



CASE STUDY

COMPLIANCE FOR A GROWING COMPANY

COMPREHENSIVE RECORDS MANAGEMENT ENSURES COMPLIANCE, PEACE OF MIND AND DRAMATIC SAVINGS

INDUSTRY

Compliance

CHALLENGE

Quick growth led to inconsistent record keeping, increasing risk and cost.

SOLUTION

Iron Mountain provides records management expertise and an easy-to-use solution for classification, retention, retrieval and scheduled destruction

VALUE

Comprehensive, standardized solution ensures compliance and delivers more than \$65,000 in cost savings in five years.

THE CUSTOMER

Founded in 1959, Hovnanian Enterprises, Inc. (NYSE: HOV) is one of the nation's largest homebuilding companies with total revenues of \$3.3 billion from the 10,577 homes delivered in the fiscal year 2008. Over the past 50 years, Hovnanian has grown to become a family of homebuilders with localized expertise in markets throughout the United States. Today, Hovnanian designs, constructs and markets for-sale housing in 215 residential communities in 18 states.

THE CHALLENGE

In recent years, Hovnanian has expanded rapidly through a series of strategic acquisitions. Growth was so strong that Fortune magazine named the company to its list of the nation's fastest-growing businesses four consecutive years, from 2002 to 2005. However, this expansion created challenges for consistent records management because the company lacked a unified program for classifying, storing, retrieving and destroying its records.

"As we grew, we realized we had a number of sites where records retrieval was very difficult, and in some cases our storage boxes were in complete disarray," said Peter Reinhart, senior vice president and general counsel at Hovnanian. "At the same time, eDiscovery was becoming an issue we couldn't ignore, and compliant records retention was a major theme in the news. We never had a real problem but we worried about what might happen if we

didn't adapt to the changes going on around us."

" COMPLIANT RECORDS MANAGEMENT IS NO LONGER SOMETHING I WORRY ABOUT, AND THAT'S A VERY GOOD THING "

HOVNIANIAN ENTERPRISES :

PETER REINHART

SENIOR VICE PRESIDENT,
GENERAL COUNSEL

Compliant records management is critical for Hovnanian to meet the demands of both customers and investors. As a homebuilder and mortgage provider, Hovnanian faces litigation and often needs documentation to prove it acted in accordance with local laws and client wishes. Stringent financial reporting laws such as Sarbanes-Oxley also increased the pressure on Hovnanian to ensure systematic records retention.

In 2004, a confluence of technological, internal and regulatory factors drove Mr. Reinhart and the legal team at Hovnanian to begin searching for a better solution for compliant records management.



THE SOLUTION

When Hovnanian decided to seek out a vendor for records management, the company was already familiar with Iron Mountain through specific sites that relied on Iron Mountain for records storage. Hovnanian also considered other records management options but Iron Mountain stood out for its ability to deliver a single, comprehensive program for sites across the country, its easy-to-use online platform for managing both paper and electronic records, and the Iron Mountain team's expertise and guidance on records retention and destruction.

Iron Mountain began the engagement with Hovnanian with an in-depth research process, during which Iron Mountain interviewed stakeholders and conducted legal research in order to implement a tailored records management program. Based on this research and best practices, Iron Mountain worked with Hovnanian to develop a records retention schedule, and records management policies and procedures that met both the legal and operational requirements uncovered by the research. Once this foundation was in place, Hovnanian could ensure compliance and manage records through the Iron Mountain Connect™ Web-based system.

Hovnanian then hired Theresa Cornelisse as its corporate records administrator to roll out the technology, train users and manage the program. As Hovnanian deployed the Iron Mountain Connect system to the entire company, Iron Mountain conducted educational sessions for the company's regional record coordinators, so they could in turn train their local users.

Iron Mountain provides all of Hovnanian's associates with a unified, easy and accessible way to handle records in accordance with the classification scheme and retention policies developed by Iron Mountain during the consultation phase. Iron Mountain created a records management intranet site specifically for Hovnanian's associates. This portal contains record code details, a keyword search mechanism (for locating the correct

record code), the complete policy and procedures manual, various retention schedule reports, FAQs, links to the Iron Mountain Connect system and contacts. Iron Mountain updates the information yearly, following thorough legal research on all record codes to ensure retention timeframes meet changes in industry guidelines and/or laws.

In addition, Iron Mountain's comprehensive Compliant Records Management solution includes a risk assessment that enables Hovnanian to periodically gauge the state of its program against industry best practices. The program also gives users access to a full library of educational materials that provide support for the company's compliance initiatives.

Through the Iron Mountain Connect system, users can create and update each record's profile, process all requests (pickups, retrievals, supply orders), view invoice details, check orders status and run detailed inventory reports. Ms. Cornelisse and Mr. Reinhart also process records destruction requests to ensure Hovnanian maintains the highest level of compliance without wasting money on unnecessary storage. As the administrator, Ms. Cornelisse can manage the company's entire program with a single system, continually updating classification codes and conducting audits.

"The Iron Mountain Connect system is a great product. It's extremely easy to use and to teach others to use it; it's one of the best systems I've worked with. Almost every time I train someone, they ask, 'Is it really this simple?'" Iron Mountain makes it very straightforward for the associates to process their own records. The system we've created also takes the guesswork out of what to destroy and when, ensuring compliance with legal guidelines," said Ms. Cornelisse.

"What's more, the product is backed by an exceptionally high level of customer service," added Ms. Cornelisse. "The support is fantastic, and I feel very good knowing Iron Mountain is there for us and will respond to our requests in a quick and efficient manner."

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THE BENEFITS

Hovnanian quickly reaped the benefits of Iron Mountain's comprehensive compliant records management solution not only on the user level but on the legal and corporate levels as well.

Most notably, Iron Mountain has delivered dramatic cost savings for Hovnanian by reducing storage needs through compliant records destruction. In the first year, 2006, the company reported \$29,000 in savings on storage alone, followed by savings of \$6,300, \$8,400 and \$11,000 for the years 2007 to 2009. In fact, due to reduced storage fees, Hovnanian recouped its initial investment in destruction requests within the first year and a half of its relationship with Iron Mountain. For 2010, Hovnanian expects to save \$14,000.

Hovnanian's legal department also praises the increased peace of mind and reduced risk Iron Mountain's system provides for Hovnanian by helping ensure all records are coded and compliant. Prior to using Iron Mountain, Hovnanian maintained more than 25,000 cartons and none of them had record codes. Within the first year of working with Iron Mountain, the company was 89 percent compliant. By 2007, the company had more than 36,000 record cartons and only six were without codes. Currently, there are over 44,000 records stored at Iron Mountain, with 100 percent compliance to the record code policy.

In addition, with Iron Mountain Connect in place to ensure the company manages its records in a compliant manner, Hovnanian's legal team can be confident it has fast and reliable access to any records it may require. Because records are filed systematically, Hovnanian has realized a significant reduction in the time and cost associated with retrieving stored records. "In the past we may have had to pull 30 boxes to find the record we needed," said Ms. Cornelisse. "Now we may only have to retrieve one."

Through its partnership with Iron Mountain, Hovnanian has developed a consistent records management program across the company. By ensuring records are retained and subsequently destroyed according to legal timeframes, Hovnanian has increased its effectiveness in controlling costs, and managing litigation and compliance risks.

"Compliant records management is no longer something I worry about, and that's a very good thing," said Reinhart. "In litigation, a company with an excellent archival system will usually have a good defense, and the courts recognize compliant destruction. We rely on Iron Mountain's expertise and guidance for records retention, and our relationship with them provides a high level of comfort. I know records are stored and filed systematically and we've reduced not only the cost of storage but also the financial and time expenses of retrieving records," said Mr. Reinhart, senior vice president and general counsel at Hovnanian Enterprises, Inc.

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HOVNANIAN ENTERPRISES

THERESA CORNELISSE

CORPORATE RECORDS ADMINISTRATOR

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ABOUT IRON MOUNTAIN

Iron Mountain Incorporated (NYSE: IRM) provides information management services that help organizations lower the costs, risks and inefficiencies of managing their physical and digital data. Founded in 1951, Iron Mountain manages billions of information assets, including backup and archival data, electronic records, document imaging, business records, secure shredding, and more, for organizations around the world. Visit the company website at www.ironmountain.com for more information.