

ESS Data Recovery, INC.

Report on Controls Placed In Operation
July 24, 2009



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as of July 24, 2009

Table of Contents

- I Independent Service Auditors' Report

- II Description of Controls Provided by ESS Data Recovery
 - Overview of Operations
 - Control Objectives
 - Organization and Management
 - Management Philosophy and Operating Style
 - Assignment of Authority and Responsibility
 - Organizational Structure
 - Integrity and Ethics
 - Confidentiality Agreement
 - Code of Ethics
 - Commitment to Excellence
 - Information and Communication
 - Monitoring
 - Risk Assessment/Management

- III Control Objectives, Related Controls and Tests of Design

- IV Information Provided by Independent Service Auditor
 - Purpose and Objectives of the Report

Section I—Independent Service Auditors' Report

Board of Directors
ESS Data Recovery, Inc.
Edwardsville, IL

We have examined the accompanying description of controls related to the information technology services provided by ESS Data Recovery. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of ESS Data Recovery controls that may be relevant to a user organization's internal control as it relates to an audit of financial statements; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description contained in Section II, if those controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of ESS Data Recovery's controls; and (3) such controls had been placed in operation as of July 24, 2009. The management of ESS Data Recovery specified the control objectives. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

We did not perform procedures to determine the operating effectiveness of controls for any period. Accordingly, we express no opinion on the operating effectiveness of any aspects of ESS Data Recovery controls, individually or in the aggregate.

In our opinion, the accompanying description of the aforementioned controls presents fairly, in all material aspects, the relevant aspects of ESS Data Recovery's controls that had been placed in operation as of July 24, 2009. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls were complied with satisfactorily and user organizations applied the controls contemplated in the design of ESS Data Recovery's controls.

The description of controls of ESS Data Recovery is as of July 24, 2009, and any projection of such information to the future is subject to the risk that, because of change, the description may no longer portray the controls in existence. The potential effectiveness of specific controls at ESS Data Recovery is subject to inherent limitations and, accordingly, errors or fraud, may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes may alter the validity of such conclusions.

This report is intended solely for the use of management of ESS Data Recovery, their clients, and the independent auditors of their clients.

Rice, Sullivan & Co., Ltd

Swansea, IL
July 24, 2009

ESS Data Recovery

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Section II—Description of Controls Provided by ESS Data Recovery

Overview of Operations

ESS Data Recovery was formed in 1996, and incorporated in 1999. As one of the first data recovery companies in the world, ESS Data Recovery has developed technology used in every major recovery laboratory and has consistently researched and implemented new data recovery methods and techniques. ESS Data Recovery has three labs - in Minnesota, Illinois, and California . ESS services thousands of clients worldwide. ESS Data Recovery is one of the only data recovery companies to offer 24/7 service, as well as more economically feasible services for clients that are more concerned with cost than speed of recovery. ESS's recovery rate has led the industry as each of their laboratories has developed and implemented firmware repair tools, clean flow benches, and other technologies. ESS has the capacity to handle large RAID arrays, data tapes, flash media, and any brand of desktop or laptop hard drive.

StoreGrid by ESS Data Recovery is a full featured, affordable online backup system, with unlimited data storage and enhanced security features. After a short set up process, StoreGrid will automatically back up your data, with no storage limits and specialized options for an efficient and simple solution. The data is stored securely with Blowfish 448 bit encryption, and with your password, files can be securely accessed at anytime from anywhere in the world.

ESS Computer Forensics provides forensic data recovery, imaging, and electronic discovery services for hundreds of clients worldwide. A computer forensic investigation involves the collection, preservation, and examination of various forms of digital media. This type of service involves an in-depth understanding of computer file systems, communication standards, along with thorough knowledge of proper procedure in handling sensitive information in order to hold up in a court of law if necessary.

Control Objectives

The internal control objectives of ESS Data Recovery in each of the respective areas are as follows:

Control Objective 1:

Controls provide reasonable assurance that physical and environmental controls are in place to protect computer equipment from natural and/or manmade disasters.

Control Objective 2:

Controls provide reasonable assurance that physical access to computer equipment is limited to authorized personnel.

Control Objective 3:

Controls provide reasonable assurance that logical security tools and techniques are implemented and configured to enable restriction of access to customer data and internal programs to authorized employees.

Control Objective 4:

Controls provide reasonable assurance that information contained on customer hardware is not accessed by unauthorized personnel.

Organization and Management

ESS Data Recovery's control environment is the responsibility of its executive managers as they oversee the management of their respective departments. They ensure that each department's control activities, policies, standards and procedures reflect positively on the organizational missions and client service.

Each department's responsibility to the client is shown below.

- Operations Department: Oversees strategic workflow, promised timeframes and due dates,
- Client Services: Single point of contact managing including implementation, training, agency inquires, and specialized requests.
- IT Department: responsible for client's information security, secure data access, hardware management, and software upgrades.
- Accounting Department: Generates billings and manages accounts receivable.
- Contracts: Facilitates the signing of legal documents.
- Sales and Marketing Department: New client sales and marketing initiatives.

Management Philosophy and Operating Style

Our Mission:

To continually provide our clients with quality services at the lowest possible prices. In order to achieve our mission, we will conduct our business with the following Code of Ethics in mind.

Executive management has an open door to clients and employees at all times and their direct contact information is openly communicated to ensure immediate escalation occurs. This enables executive management to participate in organizational controls. An operational emphasis is placed on timely and accurate data recovery and client service is emphasized with a commitment to exceeding client's expectations and building a team environment that includes employees, clients, and business partners. Management ensures its efficiency through daily reconciliations, balances, and reporting. Weekly departmental directors' meetings are also held where department reports and productivity statistics are communicated, issues are discussed and acted upon accordingly, and policies and procedures are defined.

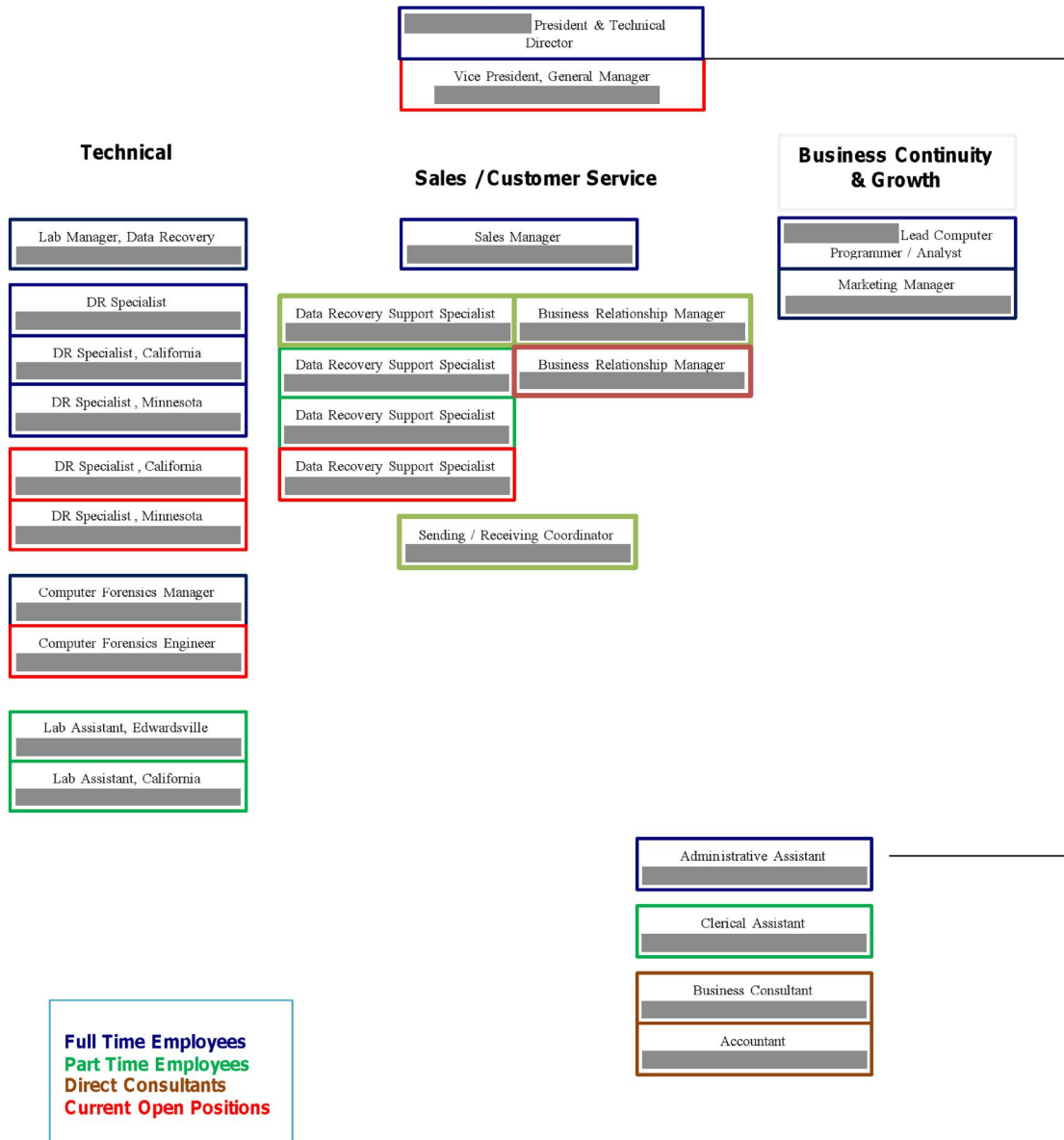
Assignment of Authority and Responsibility

ESS Data Recovery's Executive Managers are the President, Executive Vice President, and General Manager. They have the ultimate responsibility for all activities within ESS Data Recovery, including the internal control system. This includes the assignment of authority and responsibility for operation activities, and establishment of reporting relationships and authorization protocols.

Organizational Structure

An entity's organizational structure provides a framework within which its activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. Significant aspects of establishing an effective organizational structure include defining key areas of authority and responsibility and establishing appropriate lines of reporting. The following organizational chart illustrates ESS Data Recovery's structure.

ESS Data Recovery, Inc. Corporate Structure



President & Technical Director
 Vice President, General Manager

Technical

- Lab Manager, Data Recovery
- DR Specialist
- DR Specialist, California
- DR Specialist, Minnesota
- DR Specialist, California
- DR Specialist, Minnesota
- Computer Forensics Manager
- Computer Forensics Engineer
- Lab Assistant, Edwardsville
- Lab Assistant, California

Sales / Customer Service

- Sales Manager
- Data Recovery Support Specialist
- Data Recovery Support Specialist
- Data Recovery Support Specialist
- Data Recovery Support Specialist
- Business Relationship Manager
- Business Relationship Manager
- Sending / Receiving Coordinator

Business Continuity & Growth

- Lead Computer Programmer / Analyst
- Marketing Manager

- Administrative Assistant
- Clerical Assistant
- Business Consultant
- Accountant

Full Time Employees
 Part Time Employees
 Direct Consultants
 Current Open Positions

Training

ESS Data Recovery has structural training based upon knowledge level throughout the organization. ESS Data Recovery has an in-house interactive Computer Based Training system for all new employees. Employees involved with client processing attend quarter-end enhancement seminars and weekly company meetings where continual training is maintained. Our Human Resource (HR) department regularly conducts management development discussion groups and training seminars.

Hiring Practices and Human Resource Policies

The hiring practices are formalized and carefully performed via a detailed job requisition process. Job openings are posted internally first to provide advancement opportunities for current employees. All candidates are screened by our recruiting specialist who also conducts background checks and contacts the candidate's references. At least two members of management must have interviewed the candidate and the candidate is required to pass a pre-employment drug test before an offer of employment is extended. It is the policy of ESS Data Recovery to ensure equal employment opportunity to all employees and job applicants.

Each new employee is put through a formal orientation and Computer Based Training curriculum. The HR Department conducts management training seminars to assist managers in this area. The orientation process carefully reviews the policy manual, offers an organizational overview, a tour of the building, and discusses a range of procedures and job requirements. Detailed policies pertaining to client information security are reviewed closely during orientation. It is clearly communicated that a breach in these policies may result in disciplinary action, including suspension or termination of employment. Once the orientation is complete both the orientation checklist and the policy manual is signed by the new employee. The policy manual is reviewed and updated periodically throughout the year as needed by the HR and Legal departments.

As a part of a new employee's orientation, an enhancement meeting with his or her manager is conducted after 30 and 90 days of employment as well as a yearly review. These enhancement meetings serve the purpose of enhancing new employee's job specific skill and knowledge progression during the early stages of employment, as well as reiterating company and department policies and procedures.

Written performance evaluations are performed semi-annually by department managers to provide employees with an evaluation of their performance and to provide performance improvement feedback. Job tasks are taken directly from the employee job description for this evaluation. To conclude each performance review, an individualized employee professional development and performance plan is established and agreed upon between the manager and employee.

Integrity and Ethics

The organization and management of ESS Data Recovery establishes a control environment within which employees must function. It is a framework for all aspects of internal control. The control environment includes a commitment to the highest ethical standards that will never compromise the truth or the company's values. Employees demonstrate professionalism through responsibility, accountability, and reliability in all interactions with clients and each other. These values have been established as performance review criteria and are used for employee evaluation. See Code of Ethics section for our full Code of Ethics.

Confidentiality Agreement

All employees are required to review and sign ESS Data Recovery's confidentiality agreement prior to gaining employment. The agreement, which is a part of the new employee offer letter, contains clear guidelines of the employees' role in protecting client information. Management reviews the confidentiality guidelines with staff regularly.

Code of Ethics

ESS Data Recovery's business conduct is governed by a standard of ethics to provide guidance to departments about the way the company intends to conduct business. Responsibilities covered are avoiding misrepresentation, gifts, personal conduct, compliance, service standards, equitable practices, confidentiality, conflicts of interest, marketing, and financial reporting. These are regularly communicated to all ESS Data Recovery employees. The Code of Ethics as stated in the Employee Handbook is as follows:

1.1 ESS Data Recovery's Code of Ethics:

1. Obey the Law

- Comply with all laws and other legal requirements.
- Respect all public officials and their positions.
- Comply with safety and security standards for all products sold.
- Exceed ecological standards required in every community where we do business.
- Comply with all applicable wage and hour laws.
- Comply with all applicable anti-trust laws.
- Conduct business in and with foreign countries in a manner that is legal and proper under United States and foreign laws.
- Not offer, give, ask for, or receive any form of bribe or kickback to or from any person or pay to expedite government action or otherwise act in violation of the Foreign Corrupt Practices Act.
- Promote fair, accurate, timely, and understandable disclosure in reports filed with the Securities and Exchange Commission and in other public communications by the company.

2. Take Care of Our Clients

- Provide top-quality services at the best prices in the market.
- Provide our clients with the best customer service in the data recovery industry.
- Give back to our communities through employee volunteerism.

3. Take Care of Our Employees

- Competitive wages
- Great benefits
- A safe and healthy work environment
- Challenging and fun work
- Career opportunities
- An atmosphere free from harassment or discrimination
- An Open Door Policy that allows access to ascending levels of management to resolve issues.
- Opportunities to give back to their communities through volunteerism and fund-raising.

4. Respect Our Suppliers

- Treat all suppliers and their representatives as we would expect to be treated if visiting their places of business.
- Honor all commitments.
- Protect all suppliers' property assigned to ESS Data Recovery as though it were our own.
- Not accept gratuities of any kind from a supplier.

At the core of our philosophy as a company is the implicit understanding that all of us, employees and management alike, must conduct ourselves in an honest and ethical manner every day. In fact, dishonest conduct is not to be tolerated. To do any less would be unfair to the overwhelming majority of our employees who support and respect ESS Data Recovery's commitment to ethical business conduct. Our employees must avoid actual or apparent conflicts of interest, including creating a business in competition with the company or working for or on behalf of another employer in competition with the company. If we are ever in doubt as to what course of action to take on a business matter that is open to varying ethical interpretations, it is our policy to take the high road and do what is right.

Commitment to Excellence

Excellence should reflect the knowledge and skills required to accomplish tasks that define an individual's job. Through consideration of an entity's objectives and the strategies and plans for achievement of those objectives, management specifies the competence levels required for particular jobs and translates those levels into requisite knowledge and skills. ESS Data Recovery's management has analyzed and defined the tasks and knowledge requirements that

comprise the positions within the organization. They consider such factors to the extent to which individuals must exercise judgment and the extent of related supervision when making hiring decisions. ESS Data Recovery communicates this to personnel through the interview and performance review processes.

Information and Communication

ESS Data Recovery utilizes various methods of communication to ensure employees understand their individual roles and company controls. On a daily basis, the Operations Department closely communicates to ensure accuracy and timeliness of data recovery cases. The Operations Department will meet on or before quarter end to discuss quarterly processing requirements.

Client communications and information go directly to the Operations Departments' independent server, which is maintained by the IT Department. Additional security verification is attained via external audits. When an ESS Data Recovery client communicates via telephone message, fax, or email the inquiry is first secured physically within our CRM system and replied to in the same format as delivered or requested. Then any tangible documentation is scanned and secured electronically. This process is enforced throughout the organization. ESS Data Recovery maintains real-time communication with its clients via the online case lookup system, which is available on the company website. This application allows employees and clients to view current case information and communicate electronically one-to-one or globally when an announcement or notification is required.

Monitoring

Automated internal controls are ensured throughout the organization by Executive Management. Department Managers are regularly required to provide an extensive range of reporting including exception reporting, statistical, management, and client information. External audits are also conducted. The course of monitoring responsibility is as shown on the organization chart.

Client processing follows a structured monitoring process using an electronic checklist. Each step of the process is reviewed and approved before it can go to the next functional process. Daily reconciliations are approved by executive management.

Risk Assessment/Management

ESS Data Recovery has implemented a comprehensive business continuity plan that manages the risks that could affect its ability to provide reliable client processing. As a part of this plan, a co-location facility has been established that enables each of ESS Data Recovery's key functions to recover with limited effect on business productivity. Management is continuously developing its controls and is proactive with its risk assessment.

Section III - Control Objectives and Related Controls

Objective 1: Controls provide reasonable assurance that physical and environmental controls are in place to protect computer equipment from natural and/or manmade disasters.

Control #	Control Description
1.01	There is one server room in the main office in Edwardsville IL. The server room has a FM200 fire suppression system to help protect key systems against damage by fire. (STL)
1.02	Data Recovery labs have clean agent fire extinguishers in a central location in the lab. (STL, MN, CA)
1.03	Data Recovery labs store computers and hard drives on racks off the floor to protect against flood damage. (STL, MN, CA)
1.04	Data Recovery's server room and labs have uninterrupted power supply (UPS) to provide clean power on a day to day basis and uninterrupted power in the event of a power outage. (STL, MN, CA)
1.05	Data recovery labs have antistatic mats that prevent momentary unwanted currents that may cause damage to electronic equipment. (STL, MN, CA)
1.06	Data recovery labs have backup generator for uninterrupted power supply. (STL)

Objective 2: Controls provide reasonable assurance that physical access to computer equipment is limited to authorized personnel.

Control #	Control Description
2.01	ESS Data Recovery lab and server room is limited to authorized personnel. (STL, MN, CA)
2.02	ESS Data Recovery limits access to hard drive staging area. (STL, MN, CA)
2.03	ESS Data Recovery's forensic area is limited to authorized personnel. (STL)
2.04	ESS Data Recovery's forensics room utilizes locked fire cabinets to store hard drives. (STL)
2.05	ESS Data Recovery's perimeter is limited to ESS employees. (STL, MN, CA)

Objective 3: Controls provide reasonable assurance that logical security tools and techniques are implemented and configured to enable restriction of access to customer data and internal programs to authorized employees.

Control #	Control Description
3.01	Data recovery and forensic information is not loaded onto the server and is maintained in the lab which limits the access to only lab personnel and management. (STL)
3.02	Only one person has access to the on-line backup files of users. (STL)
3.03	The back-up files are defaulted to encrypted files. (STL)
3.04	The wireless network has no connection to the on-line back-up server. (STL)
3.05	ESS Data Recovery lab has a firewall. (STL)
3.06	Security policies and procedures exist that clearly outlines rules on handling customer's data. (STL, MN, CA)

Objective 4: Control objectives provide reasonable assurance that information contained on customer hardware is not accessed by unauthorized personnel.

Control #	Control Description
4.01	Computers located in lab area are not connected to the network and do not have internet access. (STL, MN, CA)
4.02	Each computer periodically swept for viruses. (STL, MN, CA)
4.03	Hard drives are never loaded on the server reducing the possibility of virus infection. (STL, MN, CA)
4.04	Forensics hardware is stored in a locked cabinet and is only accessible by the computer forensics specialist. (STL)

Section IV—Information Provided by Independent Service Auditor

Purpose and Objectives of the Report

This report is intended to provide users of ESS Data Recovery with information about controls at ESS Data Recovery that may affect the processing of transactions. This report, when combined with an understanding and assessment of the internal controls at user organizations, is intended to assist the user auditor in (1) planning the audit of the user's financial statements, and (2) assessing control risk for assertions in the user's financial statements that may be affected by controls at ESS Data Recovery.

Our examination of ESS Data Recovery's controls was restricted to the control objectives and the related controls specified in this section by ESS Data Recovery's management and were not extended to procedures described elsewhere in this report but not listed, or to procedures that may be in effect at the user organization. It is each user auditor's responsibility to evaluate this information in relation to the controls in place at each user organization. If certain complementary controls are not in place at the user organization, ESS Data Recovery's controls may not compensate for such weaknesses.

Our examination included interviews with key personnel, review of available documentation and observation of certain control procedures surrounding and provided by ESS Data Recovery.

The description of controls is the responsibility of ESS Data Recovery's management. It has been prepared taking into consideration the guidance contained in AICPA Statement on Auditing Standards No. 70, "Service Organizations."

This report was designed to cover the large majority of ESS Data Recovery's clients. Therefore, it focuses on those processes and controls applicable to the common processes supported by ESS Data Recovery. Any unique client situations or processes not described in the report are outside the scope of this report.