December 17, 2002

U.S. Department of Justice
United States Attorney
District of New Jersey

Disgruntled UBS PaineWebber Employee Charged with Allegedly Unleashing "Logic Bomb" on Company Computers

NEWARK - A disgruntled computer systems administrator for UBS PaineWebber was charged today with using a "logic bomb" to cause more than $3 million in damage to the company's computer network, and with securities fraud for his failed plan to drive down the company's stock with activation of the logic bomb, U.S. Attorney Christopher J. Christie announced. Roger Duronio, 60, of Bogota, N.J., was charged today a two-count Indictment returned by a federal grand jury, according to Assistant U.S. Attorney William Devaney. The Indictment alleges that Duronio, who worked at PaineWebber's offices in Weehawken, N.J., planted the logic bomb in some 1,000 of PaineWebber's approximately 1,500 networked computers in branch offices around the country. Duronio, who repeatedly expressed dissatisfaction with his salary and bonuses at Paine Webber resigned from the company on Feb. 22, 2002. The logic bomb Duronio allegedly planted was activated on March 4, 2002. In anticipation that the stock price of UBS PaineWebber's parent company, UBS, A.G., would decline in response to damage caused by the logic bomb, Duronio also purchased more than $21,000 of "put option" contracts for UBS, A.G.'s stock, according to the charging document. A put option is a type of security that increases in value when the stock price drops. Market conditions at the time suggest there was no such impact on the UBS, A.G. stock price. PaineWebber promptly reported what had happened to government investigators and the U.S. Attorney's Office, and has been helpful and cooperative in the investigation by the U.S. Secret Service's Electronic Crimes Task Force. Duronio is scheduled to make an initial appearance in court at 2:00 before U.S. Magistrate Judge Madeline Cox Arleo. "Cybercrime against financial institutions is a significant issue," Christie said. "Although the damage was contained in this case, the potential for catastrophic damage in other cases is always there. We will prosecute cyber criminals and put them in prison." The Indictment alleges that, from about November 2001 to February, Duronio constructed the logic bomb computer program. On March 4, as planned, Duronio's program activated and began deleting files on over 1,000 of UBS PaineWebber's computers. It cost PaineWebber more than $3 million to assess and repair the damage, according to the Indictment. As one of the company's computer systems administrators, Duronio had responsibility for, and access to, the entire UBS PaineWebber computer network, according to the Indictment. He also had access to the network from his home computer via secure Internet access. Duronio is charged in Count One of the Indictment with securities fraud, which carries a maximum penalty of 10 years in federal prison and a $1 million fine. He is charged in Count Two with Fraud and Related Activity In Connection with Computers. That charge carries a maximum prison sentence of 10 years and a fine of $250,000 or, alternatively, two times the gain made by the defendant or the loss suffered by the victim. In February and March 2002, according to the Indictment, Duronio spent approximately $21,762 when purchasing 318 put option contracts for the stock of UBS A.G., all due to expire on March 15. A "put option" contract is a security that gives the purchaser the right

to sell 100 shares of stock in a company for a fixed per-share price at a specified date. The lower the stock price falls, the more valuable the put option contract becomes. If the contract is sold on or before the expiration date with the stock at or below a specified "strike price," a profit is earned. Page Four of the Indictment gives a table listing Duronio's purchases of the put options leading up to the activation of the logic bomb. Despite Indictment, every defendant is presumed innocent, unless and until found guilty beyond a reasonable doubt following a trial at which the defendant has all of the trial rights guaranteed by the U.S. Constitution and federal law. A grand jury may vote an Indictment if 12 or more jurors find probable cause to believe that the defendant has committed the crime or crimes charged. Christie credited Special Agents of the U.S. Secret Service's Electronic Crimes Task Force, under the direction of Jan Gilhooly, Special Agent in Charge of the Secret Service in New Jersey, with bringing the case against Duronio. Christie also credited the assistance of UBS PaineWebber in the investigation. The Government is represented by Assistant U.S. Attorney Devaney. Defense Counsel: Justin Walder, Esq. Roseland

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