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March 26, 2008

*By E-Mail and First Class Mail*

Special Master Kristin L. Myles  
Munger, Tolles & Olson LLP  
560 Mission Street  
27th Floor  
San Francisco, California 94015

**Re: *South Carolina v. North Carolina*, No. 138, Original:  
South Carolina's Second Progress Report**

Dear Special Master Myles,

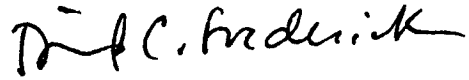
In advance of our upcoming argument and conference on March 28, 2008, we respectfully submit South Carolina's second progress report in the above-styled matter.

The parties have exchanged drafts of a Case Management Plan. On March 26, 2008, the parties met and conferred by telephone to discuss those drafts. South Carolina believes that the parties made substantial progress toward an agreement on a number of topics, including the Federal Rules of Civil Procedure to be adopted and the treatment of discovery material (largely from third parties) that may be properly designated as confidential.

There currently are several areas of substantial disagreement, including the length of time necessary for discovery, whether limited initial disclosures would be helpful, and the framing of the legal issues for Phase I. The parties believe, however, that further discussion of these issues would be worthwhile and that an additional discussion might produce agreement on the basic format for the Case Management Plan and procedures. We have discussed with North Carolina the possibility of another meet-and-confer promptly after Friday's hearing on the motions to intervene and the issues presented in response to Case Management Order No. 3. Counsel for North Carolina has been amenable to that suggestion. Our aim would be to narrow the field of potential disagreement with the Case Management Plan to as few issues as possible, and then to present those issues to you for resolution as soon as practicable.

Ms. Kristin L. Myles  
March 26, 2008  
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Respectfully submitted,

A handwritten signature in black ink that reads "D. C. Frederick". The signature is written in a cursive style with a large, stylized initial "D".

David C. Frederick  
*Special Counsel to the  
State of South Carolina*

cc: Christopher Browning  
Robert Cook