



RECORD RETENTION GUIDELINES

The age-old dilemma of record retention requirements hasn't gotten any easier even with the advent of electronic storage. Even if you religiously keep as many of your business records as possible on computer and diligently back those records up, you still need to retain many hard copy records for varying periods of time. There is no single statute of limitations for the many categories of records a business needs to hang on to for awhile. Requirements also vary widely by industry. The art of effective record retention boils down to two standards – reason and risk. Through the implementation of a formal record retention program, you may be able to reduce your costs significantly.

How Long Must Each Record be Kept?

While there are no absolute rules for determining the holding period for many types of records, there are some general guidelines contained in federal and state government publications. For certain types of records, there are government regulations that mandate a required retention period. On the following page contains a list of general guidelines for your reference.

How are Records Properly Retained?

Businesses should adopt written record retention policies addressing which records should be retained, for what length of time and in what manner. The policy should also address electronic records, including provision for periodic backups and archiving of e-mail and other electronic information, as well as the transfer of electronic information to a read-only format where appropriate.

The policy should provide for document disposition when the retention period has expired. Finally, a specific individual should be given responsibility – and authority – for assuring implementation and compliance with the policy.

Accounting and Tax Records

You must keep records to support the income, expenses and credits you report on each income tax return until the statutory period of limitations for that return expires.

Generally, the IRS can audit a tax return for three years after the date it was due or the date the tax was paid, whichever is later. However, if there is a major understatement of income, they can audit for six years after the due date (or almost seven years after the tax year). For that reason, you should keep most income tax records for seven years.

Depending on the nature of your business, it may also be wise to retain insurance policies permanently since claims can occasionally arise from acts that occurred many years in the past. (This is particularly true of environmental claims). Keep a copy of the policy to establish the potential for coverage.

Corporate Documents

Corporate documents should be kept indefinitely. These records include articles of incorporation, by-laws, stock records and board of directors' minutes.

Personnel Records

Employee records, including applications, I-9 forms and performance reviews, should be retained for at least seven years following termination of the individual's employment. In the event of a charge of discrimination, any documents should be kept for four years after resolution of the charge, if that is longer than the seven years after termination of employment. With respect to job applicants who have not been employed, applications, resumes and replies should be retained for one year after completion.

Employee Benefit Plan Records

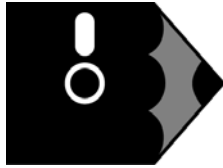
All information needed to verify any aspect of a filing under ERISA must be kept for a period of six years after the date of filing. The exact records needed will vary from plan to plan but must include, as a minimum, the basic information that will verify the accuracy and completeness of all required disclosures and the Annual Report. This includes brokerage or trustee statements supporting the investment experience of the plan, payroll and related data to support eligibility, allocations and compliance testing, and participant communications related to terminations, loans or designations of beneficiary.

Electronic Record Keeping

The IRS has issued guidelines for retaining computerized records. You must be able to produce legible records that reconcile your books and tax returns. Machine-sensible records must be readily retrievable and contain sufficient transaction-level detail to identify any source documents. Specific requirements exist for documentation of procedures, file contents and system checks.

Correspondence

This is a broad category and different types of correspondence may need to be retained for different lengths of time. As a general rule, most correspondence should be retained for at least three years.



The following record retention chart provides a general guideline for the retention of many records, but the specific holding periods for any record retention policy should be given careful scrutiny by management and legal advisors in light of any pending investigations, regulated industry requirements or contract covenants. In addition to these general guidelines, each business should consider any industry standards which may affect the holding period of records due to unusual legal circumstances.



Accounting Records

Auditors report & annual financial statements	Permanently
Bank statements and reconciliations	7 years
Cancelled checks:	
• Fixed assets	Permanently
• General	7 years
• Payroll	7 years
• Taxes (payroll related)	7 years
• Taxes (income)	Permanently
Cash disbursements journal	Permanently
Cash receipts journal	Permanently
Chart of accounts	Permanently
Deeds, mortgages, bills of sale	Permanently
Electronic payment records	7 years
Employee expense reports	7 years
Fixed asset records (Invoices, cancelled checks, depreciation schedules)	Permanently
Freight bills and bills of lading	7 years
General journal	Permanently
General ledger	Permanently
Inventory listings	7 years
Investment account statements	7 years
Invoices: Sales to customers/credit memos	7 years
Payroll journal	Permanently
Production and sales reports	7 years
Purchases	7 years
Purchase journal	Permanently
Purchase orders	7 years
Sales journal	7 years
Subsidiary ledgers (accounts receivable, accounts payable, equipment)	7 years
Time cards and daily time reports	7 years
Training manuals	Permanently
Trial balance — year end	Permanently

Business Documents

Articles of incorporation and bylaws	Permanently
Buy-sell agreements	Permanently
Contracts and leases (still in effect)	Permanently
Contracts and leases (expired)	7 years
Correspondence (general)	3 years
Employment agreements	7 years
Legal correspondence	Permanently
Loan Documents	7 years
Minutes	Permanently
Patent/Trademark and related papers	Permanently
Partnership agreements	Permanently
Stock certificates and ledgers	Permanently

Insurance Records

Accident reports and settled claims	6 years after settlement
Fire Inspection and safety reports	7 years
Insurance policies (still in effect)	Permanently
Insurance policies (expired)	7 years
Workers Compensation Reports	7 years

Tax Records

Internal Revenue and State Tax correspondence	Permanently
IRS adjustments	Permanently
Payroll tax returns	7 years
Property basis records	Permanently
Sales and use tax returns	7 years
Tax returns (federal & state)	Permanently

Personnel Records

Child labor certificates and notices	3 years
Employment application (from date of termination)	3 years
Employment eligibility verification (I-9 form) (from date of termination)	3 years
Help wanted ads and job opening notices	2 years
Personnel files (from date of termination)	4 years
Records of job injuries causing loss of work	5 years
Union agreements and individual employee contracts (from date of termination)	3 years

Employee Benefit Plan Records

Actuarial reports	Permanently
Allocation and compliance testing	7 years
Brokerage/Trustee statements	7 years
Financial statements	Permanently
General ledger and journals	Permanently
Information returns (Form 5500)	Permanently
Internal Revenue Service/Department of Labor Correspondence	Permanently
Participant communications related to distributions terminations, beneficiaries	7 years
Plan and Trust Agreements	Permanently