June 16, 2004

United States Attorney
Southern District of New York
United States Attorney
Marvin Smilon, Herbert Hadaa,
Megan Gaffney
Public Information Office
(212) 637-2600

Federal Judge Sentences Ex-Official of Local Internet Service Provider to Prison for Computer Attack

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that PETER BORGHARD, a former network administrator of a Manhattan-based internet service provider called Netline Services, Inc., was sentenced late yesterday in Manhattan federal court by United States District Judge GEORGE B. DANIELS to 5 months in prison and 5 months of home confinement, and ordered to pay $118,030 in restitution, stemming from BORGHARD's electronic attack on Netline's computer system in January 2003. BORGHARD's attack on Netline destroyed portions of Netline's computer hardware and temporarily deprived its customers of internet service, causing Netline to suffer approximately $118,000 in losses. According to the criminal Complaint filed previously in the case, Netline, a local computer and internet company, provided a variety of high-speed broadband computer and communication services to businesses located throughout New York, New Jersey, Pennsylvania and Southern California. These services 2 included dedicated internet access, e-mail, web hosting, networking services, customized security software and firewall protection services, and website design and database development. BORGHARD was Netline's computer systems administrator between June and the end of October 2002. In that capacity, BORGHARD oversaw the operation of Netline's entire computer network and had access to various passwords and user codes that gave him access to, and control over, Netline's entire computer system. According to the Complaint, BORGHARD left the company abruptly and without explanation at the end of October 2002. Shortly after quitting the company, BORGHARD made a demand to Netline for back salary he claimed was owed, but Netline declined to pay and, in December 2002, BORGHARD sued Netline to collect approximately $2,000, it was charged. Then, according to the Complaint, on two separate dates in January 2003, Netline experienced two computer intrusion attacks on its network. The first attack took place on January 15, 2003, wiping out all data, as well as the basic internal computer infrastructure settings (also known as "configuration" settings) on approximately 12 machines in Netline's computer network, temporarily crippling the system. Netline's system was down, and its customers were denied e-mail service, for approximately 15 hours. Although Netline was able to restore its system and 3 service to its customers with some effort, Netline's customers continued to receive sporadic service for several days afterwards, causing Netline's business to suffer. According to the Complaint, Netline took steps to secure its system against similar attacks, but in the early morning of January 25, 2003, Netline was hit with another electronic intrusion and attack (this time on machines not previously targeted and not yet protected), which erased various operating systems and configuration settings. According to the

Complaint, as a result of the attacks, Netline incurred costs associated with reconfiguring operating systems, replacing damaged equipment, repairing customer relations, as well as the direct loss of certain customers, and related lost profits and future business opportunities. According to the Complaint, in the course of the investigation, computer forensics analyses conducted by the FBI revealed that, although Netline's attacker had attempted to erase all electronic traces of his identity, the attacks on Netline's system could be linked by certain computer records to other computers outside Netline that were in use or otherwise controlled by BORGHARD. Among those outside computers was a computer box BORGHARD was surreptitiously controlling as a "slave" intermediary computer from a remote location. That "slave" computer was sitting, unnoticed but nevertheless under operation by BORGHARD, in BORGHARD's former cubicle at a company where BORGHARD had worked prior to joining Netline. BORGHARD pled guilty on February 10, 2004, to a felony charge of computer intrusion, admitting that he had committed the attacks on Netline. BORGHARD, 26, lives in Staten Island. Mr. KELLEY praised the efforts of the Federal Bureau of Investigation in this case. Assistant United States Attorney DAVID SIEGAL is in charge of the prosecution.

###