

*ACCOUNTING AND GENERAL MANUAL***TITLE:** RECORDS RETENTION**ISSUE DATE:** 04/15/09**EFFECTIVE DATE:** 04/15/09**REPLACES:** 08/18/06**ISSUED BY:** MHK**AUTHORIZED BY:** SJS**I. POLICY:**

It is the policy of Harsco Corporation to retain records only as long as they are actually required by law, governmental regulations, or are useful. The retention policy is universal unless there are local country regulations that would extend the retention period.

**II. PROCEDURE:**

Each Division shall be responsible for retention of records in accordance with minimum time standards established in Exhibit A.

- A. The retention schedule applies to the original, photographic, or essential copy of multiple-copy forms and reports. Other copies may be disposed of at anytime at the discretion of management.
- B. Outside storage facilities and the use of an electronic storage system should be governed by cost or by government regulations.
  - 1. Where an electronic storage system is employed and authenticity certified, the original hard copy may be destroyed with the exception of those documents containing original signature which require authentication. (See Exhibit C)
  - 2. To be cost effective, a pre-requisite to the adoption of photographic alternatives should be:
    - a. Essential systems applications
    - b. Duplication to protect a vital record
    - c. Long retention period for space economy

## RECORDS RETENTION

3. The Federal government and most state governments recognize photographic copies of business records as evidence (28USCS Section 1732). However, the Internal Revenue Service may require transcription to hard copy. These records require a "Tax Letter Release". See Exhibit A.

- C. The retention of information recorded in electronic format shall be subject to the same retention periods as printed or hard copy documents.
1. IRS has identified certain files that require special handling by Harsco in creating uniform files on electronic media (see Exhibit B attached). These files shall follow the minimum time standards established in Exhibit A of this procedure.
  2. When using an electronic storage system for archival purposes it is necessary to maintain accurate control documentation of the transaction history files and the associated master files. This is particularly important when dealing with **datasets** within one or several **databases**. The proper controls must be in place to ensure that the relationships between master and detail are synchronized and consistent.
  3. Another detail that must be given high consideration is maintaining the capability of restoring and processing the data on the currently installed hardware, software and operating system. In some cases a major change in the computer configuration, application software or operating system may necessitate a special conversion on the archival information in order to maintain processing compatibility.
  4. As with any archival process, it is a good business practice to set up a procedure whereby the electronic storage system is maintained not only onsite but also off-site. See Harsco general policies and procedures IPTL008-Data Management Security Policy for details on off-site/on-site record retention.
- CI. The retention time period normally starts with the date of the record. However, with some records such as contracts, mortgages, etc., the application date is based upon the termination or the last transaction date.
- CII. The time period applies to all records of the year and commences as of December 31 of the year (i.e. January 2006 records, having a three year retention, should be kept until January 2010).
- CIII. Records marked with an (X) in the column headed "Tax Letter Release" shall be retained for the time period indicated and shall not be destroyed until after the applicable TAX LETTER RELEASE from the Corporate Tax Department has been issued. Litigation may extend retention period if directed by the Legal Department.
- CIV. Where the word "Indefinitely" is assigned, the record shall be subject to indefinite retention and future review.
- CV. Where the word "Current" is assigned, the record shall be subject to current retention only - i.e., the record will be retained for as long as it remains useful and/or active
- CVI. Receipts for registered and certified mail shall be attached to related documents and retained for the same period as the documents to which they pertain.

**EXHIBIT A**

**HARSCO CORPORATION AND SUBSIDIARIES  
RECORD RETENTION AGREEMENT**

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>ACCOUNTING</b>	Accounts Payable Detail (Uniform Magnetic Media)	10	X
<b>ACCOUNTING</b>	Accounts Payable Supporting Data (Invoices, Credits, Vouchers, etc.)	10	X
<b>ACCOUNTING</b>	Accounts Payable Cancelled Voucher Checks	10	X
<b>ACCOUNTING</b>	Accounts Receivable Detail (Uniform Magnetic Media)	10	X
<b>ACCOUNTING</b>	Accounts Receivable Cash Receipts Book	10	X
<b>ACCOUNTING</b>	Accounts Receivable Supporting Data (Invoices, Credits, Collection Records Receipts, etc.)	10	X
<b>ACCOUNTING</b>	Authority for Investments (AFI's)	7	
<b>ACCOUNTING</b>	Automobile Usage Logs	7	X
<b>ACCOUNTING</b>	Bank Records (Statements, Advices, Memos, Reconciliations, Deposit Books, Slips, etc)	10	X
<b>ACCOUNTING</b>	Budgets & Comparison Reports (Current Year and Historical)	5	
<b>ACCOUNTING</b>	Capital Assets:		
	Records	10(years after disposal)	X
	Repair Vouchers	10	
	Vouchers	10	X
<b>ACCOUNTING</b>	Clearing Accounts	7	X
<b>ACCOUNTING</b>	Employee Expense Reports	7	X

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>ACCOUNTING</b>	Financial Statements: Annual - Certified by CPA	Indefinitely	
	Interim	5	
<b>ACCOUNTING</b>	Filing - General Correspondence	1 (And Review)	
<b>ACCOUNTING</b>	General Ledger	Indefinitely	
	Supporting Journals Summaries, etc	7	X
<b>INVENTORY &amp; COST RECORDS</b>	Production Cost & Job Summary Records	7	X
<b>INVENTORY &amp; COST RECORDS</b>	Cost Reports & Summaries	7	X
<b>INVENTORY &amp; COST RECORDS</b>	Inventories - Consigned & Physical	7	X
<b>INVENTORY &amp; COST RECORDS</b>	Labor Distribution Records	4	X
<b>INVENTORY &amp; COST RECORDS</b>	Price Records	3	X
<b>INVENTORY &amp; COST RECORDS</b>	Quotations & Proposals (When acted upon)	4	
<b>INVENTORY &amp; COST RECORDS</b>	Specifications	While Useful	
<b>INSURANCE</b>	Automobile Accident Reports	7	
<b>INSURANCE</b>	Insurance Policies & Files - Liability	20	
<b>INSURANCE</b>	Group Insurance Record	11 (after maturity)	
<b>INSURANCE</b>	Liability Accidents	10 (after settlement or other disposition)	X

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>INSURANCE</b>	Product Liability Claims	10	X
<b>INSURANCE</b>	Other Claim Files when Settled	3	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Assignments, Attachments, etc.	5	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Savings Bond - Purchase Record	3	
<b>PAYROLL &amp; RELATED RECORDS</b>	Cancelled Payroll Checks	10	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Employee's Deduction Authorizations	3 (after termination or cancellation)	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Rate Changes - "Add to Payroll" Notices (to employee's personnel file)	5	
<b>PAYROLL &amp; RELATED RECORDS</b>	Individual Employee's Personnel File	8 (after separation)	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Payroll Registers (Gross & Net)	10	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Payments & Reports to Government Includes-Federal-State-etc,FICA, employment, workers comp, etc.	See Tax Section	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Retirement & Pension Plan Records (Vital Record)	Indefinitely	
<b>PAYROLL &amp; RELATED RECORDS</b>	Time Cards & Time Sheets	3	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Unclaimed Wage Records	10	X
<b>PAYROLL &amp; RELATED RECORDS</b>	Undeliverable Employee Wage Statements, Form W-2	7	X

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>PAYROLL &amp; RELATED RECORDS</b>	Tab Cards & Magnetic Tapes	3 Months	X
<b>CORPORATE RECORDS</b>	Aircraft Logs	7	X
<b>CORPORATE RECORDS</b>	Annual Reports	Indefinitely	
<b>CORPORATE RECORDS</b>	Cancelled Stock Certificates	Indefinitely	
<b>CORPORATE RECORDS</b>	Certificates of Incorporation	Indefinitely	
<b>CORPORATE RECORDS</b>	Charter	Indefinitely	
<b>CORPORATE RECORDS</b>	Constitution & By-Laws	Indefinitely	
<b>CORPORATE RECORDS</b>	Contracts & Agreements: With indemnities or assumption of liabilities that survive termination	Indefinitely	
	Other third party contracts & agreements	6 (after termination)	X
	Other inter-company contracts & agreements	Indefinitely	X
<b>CORPORATE RECORDS</b>	Debenture Records	Indefinitely	
<b>CORPORATE RECORDS</b>	Deeds	Indefinitely	
<b>CORPORATE RECORDS</b>	Dividend Checks	10	X
<b>CORPORATE RECORDS</b>	Easements	Indefinitely	

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>CORPORATE RECORDS</b>	Leases (Plant & Property)		
	With indemnities or assumptions of liabilities that survive termination	Indefinitely	
	Other Leases	6 (after termination)	X
<b>CORPORATE RECORDS</b>	Minutes of Board Meeting Books & Resolutions (Vital Record)	Indefinitely	
<b>CORPORATE RECORDS</b>	Mortgages - Cancelled	7	
<b>CORPORATE RECORDS</b>	Options	7 (after expiration or cancellation)	
<b>CORPORATE RECORDS</b>	Patent, Copyrights, trademarks, etc	Indefinitely	
<b>CORPORATE RECORDS</b>	Proxies	10	
<b>CORPORATE RECORDS</b>	Stock - Stock Transfers - Records	7	X
<b>CREDIT &amp; COLLECTIONS</b>	Application for Credit	3	
<b>CREDIT &amp; COLLECTIONS</b>	Collection File	3	X
<b>CREDIT &amp; COLLECTIONS</b>	Credit Authorization Records	7	
<b>CREDIT &amp; COLLECTIONS</b>	Credit Files - Commercial Reports Financial Statements	3 (after date of last activity)	
<b>CREDIT &amp; COLLECTIONS</b>	Letters of Credit	3	X
<b>CREDIT &amp; COLLECTIONS</b>	Time Payments Contracts Promissory Notes	6 (after paid)	

MAJOR AREA	DOCUMENT	NUMBER OF YEARS	TAX RELEASE
<b>CREDIT &amp; COLLECTIONS</b>	Uncollectible Accounts Records & Reports on Accounts Including Authorization or Write-off	7	X
<b>ENGINEERING</b>	Bills of Material	3	X
<b>ENGINEERING</b>	Basic Scientific & Engineering Records Publication, Standards & Notes	40 Minimum	
<b>ENGINEERING</b>	Engineering & Research Notebooks	40 Minimum	
<b>ENGINEERING</b>	Experiment or Test Records	40 Minimum	
<b>ENGINEERING</b>	Production Design Records	40 Minimum	
<b>ENGINEERING</b>	Production Tool Design Records	40 Minimum	
<b>ENGINEERING</b>	Research Data File	40 Minimum	
<b>ENGINEERING</b>	Specification, Installation Instructions	40 Minimum	
<b>IT</b>	Email	3 Month	
<b>LAW</b>	Acquisitions		
	Agreements	Indefinitely	
	Closing Documents	Indefinitely	
	Confidential Agreements	6	
	Merger Documents	Indefinitely	
<b>LAW</b>	Due Diligence Materials	20	
<b>LAW</b>	General Agreements With indemnities or assumptions of liabilities that survive termination	Indefinitely	
	Other third party agreements	6 (after termination)	X
	Other inter-company agreements	Indefinitely	X



<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>LAW</b>	Conflict of Interest Statements	10 (after termination)	
<b>LAW</b>	General Legal Issue Files	10	
<b>LAW</b>	Litigation Files		
	Settlement Agreements	20	
	Final Court Orders	20	
	Pleadings	20	X
	Opinion Letters and Memos	20	X
	Other File Material	Current	
<b>LAW</b>	Opinion Letter Files	20	
<b>MANUFACTURING</b>	Manufacturing, Disability & Sick Benefits Records	30	
<b>MANUFACTURING</b>	Employee Contracts	6 (after termination)	
<b>MANUFACTURING</b>	Environmental site surveys and reports on corrective action	Indefinitely	
<b>MANUFACTURING</b>	EPA Citation	Indefinitely	
<b>MANUFACTURING</b>	EPA Hazardous Waste Records	Indefinitely	
<b>MANUFACTURING</b>	EPA Operating Permits	7 (after expiration)	
<b>MANUFACTURING</b>	Individual Employee Personnel File	8 (after separation)	
<b>MANUFACTURING</b>	Industrial Accidents	10 (After Settlement or other disposition)	
<b>MANUFACTURING</b>	Injuries Supplemental Record of Injuries (OSHA form No. 101)	5	

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>MANUFACTURING</b>	Injuries Summary of Occupational Injuries (OSHA form No. 102)	5	
<b>MANUFACTURING</b>	Injuries Log of Occupational Injuries (OSHA form No. 200)	5	
<b>MANUFACTURING</b>	Machine Location Records	3	
<b>MANUFACTURING</b>	Medical Records	30 (after separation)	
<b>MANUFACTURING</b>	Operating Reports	3	
<b>MANUFACTURING</b>	Order Procedures	2	
<b>MANUFACTURING</b>	OSHA Citations	Indefinitely	
<b>MANUFACTURING</b>	Planning Summaries	2	
<b>MANUFACTURING</b>	Plant Layout Charts	Current	
<b>MANUFACTURING</b>	Production Order & Register	3	
<b>MANUFACTURING</b>	Production & Shrinkage Reports	3	
<b>MANUFACTURING</b>	Quality Control Reliability Record (Vital Record)	40 Minimum	
<b>MANUFACTURING</b>	Requisitions on Stores or for Purchase	3	
<b>MANUFACTURING</b>	Specification Sheets	3	

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>MANUFACTURING</b>	Tool Control	3	
<b>MANUFACTURING</b>	Work or Shop Orders	3	
<b>PURCHASING</b>	Acknowledgements or Orders	6 (after close)	
<b>PURCHASING</b>	Contracts with Vendors	(after close)	
<b>PURCHASING</b>	Correspondence with Vendors, etc.	6 (after close)	
<b>PURCHASING</b>	Price Lists & Files Historical Copy	6	
	Other Copies	Current	
<b>PURCHASING</b>	Purchase Orders	7	
<b>PURCHASING</b>	Purchase & Priority Requisitions	3	
<b>PURCHASING</b>	Quotations (those acted upon)	6	
<b>PURCHASING</b>	Source of Supply & Catalog Files	Current	
<b>SALES RECORDS</b>	Contracts and Orders with Customers	7	X
<b>SALES RECORDS</b>	Contracts with Government	6 (after final performance)	X
<b>SALES RECORDS</b>	Contract Progress Reports	3	
<b>SALES RECORDS</b>	Contracts with Representatives, Agents, Distributors	6 (after termination)	X

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>SALES RECORDS</b>	Mailing & Prospect Files	Current	X
<b>SALES RECORDS</b>	Market Research Studies & Analyses	Current	
<b>SALES RECORDS</b>	Notices of Orders Billed	Current	
<b>SALES RECORDS</b>	Acknowledgements of Orders	7	X
<b>SALES RECORDS</b>	Orders Filled	Current	
<b>SALES RECORDS</b>	Order Register	Current	
<b>SALES RECORDS</b>	Order Replacement Records	Current	
<b>SALES RECORDS</b>	Orders Unfilled	Current	
<b>SALES RECORDS</b>	Price Lists to Customers	Current	
<b>SALES RECORDS</b>	Salesman Activity Reports	Current	
<b>SALES RECORDS</b>	Sales Analyses Records & Summaries	2	
<b>SALES RECORDS</b>	Salesman Commission Reports	7	X
<b>SALES RECORDS</b>	Sales Correspondence	7	
<b>SALES RECORDS</b>	Sales Invoices	7	X

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>SALES RECORDS</b>	Shipping Notices & Reports	3	X
<b>TAX RECORDS</b>	Tax Records-Schedules, Returns & Audits		
	U.S. and State Income Tax Returns	Indefinitely	
	Foreign Income Tax Returns Earnings & Profits Histories	Indefinitely Indefinitely	X
	Income tax payment & tax pool receipts and histories	Indefinitely	X
	All other	8	X
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Bills of Lading	3	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Bills of Lading - Exports	3	X
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Claims	3	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Delivery Reports	3	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Export Declarations	4	X
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Receipts for registered & express mail	Retain with documents to which they apply	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Receiving Reports	3	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Routing Records	2	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Shipping Instructions	3	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Shipping Reports	4	
<b>TRAFFIC SHIPPING &amp; RECEIVING</b>	Waybills & Packing Slips	3	

<b>MAJOR AREA</b>	<b>DOCUMENT</b>	<b>NUMBER OF YEARS</b>	<b>TAX RELEASE</b>
<b>SEC RECORDS</b>	8-K	Indefinitely	
<b>SEC RECORDS</b>	10-K	Indefinitely	
<b>SEC RECORDS</b>	10-Q	10	
<b>SEC RECORDS</b>	11-K	Indefinitely	
<b>SEC RECORDS</b>	S-1	Indefinitely	
<b>SEC RECORDS</b>	S-3	Indefinitely	
<b>SEC RECORDS</b>	S-8	Indefinitely	
<b>SEC RECORDS</b>	S-9	Indefinitely	
<b>SEC RECORDS</b>	S-16	Indefinitely	
<b>SEC RECORDS</b>	All other SEC registration statements and amendments	Indefinitely	
<b>CENSUS BUREAU RECORDS</b>	Annual Survey of Manufacturers	5	

HARSCO CORPORATION AND SUBSIDIARIES  
ADP RECORD RETENTION AGREEMENT

Retention Period

Records identified in this agreement are to be retained until the earliest of the following:

1. Expiration of the statute of limitations (including extensions) for such year;
2. Release by mutual consent;
3. Upon receipt of a final closing agreement from the Internal Revenue Service for such year.

The retention period stated is for Federal Tax purposes. See Treas. Reg. §6001-1(e). You may require longer retention periods for other purposes.

Other Provisions Agreed Upon

1. It is understood that the Company (Harsco Corporation) has discussed its automated accounting data processing system with the Internal Revenue Service, and has made the Internal Revenue Service aware of the existence of all files that contain:
  - A. All the detail data which may be material in the administration of any internal revenue law;
  - B. All the detail data necessary to reconcile to the final applicable computer generated reports used in the preparation of the federal tax returns of the Company;
  - C. All the information necessary to trace any given transaction to its original source document(s), such as an invoice or a specific general journal entry.
2. The present record retention practices of subsidiary companies covered by this agreement will be adequate if no specific records have been identified for retention.
3. This agreement will not be terminated by any change in ownership of the Company, nor by any other reorganization within the Company. If such changes affect the company's ability to comply with the terms of this agreement, the Company will notify the Internal Revenue Service immediately. The agreement applies to subsidiaries of the Company only while majority-owned, directly or indirectly, by the Company.

HARSCO CORPORATION AND SUBSIDIARIES  
ADP RECORD RETENTION AGREEMENT

4. Limitation on records to be retained as provided by this agreement includes all divisions and all foreign and domestic subsidiaries of the corporation as of the evaluation date. The limitation does not apply to companies acquired, or to accounting and tax systems added subsequent to the completion of the record evaluation or reevaluation upon which this agreement is based. All machine-sensible records produced by these companies or systems must be retained until such time as reevaluation is conducted by the District Director, or until expiration of the Retention Period described above, whichever is earlier. The evaluation for this agreement was completed on December 12, 1990.
5. At the time of examination, the Internal Revenue Service will provide computer retrieval programs to access selected data from the noted files, or the company's programs may be used to do the same tasks.
6. Computer time on appropriate equipment will be furnished at the time of the examination by the company at a mutually agreeable date(s).
7. Program documentation in connection with the files noted shall be retained by the Company for the retention period. Such documentation should include the record layouts and label descriptions, and may also include flowcharts and a narrative description. Documentation retained shall be in sufficient detail to allow meaningful processing of the retained files.
8. In order to prevent inadvertent release or destruction, and as required by Revenue Procedure 86-19, the Company agrees to clearly label, securely store, and periodically check all machine-sensitive records retained under the provisions of this agreement.
9. Pursuant to Revenue Ruling 78-447, a domestic shareholder of a controlled foreign company is required to retain the electronic data processing records of such controlled foreign corporation in order to satisfy the requirements of Section 964(c) of the Internal Revenue Code.
10. The Company remains subject to all requirements of Revenue Procedure 97-22 that are not specifically modified or waived by this agreement.
11. Any files not specifically requested to be retained that are available at the time of examination may be used at the discretion of the Internal Revenue Service.



**HARSCO/IRS Record Layout****General Ledger Detail**

Tax Year	XX	YY
Company ID	X(9)	XXX = HSC YYY = DIVISION NAME ZZZ = PLANT NAME/NUMBER
System Identifier	XX	Constant "GL"
Account Number	X(12)	Should agree with Harsco Chart of Accounts
Journal Voucher Number	X(18)	
Accrual Date	X(6)	MMDDYY
Debit/Credit Indicator	X	D = Debit C = Credit
Amount	S9(11)V9 9	
Transaction Description	X(40)	
Filler	X(57)	
File Characteristics:		
• Record Size	160 Characters	
• Blocking Factor	50 Records/Block	

**HARSCO/IRS Record Layout****A/P Detail**

Tax Year	XX	YY
Company ID	X(9)	XXX = HSC YYY = DIVISION NAME ZZZ = PLANT NAME/NUMBER
System Identifier	XX	Constant "AP"
Account Number	X(12)	Should agree with Harsco Chart of Accounts
Invoice Number	X(18)	
Accrual Date	X(6)	MMDDYY
Debit/Credit Indicator	X	D = Debit C = Credit
Amount	S9(11)V9 9	
Transaction Description	X(40)	
P/O Number	X(10)	
Vendor Number	X(15)	
Vendor Name	X(25)	
Filler	X(7)	Expansion

## File Characteristics:

- Record Size                    160 Characters
- Blocking Factor                50 Records/Block

HARSCO CORPORATION AND SUBSIDIARIES  
ELECTRONIC RECORDS RETENTION AGREEMENT  
EXHIBIT C

Electronic Records

Requirements for electronic storage systems are based on Revenue Procedure 97-22.

Records maintained in an electronic storage system that either images hardcopy books and records or transfers computerized books and records to electronic storage will be determined to comply with the requirements within the meaning of Code Section 6001, as follows:

- 1) An electronic storage system must ensure an accurate and complete transfer of the hardcopy or computerized books and records to an electronic storage media. The electronic storage system must also index, store, preserve, retrieve, and reproduce the electronically stored books and records.
  - (2) An electronic storage system must include:
    - (a) reasonable controls to ensure the integrity, accuracy, and reliability of the electronic storage system;
    - (b) reasonable controls to prevent and detect the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of electronically stored books and records;
    - (c) an inspection and quality assurance program evidenced by regular evaluations of the electronic storage system including periodic checks of electronically stored books and records;
    - (d) a retrieval system that includes an indexing system (see requirements below); and
    - (e) the ability to reproduce legible and readable hardcopies of electronically stored books and records.
  - (3) All books and records reproduced by the electronic storage system must exhibit a high degree of legibility and readability when displayed on a video display terminal and when reproduced in hardcopy. The term "legibility" means the observer must be able to identify all letters and numerals positively and quickly to the exclusion of all other letters or numerals. The term "readability" means that the observer must be able to recognize a group of letters or numerals as words or complete numbers. The taxpayer must ensure that the reproduction process maintains the legibility and readability of the electronically stored document.

(4) The information maintained in an electronic storage system must provide support for the taxpayer's books and records (including books and records in an automated data processing system). For example, the information maintained in an electronic storage system and the taxpayer's books and records must be cross-referenced in a manner that provides an audit trail between the general ledger and the source document(s).

(5) For each electronic storage system used, the taxpayer must maintain, and make available to the Service upon request, complete descriptions of:

(a) the electronic storage system, including all procedures relating to its use; and

(b) the indexing system (see requirements below).

(6) At the time of an examination, the taxpayer must:

(a) retrieve and reproduce (including hardcopies if requested) electronically stored books and records; and

(b) provide the Service with the resources ( e.g., appropriate hardware and software, personnel, documentation, etc.) necessary to locate, retrieve, read, and reproduce (including hardcopies) any electronically stored books and records.

(7) An electronic storage system must not be subject, in whole or in part, to any agreement (such as a contract or license) that would limit or restrict the Service's access to and use of the electronic storage system on the taxpayer's premises (or any other place where the electronic storage system is maintained), including personnel, hardware, software, files, indexes, and software documentation.

(8) The taxpayer must retain electronically stored books and records so long as their contents may become material in the administration of the Internal Revenue laws (as defined in exhibit A).

(9) The taxpayer may use more than one electronic storage system. In that event, each electronic storage system must meet the requirements of this revenue procedure. Electronically stored books and records that are contained in an electronic storage system with respect to which the taxpayer ceases to maintain the hardware and the software necessary to satisfy the conditions of this revenue procedure will be deemed destroyed by the taxpayer, unless the electronically stored books and records remain available to the Service in conformity with this revenue procedure.

(10) Taxpayers may use reasonable data compression or formatting technologies as part of their electronic storage system so long as the requirements of this revenue procedure are satisfied.

(11) The District Director may periodically initiate tests of a taxpayer's electronic storage system. These tests may include an evaluation of a taxpayer's equipment and software, as well as the procedures used by a taxpayer to prepare, record, transfer, index, store, preserve, retrieve, and reproduce

electronically stored documents.

#### Requirements of an Indexing System

(1) For purposes of this revenue procedure, an "indexing system" is a system that permits the identification and retrieval for viewing or reproducing of relevant books and records maintained in an electronic storage system. For example, an indexing system might consist of assigning each electronically stored document a unique identification number and maintaining a separate database that contains descriptions of all electronically stored books and records along with their identification numbers. In addition, any system used to maintain, organize, or coordinate multiple electronic storage systems is treated as an indexing system under this revenue procedure. The requirement to maintain an indexing system will be satisfied if the indexing system is functionally comparable to a reasonable hardcopy filing system. The requirement to maintain an indexing system does not require that a separate electronically stored books and records description database be maintained if comparable results can be achieved without a separate description database.

(2) Reasonable controls must be undertaken to protect the indexing system against the unauthorized creation of, addition to, alteration of, deletion of, or deterioration of any entries.

#### Destruction of Original Books and Records

This revenue procedure permits the destruction of the original hardcopy books and records after the taxpayer:

- (1) has completed its own testing of the electronic storage system that establishes that hardcopy or computerized books and records are being reproduced in compliance with all the provisions above, and
- (2) has instituted procedures to ensure its continued compliance with the provisions of Revenue Procedure 97-22.