

Record Retention and Destruction Policy

Neuschwander, Faircloth & Hardy, P.C. recognizes that the firm's engagement and administrative files are critical assets. As such, the firm has established this formal written policy for record retention and destruction in accordance with applicable state and federal laws. Compliance with this policy is mandatory for all employees.

Engagement Files

Engagement files are defined, for purposes of this policy, as all records related to the engagement, including work papers and other documents that form the basis of the services rendered by the firm. Such as, all documentation reflecting the procedures applied, evidence obtained, and conclusions reached in the engagement. In order to adequately address the needs of the firm and meet the current regulatory requirements established by the profession and the regulatory agencies, this policy will address separately the document retention requirements for engagement files by the categories indicated below.

Audit/Review/Compilation Services

Neuschwander, Faircloth & Hardy, P.C. will retain all records related to the audit, review or compilation (including electronic records) for a period of five years from the conclusion of the audit, review or compilation that meet the following *two criteria*:

1. The records have been created, sent or received in connection with the audit, review or compilation.

And

2. The records contain conclusions, opinions, analyses, financial data related to the audit, review or compilation, or significant information that is inconsistent with the final conclusions, opinions or analyses (e.g. significant differences in professional judgment or differences of opinion on issues that are material to the financial statements or to the final conclusions).

Records for purposes of this sub-section include work papers and other documents that form the basis of the financial statement engagement; and memoranda, correspondence, communications, and other documents and records that meet both of the criteria stated above.

It is the firm's position that all documents (whether hardcopy or electronic) that do not meet the criteria 1. and 2. above would not be considered substantive in nature and thus would not have to be retained in accordance with this policy. The Firm, however, acknowledges the following exception to this rule:

- All significant information that is inconsistent with the final conclusions, opinions or analyses (e.g. significant differences in professional judgment or differences of opinion on issues that are material to the financial statements or to the final conclusions) must be considered substantive in nature and appropriately retained in accordance with this policy.

Although this list is not meant to be all inclusive, the following are examples of those items that generally would not meet the criteria for retention and should be destroyed at the completion of the engagement:

- Superseded drafts of memoranda, financial statements or regulatory filings
- Notes on superseded drafts of memoranda, financial statements or regulatory filings that reflect incomplete or preliminary thinking
- Duplicates of documents
- Copies of client records (Unless the client records contain evidence of audit or other procedures applied by the Firm.)
- Review notes
- To do lists (which have been completed)
- Documents that contain typographical errors or other minor errors that result from the normal business/learning process or from preliminary views based on incomplete information or data
- Voice-mail messages. (It is the firm's policy that all significant voice-mail messages that would record or support the Firm's professional services should be documented as a memo to file and retained in accordance with the terms of this policy.)

Questions arising in connection with applying the rules set forth in this section should be referred immediately to the partner on the engagement. The Quality Control Partner must approve any exceptions to this policy.

Other Services (Includes Tax and Consulting Services)

Neuschwander, Faircloth & Hardy, P.C. will retain sufficient records (whether hardcopy or electronic) to reflect services performed by and substantive information provided to the Firm for the engagement for five years after it completes such services. Records, for the purposes of this sub-section, mean final work papers and any other documents, including correspondence and copies of client records, that are necessary for a reasonable person to understand the services performed by and substantive information provided to Neuschwander, Faircloth & Hardy, P.C. for the engagement but do not include the Firm's billing records.

Administrative Files

It is the firm's policy that all administrative files [including but not limited to billing and collecting activities, accounts payable, loans, leases, fixed assets and personnel files] will be maintained for no less than the current legal or regulatory requirements for such items or longer if they serve a useful purpose as determined by the Executive Assistant and with the approval of the Quality Control Partner. The Executive Assistant will be responsible for maintaining and annually updating a summary of the legal and regulatory requirements for all administrative files and keeping the Quality Control Partner updated of any changes to such requirements.

Physical Security

It is company protocol to protect all hardcopy files, electronic files, computer hardware, software, data and documentation from misuse, theft, unauthorized access, and environmental hazards. As such, the firm has adopted procedures for information maintained in both hardcopy form and electronic form to ensure physical security.

Hardcopy Form

- The firm will store all of its on-site hardcopy client files in file cabinets. File cabinets are restricted to those employees authorized to have such access.
- The Executive Assistant will have the responsibility for establishing filing procedures to ensure that files can be easily located and retrieved as necessary.

Electronic Form

- The firm has established back-up procedures on electronic files to minimize the risk that data may be destroyed, modified, or disclosed without authorization. These procedures include, but are not limited to, the following:
 - The Information Technology Partner will be responsible for ensuring that all data files will be backed up daily to an off-site backup facility administered by BackUp Solutions, 307 E. Chapman, Ave., Orange, CA 92866.
 - The Information Technology Partner will be responsible for ensuring also that all software applications used in storing the files are retained or available (including all updated or superseded applications) so that the electronic files can continue to be accessed for the retention periods stated in this policy.
- Access controls have been established to maintain the confidentiality and integrity of data stored on the firm's computer systems. Access shall be restricted to only those actions that are appropriate to each employee's specific job duties. The Information Technology Partner will have the responsibility for the administration of access controls and will ensure that all additions, deletions and/or changes are processed appropriately upon written request from the applicable supervisor and/or partner. Employees will have individual access codes and passwords to the firm's computer network systems. These systems are accessible at all times by the firm and the Information Technology Partner will maintain a complete list of access codes and passwords in a secured place. Employees are prohibited from the unauthorized use of the access codes and passwords belonging to other employees.

Confidentiality

All of the documents and records relating to clients are the property and proprietary interest of Neuschwander, Faircloth & Hardy, P.C., to the extent it is consistent with applicable laws. All original documents are the property of the client and should be returned to the client upon request or at the end of the engagement. The firm's documents and records relating to clients are confidential and may not be disclosed without express written permission from the client or unless required by law. All employees of the firm must ensure that privacy will be maintained for client information. *In consideration of the firm's size and complexity, the nature and scope of the professional services we render to our clients, and the sensitivity of the information we collect, the firm has determined that compliance with this policy appears to satisfy the current regulatory requirements under the Federal Trade Commission Safeguards Rule (www.ftc.gov/privacy/glbact).*

Destruction of Records

The Quality Control Partner has the responsibility for ensuring compliance with this policy for the destruction of records, files and electronic data. It is the firm's policy that all engagement letters issued on or after the effective date of this policy should contain language regarding the

firm’s applicable record retention period. Refer to Exhibit A for sample language. For engagements prior to the effective date of this policy, or for engagements that did not have engagement letter language addressing the record retention policy, the Executive Assistant will make a reasonable attempt to contact the client or former client to inform them of the intent to destroy the records. Notice shall be deemed to be reasonable if given by U.S. mail postage prepaid to the client’s last known address, whether actually received or not.

The firm will conduct on an annual basis an inventory of all records, files and electronic data subject to destruction based on the retention periods outlined in Exhibit B attached. The Executive Assistant will review this list with the Quality Control Partner for approval prior to the actual destruction of such records.

Under no circumstances will any records, files or electronic data be destroyed, regardless of the retention periods identified in this policy, if there is any pending regulatory investigation, disciplinary action, legal action, or if the firm has knowledge of the intent by a regulatory agency to launch an inquiry or knowledge of a potential legal claim.

Roles and Responsibilities

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| <i>Quality Control Partner</i> | <p>Enforce this security policy</p> <p>Annually review and update this policy as needed to ensure compliance with regulatory requirements.</p> <p>Approve and document exceptions to this policy on an “as needed basis”</p> |
| <i>Partners</i> | <p>Enforce this security policy</p> <p>Annually review and update this policy as needed to ensure compliance with regulatory requirements.</p> |
| <i>Engagement Partner/Manager</i> | <p>Responsible for ensuring, in accordance with the terms of this policy, that all required documentation (including electronic records) is maintained at the end of the client engagement.</p> <p>Confirms with others as necessary that all documentation not required to be retained in accordance with this policy is appropriately destroyed at the end of the client engagement.</p> |
| <i>Executive Assistant</i> | <p>Maintain and annually update the legal and regulatory requirements for all administrative files, including but not limited to personnel documents and payroll records.</p> <p>Responsible for establishing and maintaining filing procedures and for limiting the access as appropriate to prevent breaches in security in accordance with the terms of this policy.</p> |

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| | <p>Responsible for ensuring compliance with this policy for the destruction of records, files and electronic data.</p> <p>Notify employees of the policy and updates, as appropriate.</p> |
| <i>Information Technology Partner</i> | <p>Ensure that back-up procedures are in place on all electronic files in accordance with the terms of this policy.</p> <p>Ensure that appropriate access controls are maintained to protect and maintain the confidentiality and integrity of the data stored on the firm's computer systems in accordance with all legal and regulatory requirements.</p> |
| <i>Managers/Supervisors/Seniors</i> | <p>Ensure that all personnel are aware of and comply with this policy.</p> <p>Develop and apply appropriate performance standards, control practices and procedures designed to provide reasonable assurance that all employees observe this policy.</p> |
| <i>All employees and independent contractors</i> | <p>Adhere to this policy at all times.</p> |

Employees should notify their immediate supervisor or any member of management upon learning of violations of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including termination of employment.

Exhibit A**Sample Engagement Letter Language Re: Record Retention**

It is our policy to keep records related to this engagement for five years. However, Neuschwander, Faircloth & Hardy, P.C. does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

By your signature below, you acknowledge and agree that upon the expiration of the five year period Neuschwander, Faircloth & Hardy, P.C. shall be free to destroy our records related to this engagement.

Exhibit B
Record Retention Periods—Engagement Files

| | <i>Retention Period</i> | |
|--|-------------------------|----------------------|
| | <i>Current Client</i> | <i>Former Client</i> |
| Billing Files | 5 years | 5 years |
| Correspondence Files | 5 years | 5 years |
| Audit/Review/Compilation Statements & Reports | 5 years | 5 years |
| Tax Returns | 5 years | 5 years |
| Special Reports | 5 years | 5 years |
| | | |
| Work paper Files: | | |
| Audit/Review/Compilation Work papers | 5 years | 5 years |
| Tax Return Work papers | 5 years | 5 years |
| All Other Services | 5 years | 5 years |
| Permanent/Carry-Forward Files (Audit/Review/Compilation Services) | Permanently | 5 years |
| Permanent/Carry-Forward Files (Other Services) | Permanently | 5 years |

Note: If a client at any time becomes a former client, the former client retention policy will be in effect. If they return as a current client the current client retention procedures will go into effect from that point forward.