	$0.00
Depreciation and Amortization	$1,275.83	$1,501.70	$1,666.31	$2,450.24	$6,894.09	$1,357.00	$5,498.56
Techonology Development	$1,042.80	$1,547.40	$1,454.59	$1,736.14	$5,780.94	$1,484.55	$5,364.44
Occupancy	$792.12	$1,077.46	$1,141.15	$2,166.24	$5,176.97	$2,605.48	$7,652.30
Other	$1,334.29	$2,824.84	$2,427.97	$1,622.44	$8,209.55	$1,173.94	$7,732.80
Total Expenses	$86,769.69	$82,686.62	$77,386.51	$92,703.65	$339,546.47	$78,931.07	$291,660.00
Income (loss) From Operations	$19,818.48	$13,446.87	$3,468.99	($756.17)	$35,978.18	$12,833.76	$44,640.00
Loss on Strategic Investment	$0.00	$0.00	$0.00	($13,727.85)	($13,727.85)	$0.00	$0.00
Net Income (loss) Before Provision for Inc.	$19,818.48	$13,446.87	$3,468.99	($14,484.02)	$22,250.32	$12,833.76	$44,640.00
Taxes and Equity in Net Loss of Affiliates							
Provision for Income Taxes	$10,608.17	$6,683.39	$2,492.68	$4,344.95	$24,129.19	$9,269.70	$21,515.40
Net Income (loss)	$7,500.63	$2,282.41	($6,006.64)	($25,735.26)	($21,958.87)	$3,564.06	$23,124.60
Net Income (loss) Per Share							
Basic	$0.10	$0.03	($0.08)	($0.24)	($0.26)	$0.03	$0.22
Diluted	$0.08	$0.02	($0.08)	($0.24)	($0.26)	$0.03	$0.20
Weighted Average Shares Used In The							
Computation of Net Income (Loss) Per Share							
Basic	72,997	79,411	79,903	105,696	84,551	102369	102267
Diluted	98,086	98,801	79,903	121,142	98,443	118802	115623

Margin Analysis (% of revenues)					
Revenues:	3/31/00	6/30/00	9/30/00	12/31/00	2000
Investment Banking	56.6%	56.3%	41.6%	56.7%	53.3%
Brokerage	34.3%	40.5%	46.3%	45.8%	41.3%
Asset Management	7.3%	-0.2%	6.1%	-1.3%	3.0%
Interest and Investment Income	1.7%	2.9%	3.9%	4.9%	3.3%
Expenses:					
Compensation and Benefits	60.9%	57.9%	50.1%	58.9%	57.3%
Brokerage and Clearance	5.8%	6.8%	7.8%	7.1%	6.8%
Marketing and Business Development	2.9%	4.8%	4.5%	4.9%	4.2%
Amortization of Intangible Assets and Goodwill	2.6%	4.3%	5.1%	15.4%	6.7%
Data Processing and Communications	1.7%	2.7%	2.8%	3.2%	2.6%
Professional Services	2.1%	2.3%	2.8%	2.7%	2.5%
Depreciation and Amortization	1.2%	1.6%	2.1%	2.7%	1.8%
Technology Development	1.0%	1.6%	1.8%	1.9%	1.5%
Occupancy	0.7%	1.1%	1.4%	2.4%	1.4%
Other	1.3%	2.9%	3.0%	1.8%	2.2%
Total Expenses	81.4%	86.0%	95.7%	100.8%	90.4%
Growth Rates (Quarter per Quarter)	3/31/00	6/30/00	9/30/00	12/31/00	
Revenues:					
Investment Banking	N/A	89.7%	62.1%	155.0%	
Brokerage	N/A	106.5%	96.2%	112.5%	
Asset Management	N/A	-2.4%	-2676.2%	-23.3%	
Interest and Investment Income	N/A	155.5%	111.1%	142.7%	
Expenses:					
Compensation and Benefits	N/A	85.8%	72.7%	133.6%	
Brokerage and Clearance	N/A	105.9%	95.6%	103.8%	
Marketing and Business Development	N/A	150.1%	79.2%	123.2%	
Amortization of Intangible Assets and Goodwill	N/A	150.0%	100.0%	343.8%	
Professional Services	N/A	96.7%	103.0%	108.6%	
Data Processing and Communications	N/A	144.9%	88.9%	129.8%	
Depreciation and Amortization	N/A	117.7%	111.0%	147.0%	
Technology Development	N/A	148.4%	94.0%	119.4%	
Occupancy	N/A	136.0%	105.9%	189.8%	
Other	N/A	211.7%	86.0%	66.8%	
Total Revenues	N/A	90.2%	84.1%	113.7%	
Total Expenses	N/A	95.3%	93.6%	119.8%	
Net Income (loss)	N/A	30.4%	-263.2%	428.4%	
Net Income (loss) per share	N/A	25.0%	-400.0%	300.0%	