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HEDGE FUND MANAGER PLEADS GUILTY TO SECURITIES FRAUD SCHEME RESULTING IN INVESTOR LOSSES OF $88 MILLION

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that former hedge fund manager JOHN H. WHITTIER, 40, of Hailey, Idaho, pleaded guilty this afternoon in Manhattan federal court to charges of carrying out a securities fraud scheme that resulted in losses of approximately $88 million. According to the Indictment filed in the case and WHITTIER's guilty plea proceeding:

WHITTIER founded, operated, and managed the Wood River Partners, L.P. ("Wood River U.S.") and Wood River Partners Offshore, Ltd. ("Wood River Cayman") hedge funds. In addition, WHITTIER owned and controlled Wood River Capital Management, L.L.C., the investment adviser to these hedge funds.

WHITTIER schemed to defraud hedge fund investors and the general investing public by, among other things, falsely representing to investors that he would pursue a broad investment strategy -- that no investment would ever constitute more than approximately 10 percent of the hedge funds' holdings -- while knowingly failing to make required public filings that would have disclosed his concentrated holdings in one stock.

Beginning in the fall of 2004 through September 2005, WHITTIER accumulated beneficial ownership -- through Wood River U.S., Wood River Cayman, and other accounts he controlled -- of approximately 80 percent of the common stock of Endwave Corporation("Endwave"). WHITTIER then purposefully failed to make required filings with the United States Securities and Exchange Commission ("SEC") disclosing that ownership interest to his hedge fund investors and the public. The SEC requires filings disclosing beneficial ownership of 5 percent or more of a publicly traded stock, and further disclosure if ownership exceeds 10 percent.

WHITTIER also breached his promises to investors by investing approximately 85 percent of Wood River U.S.'s $127 million portfolio solely in Endwave stock, rather than diversifying the portfolio with a variety of investments. In acquiring such a concentrated position in Endwave stock, WHITTIER far exceeded the maximum 10 percent of the hedge fund's holdings that he had assured would be invested in any one stock.

In mid-September 2005, a company for which WHITTIER had been managing investments ("Company-1"), terminated its relationship with WHITTIER because of concerns raised by problematic trades and WHITTIER's suspicious trading activity in Endwave stock. Company-1 then liquidated its Endwave holdings.

A dramatic drop in Endwave’s stock price caused the value of the Wood River U.S. hedge fund portfolio to drop and triggered margin calls by certain of the hedge funds’ brokers. Similar margin calls were triggered at Wood River Cayman, which had also accumulated significant holdings in Endwave. Because such a large portion of the Wood River U.S. and Wood River Cayman funds’ assets were invested in Endwave stock, WHITTIER was unable to meet certain of these margin calls, and various brokers began liquidating the hedge funds’ Endwave stock positions. Around the same time, WHITTIER informed investors that he could not pay redemption requests because of liquidity problems. By approximately October 2005, WHITTIER and the Wood River funds were no longer doing business. As a result, investors in the Wood River U.S. and Wood River Cayman hedge funds lost approximately $88 million.

In another facet of the fraud scheme, WHITTIER acquired a significant ownership interest in a second publicly traded company, called MediaBay, Inc. ("MediaBay"). In July 2005, WHITTIER caused funds he controlled to purchase approximately 23 percent of MediaBay’s outstanding shares. Having been advised by a securities lawyer of the legal ramifications of owning more than 10 percent of the outstanding common stock of a publicly-traded company, WHITTIER then intentionally failed to file required documents with the SEC disclosing his beneficial ownership of MediaBay securities in excess of 10 percent.

WHITTIER instead falsely informed his securities lawyers that he had only purchased approximately 9.6 percent of MediaBay's stock. As a result, WHITTIER's securities attorneys filed a form with the SEC disclosing that WHITTIER controlled only approximately 9.5 percent of MediaBay's common stock when, in fact, WHITTIER was the beneficial owner of approximately 23 percent of MediaBay stock.

WHITTIER pleaded guilty to one count of securities fraud, and one count of failing to make a filing with the SEC disclosing his beneficial interest of five percent or more in a publicly-traded security, Endwave. WHITTIER also pleaded guilty to one count of failing to make a filing with the SEC disclosing his beneficial interest of ten percent or more in a publicly-traded security, MediaBay. WHITTIER faces on each of the three counts to which he pleaded guilty a maximum sentence of twenty years' imprisonment and a maximum fine of the greater of $5 million or twice the gross gain or loss resulting from the crime. As part of his guilty plea, WHITTIER agreed to forfeit to the United States the sum of $5,535,571.

WHITTIER is scheduled to be sentenced by United States District Judge JED S. RAKOFF on October 15, 2007.

Assistant United States Attorney STEVEN D. FELDMAN is in charge of the prosecution.

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