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October 2, 2006

By Electronic and First-Class Mail

Ralph J. Lancaster, Jr.
Pierce Atwood, LLP
One Monument Square
Portland, Main 04101

Re: State of New Jersey v. State of Delaware
No. 134, Original
Progress Report

Dear Mr. Lancaster:

Pursuant to the Case Management Plan, New Jersey respectfully submits this Progress Report. Since the case management conference of September 5, 2006, the following has occurred:

New Jersey's Supplemental Discovery Responses

1. On September 5, 2006, New Jersey responded to Delaware's letter of August 24, 2006 regarding New Jersey's discovery responses, and supplied documents previously supplied to Delaware in a format making the documents easier to find and retrieve. In addition, New Jersey supplemented its discovery responses by providing 69 pages of additional documents to Delaware.
2. On September 8, 2006 New Jersey responded to Delaware's Requests for Admissions.
3. On September 8, 2006, September 18, 2006 and September 28, 2006, New Jersey supplemented its discovery responses by providing to Delaware 27, 305, and 223 additional pages of documents, respectively. In supplying the new documents, New Jersey grouped



related documents together, provided the bates stamp numbers for each group of documents, and provided a description for each group of documents.

3. On September 25, 2006, New Jersey responded to Delaware's letter of September 19, 2006, regarding alleged deficiencies in some of New Jersey's responses to Admissions.

Delaware's Supplemental Discovery Responses

1. On September 8, 2006, Delaware responded to New Jersey's Requests for Admissions. New Jersey wrote to Delaware regarding deficiencies in Delaware's responses on September 14, 2006, and received a response from Delaware on September 19, 2006.

2. On September 15, 2006, Delaware supplemented its prior discovery responses by supplying New Jersey with a DVD containing approximately 4,500 pages of documents. The DVD did not contain any index for or any description of the 4,500 pages of documents.

3. On September 19, 2006, New Jersey objected to Delaware's DVD supplied on September 15, 2006, requesting that Delaware specify what documents it included. In response, Delaware advised New Jersey that the 4,500 pages of documents were divided into four broad, vague categories, and that Delaware was not required to provide more specific information about the 4,500 pages of documents on the DVD.

4. On September 27, 2006, New Jersey received as supplemental discovery from Delaware a DVD with 6,268 pages of documents, as well as a number of video clips. Delaware advised that the documents on the DVD related to four broad and vague categories, but did not otherwise attempt to describe, identify or categorize the 6,268 pages of documents in any way.

Depositions

On September 21 and 22, 2006, New Jersey and Delaware noticed depositions for various potential witnesses. On September 26, 2006, New Jersey deposed one of Delaware's potential witnesses, William Street. On September 27, 2006, Delaware deposed one New Jersey's potential witnesses, Kevin Broderick. New Jersey had arranged to depose two other potential Delaware witnesses on September 22, 2006, but was forced to adjourn those depositions because of a medical emergency.

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On September 27, 2006, after Delaware had served on New Jersey 4,500 pages of unidentified documents on September 15, 2006, and an additional 6,268 pages of unidentified documents on September 27, 2006, New Jersey conferred with Delaware regarding an extension of the deposition schedule and other dates, so that New Jersey would have an opportunity to review the voluminous, newly-supplied materials. In addition, New Jersey was forced to adjourn depositions previously scheduled for September 29, 2006, because it had not been afforded such an opportunity. Notwithstanding its eleventh hour production of voluminous materials, Delaware has objected to extending the deposition schedule, taking the position that the depositions simply should be completed by October 20. Moreover, although Delaware has admitted that the 10,700 pages of material include over 2,000 pages of material not previously supplied, Delaware has declined to identify which of the 10,700 pages are documents were not previously supplied.

New Jersey's Request for an Extension

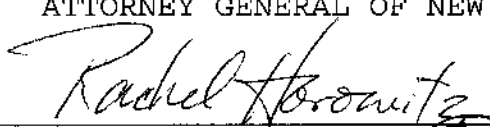
On September 29, 2006, based on Delaware's voluminous and untimely production of 10,700 pages of unidentified documents on September 15 and 27, 2006, New Jersey sought an extension of the deadline for deposing fact witnesses, as well as extensions of other deadlines. New Jersey respectfully submits that these extensions are required so that it has a fair opportunity to review and assess the voluminous, unidentified new materials just supplied by Delaware before completing depositions and expert reports.

New Jersey has devoted, and continues to devote, substantial resources to this matter, and regrets that this request has become necessary. New Jersey appreciates the special master's attention to and consideration of this request.

Respectfully,

STUART RABNER
ATTORNEY GENERAL OF NEW JERSEY

By:



Rachel Horowitz
Deputy Attorney General

c: David Frederick, Esq.
Collins J. Seitz, Esq.