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MAN PLEADS GUILTY TO STEALING MORGAN STANLEY TRADE SECRETS RELATING TO HEDGE FUNDS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that IRA S. CHILOWITZ, 44, pleaded guilty yesterday in Manhattan federal court to charges relating to the theft, from CHILOWITZ's former employer, Morgan Stanley & Co. ("Morgan Stanley"), of proprietary information regarding hedge funds. According to the felony Information to which CHILOWITZ pleaded guilty, statements made at his plea, and other documents publicly filed in this case:

Morgan Stanley's Prime Brokerage Division provides financial and administrative services to numerous hedge funds. As a consultant to Morgan Stanley in its Information Technology Department, CHILOWITZ was responsible for establishing secure computer connections between Morgan Stanley and its Prime Brokerage clients. In this position, CHILOWITZ had access to numerous confidential and proprietary documents belonging to Morgan Stanley, including a list of all of Morgan's Prime Brokerage hedge fund clients (the "Client Rate List") and the formulas used to calculate rates paid by clients to Morgan for certain prime brokerage services. Data in the Client Rate List is not generally known to the public and is valuable to competitors of Morgan.

From about December 2005 until about February 2006, CHILOWITZ conspired with another individual ("CC-1") -- who was a former Morgan Stanley client service representative -- to misappropriate the Client Rate List and to transmit it, via e-mail, to CC-1. CHILOWITZ admitted in Court during his guilty plea that he took the confidential and proprietary information from Morgan Stanley because it would potentially assist him and CC-1 in generating business for a consulting firm they had planned to form.

CHILOWITZ was first arrested on July 14, 2006. CHILOWITZ, a resident of Yorktown Heights, New York, pleaded guilty to four counts charging conspiracy, transportation of stolen property, theft of trade secrets, and unauthorized computer access,

and faces a total maximum sentence of 26 years' imprisonment and a maximum fine of $850,000.

Mr. GARCIA praised the investigative efforts of the Federal Bureau of Investigation's Computer Hacking and Intellectual Property Squad. Mr. GARCIA added that the investigation is continuing.

Assistant United States Attorneys JOSHUA KLEIN and JOSEPH V. DeMARCO are in charge of the prosecution.

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