

auctioneer, Mr. Frulla, Mr. Storch, Ms. Ma'ani, and Mr. Dixon, the location of the data covered by the Court's order was discussed. Mr. Storch requested that Mr. Frulla write to all third parties who were identified as possibly having data to inform them that this data was now subject to court Order and was not to be discarded or moved unless instructions to that effect had been given by the Special Master.

Several of the primary locations where data resided are addressed separately:

A. JENNER & BLOCK: Approximately 100 boxes of documents including some back-up tapes have been delivered to the Special Master by Jenner & Block, former attorneys to Hamilton. Hamilton has informed the Special Master that it does not object to the government having access to these boxes of paper records nor does it object to the government viewing the covers of the tapes. The Special Master has requested a verification from Jenner & Block that all Hamilton materials have been delivered.

B. IRON MOUNTAIN: Between 100 and 150 boxes are located at a storage facility called "Iron Mountain." The Special Master has arranged for a manifest of these records to be delivered to him through Hamilton and has, with the agreement of Hamilton, provided a copy of the manifest to government counsel. The government has requested that the materials at Iron Mountain be delivered to the Special Master and stored by Storch & Brenner LLP at government expense.

C. HAMILTON: Following issuance of the Court's Order, approximately 100 boxes that were at Hamilton's offices at 7 Dupont Circle were segregated by Respondents at the request of the Special Master into three categories: (a) documents to which Hamilton needed access in order to be able to carry out its obligations — these were moved under the supervision of Ms. Ma'ani and are stored at Storch & Brenner LLP. Authorized Hamilton employees have been given supervised access to the documents, and a log is kept of their access; (b) documents not critical to Hamilton's day-to-day operations, which were moved under the supervision of Ms. Ma'ani, are currently being stored at "Record Masters" on behalf of the Special Master; and (c) trash, some of which the government has examined and has authorized be thrown out and the rest is being stored at Storch & Brenner LLP until further determination. An inventory of the materials brought to Storch & Brenner LLP has been made under the supervision of the Special

Master and is being regularly updated. A copy of the inventory log is attached hereto as Appendix A. A copy of the access log is attached hereto as Appendix B.

The Special Master and his representatives have examined the Hamilton premises. The Special Master has gained access to the attic and found it empty; the basement has been emptied of all of the trash which has either been thrown away with the government's approval or stored at Storch & Brenner LLP; and the contents of two safes have been emptied and their contents stored at Storch & Brenner LLP. Furniture subject to auction sale has been searched and data found has been stored at Storch & Brenner LLP.

In addition, Respondents' accountants, former employees, and consultants and internet/e-mail service providers may have records which are covered by the Court's Order.

2. Arrangements for Backing-Up Electronic Data in Accordance with the Court's Order of March 10

Consistent with the Court's Order filed on March 10, 1998, the Special Master assisted the parties in making arrangements to "download" significant amounts of electronically-stored data from the Respondent's computers to portable media for storage. The parties agreed that the downloading would be done under the supervision of the Special Master's representatives by an FBI team led by Special Agent William Maxberry, Jr., with the cooperation and assistance of Mr. Elliot Cook, a former Hamilton consultant. The continuing work by Special Agent Maxberry on backing up the Hamilton computers should be completed this week.

Several of the computers at Hamilton were designed as data repositories which could be accessed by other computers. These so called "servers" contain large amounts of electronically stored data. In addition to the "servers," there were a total of approximately fifty-five (55) desktop computers and approximately forty-four (44) laptop computers at Hamilton. The electronic data resident in the desktops and laptops was backed up by FBI agents in the presence of Special Master personnel.¹ Back-up of the desktop and laptop computers has now been

¹ Unavailability of proper computer storage media had threatened to delay efforts to back up the computers and, at the government's request, Special Master Storch advanced \$1,200 plus tax to purchase special disks for use in the back-up.

accomplished with the exception of several computers that could not be backed up. These computers have been brought to Storch & Brenner LLP for storage. The desktop and laptop computers that have been downloaded by the FBI team may now be released to the auctioneer in accordance with the Court's Order.

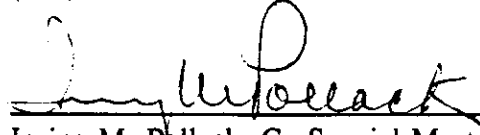
Several Hamilton personnel and consultants had Hamilton materials on their individual offsite desktops and laptops. Ms. Fitts has informed the Special Master that most of these computers have been delivered to the Special Master who arranged to have FBI agents back them up.

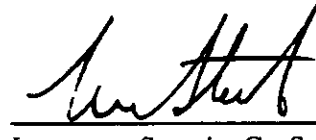
All back-up tapes produced from Hamilton's computers have been or are being delivered by the FBI agents involved in the process to representatives of the Special Master. A log of these tapes is being kept as part of the attached log in Appendix A.

CONCLUSIONS

1. Respondents have told the Special Master that they are working on the certification of compliance with the Court's Orders.
2. Materials at Iron Mountain and at Record Masters should be delivered to and stored by Storch & Brenner LLP at the expense of the government.
3. The computers at Respondent's former place of business can now be released, except for those which have not been downloaded and which should be delivered to Storch & Brenner LLP. Both Respondents and the government have expressed an interest in the status of the information which remains contained in these machines.

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Irving M. Pollack, Co-Special Master


Laurence Storch, Co-Special Master

Date: March 23, 1998

CERTIFICATE OF SERVICE

I hereby certify that on the 23rd day of March, 1998, a copy of the foregoing First Report of Co-Special Masters Irving M. Pollack and Laurence Storch was sent via first-class mail, postage prepaid, to:

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