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Agent Reporting Agreement

The parties to this Agent Reporting Agreement (“Agreement” or “ARA”) are the Agent, and the Airlines Reporting Corporation (“ARC”) headquartered in Arlington, VA on its own behalf and on behalf of the Carriers that are parties to the ARC Carrier Services Agreement (“Carrier” or “Carriers”) which appoint the Agent under this Agreement.

The purpose of the Agreement is to address the way in which Agents report and settle ARC Traffic Documents through the ARC-administered Settlement Plan in a competitive and efficient manner, as well as to outline the rights and obligations of the parties to this Agreement.

Terms used throughout this Agreement are defined in Part IX of this Agreement.

In consideration of these statements and the mutual covenants and agreements that follow, the parties acknowledge, understand, and agree:

Part I: Scope of Agreement

1. This Agreement:

- 1.1. Becomes effective between ARC and Agent on the effective date stated in the Memorandum of Agreement completed as part of Agent’s application;
- 1.2. Is binding between Agent and each Carrier that appoints Agent, and establishes a principal-agent relationship between Agent and Carrier;
- 1.3. Governs the terms and conditions under which Agent is authorized to issue ARC Traffic Documents at and through Agent’s Locations in the United States;
- 1.4. Covers all Agent Locations, including any that may be approved for inclusion on the ARC Agency List after the effective date of this Agreement;
- 1.5. Supersedes any and all prior agreements, unless otherwise stated, between Agent and any Carrier party to the Carrier Services Agreement concerning the issuance of ARC Traffic Documents; and
- 1.6. Incorporates the latest version of the Industry Agent’s Handbook (*IAH*) available on ARC’s website as if fully set forth herein by reference.

2. This Agreement does not:

- 2.1. Extend to the terms and conditions under which Agent is authorized to issue tickets and other documents that Carriers may provide to Agent; however, if ARC receives such tickets and documents for processing, Agent and Carrier agree that those Transactions will be deemed and treated as though they were issued on ARC Traffic Documents provided by ARC and will be processed, reported, settled and administered in accordance with the terms of this Agreement.
- 2.2. Constitute the entire relationship between Agent and Carriers and is specifically limited to the terms and conditions contained herein. This Agreement does not, for example, address fares

charged by Carriers, or any commissions, incentives, or other forms of remuneration, if any, provided by Carriers to Agent, as those matters are solely between Carriers and Agent; or

2.3. Authorize Agent to admit, accept, or receive service of summons or any other process on behalf of Carriers or ARC.

3. Agent acknowledges and agrees:

3.1. To comply with and be bound by all instructions and requirements in the *IAH*;

3.2. To supply and receive notices consistent with this Agreement and Section A of the *IAH*;

3.3. To seek to maintain, at all times, ethical standards of business in its dealing with its clients, the public, ARC, and Carriers; and

3.4. This Agreement will be construed in accordance with, and governed by, the laws of the Commonwealth of Virginia. State and Federal courts of the Commonwealth of Virginia will have personal jurisdiction over all collection matters arising under this Agreement. All Transactions that occur under this Agreement will be deemed to occur in the United States.

3.5. ARC and its affiliates may from time to time receive funds from Agents and/or Carriers pursuant to this Agreement, including but not limited to any Financial Instruments required hereunder, and ARC agrees on behalf of itself and its affiliates, that ARC and/or its affiliates shall manage such funds (less any fees due and payable from time to time to ARC and/or its affiliates) during the term of this Agreement.

3.6. That, if the Agent voluntarily elects to use the ARC Pay program by issuing an ARC Pay Transaction on an ARC Traffic Document using carrier code 890, the Agent will be bound by the latest version of the ARC Pay Agreement.

4. Amendments to This Agreement

4.1. ARC will make available to Agent each future amendment to this Agreement at least 45 calendar days prior to the amendment's effective date, unless otherwise specified. If this Agreement is subject to termination, such termination will occur without regard to whether an amendment alters any provision related to the basis for the termination.

5. Concurrence with Future Amendments to This Agreement

5.1. Agent's concurrence with future Amendments may occur in one of the following ways:

5.1.1. Signing a subsequent Memorandum of Agreement binding ARC, Agent, and Carriers appointing Agent, to the terms and conditions of this Agreement;

5.1.2. Obtaining through an electronic signature;

5.1.3. Continuing performance under the Agreement, such as Submission of Sales Report(s) or access to ARC Tools, will constitute Agent's agreement to be bound by the amended Agreement; or

5.1.4. Obtaining or occurring by any other means adopted by the ARC Board of Directors.

6. Termination of This Agreement

6.1. Agent may submit written notice of voluntary termination of this Agreement at any time.

- 6.1.1. Termination will take effect 14 calendar days after receipt of notice or on the date indicated in Agent's notice, whichever is later, subject to the fulfillment by each of the parties of all obligations under this Agreement.
- 6.2. ARC may terminate Agent's Agreement according to the requirements of this Agreement.
- 6.3. Whenever, under the terms of this Agreement, ARC is required to remove Agent or Agent's Location(s) from the ARC Agency List, ARC will terminate this Agreement with respect to Agent or affected Location.
- 6.4. Upon termination, all unused ARC Traffic Documents (paper format) must be disposed of according to Section B of the *IAH*. ARC may designate a representative to remove all ARC Traffic Documents (paper format) from Agent.
- 6.5. Upon termination, Agent must provide all monies due and payable to any Carriers, and a complete and satisfactory accounting.
- 6.6. Upon termination and ARC's request, Agent must return to ARC all supporting documents listed in Section C of the *IAH* that are less than or equal to 39 months of age as of the date of termination. Until returned or destroyed in a secure manner, all supporting documentation containing personal data, such as credit card information, must be maintained in a secure and confidential manner.
- 6.7. Whenever this Agreement is terminated, ARC will notify all Carriers and advise them of the reason and the effective date of the termination. ARC will also notify System Providers to inhibit issuance of ARC Traffic Documents by Agent through the ARC Settlement Plan. Additionally, Agent must cease use of its ARC Number(s), unless Agent reclassifies to an ARC Verified Travel Consultant.
- 6.8. Upon termination of this Agreement, in the event Agent fails to fulfill its obligations to Submit all Sales Reports, Agent authorizes ARC to Submit the Sales Reports that have not previously been Submitted and to draft Agent's designated bank account for the amounts owed for such Sales Reports. Agent will indemnify and hold harmless ARC; ARC's officers, employees, and representatives; and Carriers from all damages, losses, or claims resulting from ARC's Submission of the Sales Reports under the terms of this Section.
- 6.9. ARC will be considered a real party in interest in any cause of action, suit, or arbitration to enforce the terms of this Agreement, including those brought by ARC after the termination of this Agreement to collect amounts Agent owes to Carriers or ARC.

Part II: Agent Operating Requirements

7. Agent must electronically confirm compliance with Accreditation, eligibility, and retention requirements of this Agreement, including, but not limited to, ownership status and other personnel requirements, at a minimum on an annual basis as determined by ARC.
8. **Requirements for Remaining on the ARC Agency List**
 - 8.1. Purpose: The ARC Agency List includes information on each Agent and Location, and is used to identify Entities and locations approved by ARC.

- 8.2. If Agent wishes to have a place of business included as a Location on the ARC Agency List, Agent must submit an application in the form required by ARC. Carriers will be notified of the application and the status.
- 8.3. In order to be accepted onto, and remain on the ARC Agency List, Agent must meet all of the following requirements:
 - 8.3.1. Agent must submit a materially accurate application for inclusion on the ARC Agency List, changes to Agent's status or listing on the ARC Agency List, or in any attachments to those applications.
 - 8.3.2. Any person that is involved in the day-to-day operations of the agency and has access to monies from services issued on ARC Traffic Documents must be a U.S. citizen, U.S. national, or an alien authorized to work in the United States.
 - 8.3.3. Agent is legally authorized and registered, according to federal, state, and local requirements to conduct business in the United States.
 - 8.3.4. Agent's Location must have the licenses required by the jurisdiction in which it is located. Required licenses include, but are not limited to, any and all licenses mandated by federal, state, or local authority, which enable Agent to lawfully conduct business at each of its Locations.
 - 8.3.5. The name of Agent, or any information displayed on any website or mobile application owned, operated, or used by Agent, is not the same as, or misleadingly similar to, a Carrier's name or any information displayed on Carrier's website or mobile application, unless authorized by the Carrier to do so. This includes any name involving the terms "ARC" or "Airline(s)." Any website or mobile application owned, operated, or used by an Agent must not include any text, color scheme, layout, or design similar to those of any Carrier in a manner that could be considered misleading, as determined by ARC at its sole discretion, and must not include any images containing Carrier's logo or branded aircraft imaging or other marks, without Carrier's prior written consent. Agent's representatives must not communicate or make any representations to any third-party, whether directly or indirectly by phone, e-mail, social media or any other method, that they are employed by, affiliated with, subcontracted by, or otherwise represent any Carrier.
 - 8.3.6. Agent must designate and maintain the following roles, which may be filled by the same or different individuals:
 - 8.3.6.1. Manager who is: (i) Agent or a full-time employee of Agent; and (ii) is responsible for the operations of Agent and Agent's Location(s); and receives correspondence from ARC and the Carriers related to, among other things, Agent's contractual relationship with ARC;
 - 8.3.6.2. Upon application and approval of a new agent (or complete change of ownership), ARC Specialist who has passed the ARC Specialist examination, and maintains the requirements of the ARC Specialist program;
 - 8.3.6.3. Document Retrieval Service (DRS) Security Manager who will perform administrative functions for Agent's DRS users, including but not limited to creating and terminating individual DRS user accounts, in accordance with instructions provided by ARC; and
 - 8.3.6.4. My ARC Primary Administrator who will perform administrative functions for Agent's My ARC users including but not limited to creating and terminating individual My

ARC user accounts, in accordance with instructions provided by ARC.

8.3.7. Agent must comply with the Financial Obligation requirements within Part IV of this Agreement and Section D of the *IAH*.

8.3.8. In addition to the individuals designated in this Section [8.3], Agent must also provide one or more e-mail addresses for the following contacts (which may be filled by the same or different individuals):

8.3.8.1. – Owner or Officer Contact, who is an owner or officer of Agent and receives communications from ARC and Carriers related to, among other things, Agent’s contractual relationship with ARC;

8.3.8.2. – Operational Contact, who receives information from ARC and Carriers related to Agent’s operations and ARC’s products and services;

8.3.8.3. – Debit Memo Contact, responsible for the research and administration of debit and credit memos issued by participating Carriers, and communications from ARC and Carriers relating to Debit Memos; and

8.3.8.4. – Chargeback Contact, responsible for the research and administration of Agent’s credit card chargebacks, and communications from ARC and Carriers related to those chargebacks.

9. Grounds for Removal of Agent from ARC Agency List

9.1. Agent is ineligible for retention on the ARC Agency List if:

9.1.1. Agent fails to meet the requirements stated in Subsection 8.3 of this Agreement, including material misrepresentation or inaccuracy in any application; or

9.1.2. ARC has reason to believe that Agent; any Entity holding a financial or ownership interest in Agent; or any officer, director, employee, or Management Qualifier has had any of the following:

9.1.2.1. Financial interest in, or affiliation with, any Agent previously removed from the ARC Agency List;

9.1.2.2. Financial interest in, or affiliation with, any Agent presently declared in default under the provisions of Section 33 of this Agreement; or

9.1.2.3. Felony conviction or misdemeanor related to financial activities or computer fraud, or has been found by a court of competent jurisdiction to have committed a breach of fiduciary duty involving the use of funds of others.

9.2. The provisions for ineligibility in Section 9.1 may be waived if, based on investigation of all information and facts, ARC determines that Agent can be relied on to adhere to the terms of this Agreement. If the conduct invoking this provision occurred more than 7 years prior to the filing of a complaint with the Arbiter, there will be a presumption Agent can be relied upon to adhere to the terms of this Agreement.

10. Compliance with Applicable Laws

10.1. Agent must comply with all applicable U.S., international, and local laws.

10.2. In collecting, processing, and transmitting any personal data, such as credit card information, Agent must:



- 10.2.1. Treat the data in a secure and confidential manner, disclosing it only to those Entities Agent is lawfully bound to do so; and
- 10.2.2. Consent to an inspection by ARC, as described in Subsection 12.3 of this Agreement, in the event of a data security breach.
- 10.3. If required by applicable data protection laws, Agent will deliver a notice to the client disclosing all of the following:

- 10.3.1. Personal data collected by Agent will be supplied to ARC for purposes of carrying out the contract between the client and any relevant Carrier; and
- 10.3.2. Client may contact ARC's Customer Care Center to request a copy of the personal data held by ARC and to request whether or not ARC will amend, modify, correct, or delete the personal data.
- 10.3.3. Website address where a copy of ARC's privacy policy may be found

11. Agent Appointment by Carrier

- 11.1. Purpose: Section 11 describes the appointments Carriers may grant to Agents.
- 11.2. A Carrier may grant Agent an appointment, by either General Concurrence or Specific Appointment as described in Section E of the *IAH*, permitting Agent to issue ARC Traffic Documents on behalf of the Carrier.
 - 11.2.1. General Concurrence is a Carrier's authorization to ARC to appoint all Accredited Agents on the Carrier's behalf.
 - 11.2.2. Specific Appointment is a Carrier's specific appointment of an Agent(s). Agent is not authorized to issue ARC Traffic Documents without the Carrier's direct authority.
- 11.3. Agent must comply with all Carrier instructions, and must not make any representation a Carrier has not previously authorized.
- 11.4. Agent must be appointed by a Carrier to identify Carrier on any segment of an issued ARC Traffic Document.
- 11.5. Carrier may terminate Agent's appointment at any time with written notice. ARC will provide notice to System Providers to inhibit issuance of ARC Traffic Documents on that Carrier upon termination by the Carrier of an Agent's (specific or general) appointment.
- 11.6. If Agent fails to pay a Debit Memo sent by Carrier, or is in default to Carrier under this Agreement, excluding liability for stolen ARC Traffic Documents, Carrier may terminate its appointment of Agent.

12. Retention and Inspection of Agent Records

- 12.1. Agent must retain copies of the documents listed in Section C of the *IAH* for a period of at least 39 months from Submission Deadline for those documents.
- 12.2. Agent acknowledges and agrees that ARC and its designees have the right to inspect Agent's records to ensure compliance with the terms of this Agreement.
- 12.3. Agent will be apprised of the purpose or occasion for an inspection, and will be obligated to provide only those documents material and relevant to the examination, and that are requested by the authorized representative. ARC will provide a copy of a written report prepared by the ARC representative who has completed an inspection of Agent's books and records.
- 12.4. At any time, a Carrier may examine Agent's records concerning ARC Traffic Documents issued by Agent on that Carrier.

13. Reviews of Breaches by Agent

- 13.1. In situations where it appears to ARC that there may be or has been fraudulent conduct on the part of Agent (such as falsification of ARC Traffic Documents and sales reports, misuse of the IAR system, as well as those activities described in Section F of the *IAH*), and there is a clear and present danger of substantial loss to ARC or Carriers, ARC may:
 - 13.1.1. Immediately remove Agent's paper-format ARC Traffic Documents;
 - 13.1.2. Notify Carriers; or
 - 13.1.3. Notify System Providers to inhibit the issuance of ARC Traffic Documents by all of Agent's Locations and all Agents under Common Control with Agent.
- 13.2. For any actions taken by ARC under Section 13 of this Agreement, Agent has the right to appeal to the Arbiter on an expedited basis using procedures established by the Arbiter. ARC will terminate Agent's Agreement without further notice if all of the following actions do not occur within 10 calendar days after the date of ARC's demand notification to Agent:
 - 13.2.1. Arbiter has received an appeal from Agent;
 - 13.2.2. ARC has received all ARC Traffic Documents (paper format) entrusted to Agent; and
 - 13.2.3. ARC has received from Agent the original of a properly executed "Personal Guaranty of Payment and Performance" found in Section G of the *IAH*.
- 13.3. Upon termination of Agent's Agreement under this Section, ARC will take action as directed in Subsections 6.7 and 6.8 of this Agreement.

14. ARC Tools and Online Services

- 14.1. ARC provides various online services through which Agent Submits or reviews Transactional Data or otherwise communicates or transacts business with ARC and Carriers, including the My ARC web portal, Interactive Agent Reporting (IAR), Internet Sales Summaries, Agent's Choice, Memo Manager, Accreditation Tool and Document Retrieval Service (collectively referred to as "ARC Tools" or "Tools"). Agent's use of and access to ARC Tools are subject to the terms of this Agreement, including Section H of the *IAH*, and the Terms of Use for each Tool, which are incorporated by reference in this Agreement.
 - 14.1.1. Agent acknowledges and agrees that any communication or business transaction with ARC through an ARC Tool (e.g., an application, form or request) by any individual who has been granted access to the ARC Tool by the Agent's My ARC Primary Administrator or Tool Administrator, will be deemed to have been submitted and authorized directly by the Agent. Such submissions will have the same force and effect as if they were submitted and/or signed (where applicable) directly by an owner or officer of the Agent.

15. Change of Agent Name, Physical Address, Manager Contact and Other Contacts, Officer(s), or Designated Personnel; Abandonment of Location

- 15.1. Purpose: Agent must maintain accurate information on record with ARC, in the required form and manner, in order to facilitate timely communication and efficient operations.
- 15.2. Agent must notify ARC (in writing) of any change in Agent's legal name at least 30 calendar days prior to the change. The name change must meet the requirements in Subsection 8.3.5 of this Agreement.

- 15.3. Agent must notify ARC (in writing) of any address change within 30 calendar days of the change.
- 15.3.1. ARC will notify Agent if there is reason to believe, based on any reliable evidence, that Agent has abandoned its Location(s) and/or ceased operations without prior written notice.
- 15.3.2. If Agent fails to respond within 15 days of the date of ARC's notice described in 15.3.1, this Agreement will be terminated on the 16th day after the date of the notice and ARC will take action as directed in Subsections 6.7 and 6.8.
- 15.4. Whenever the legal name or address of Agent changes, Agent must:
- 15.4.1. Execute an amendment to the Memorandum of Agreement reflecting Agent's new legal name; and
- 15.4.2. Provide a Financial Instrument, in the correct amount and form required by ARC, which includes Agent's new legal name and address;
- 15.5. ARC will update the ARC Agency List and notify Carriers of Agent's change of name and/or address.
- 15.6. Change of Manager's e-mail Address and Other Agency Contacts.
- 15.6.1. Agent must notify ARC (in writing in the form required) of any change to Manager's e-mail Address and the Owner or Officer within one business day of the change, according to instructions provided in Section A of the *IAH*.
- 15.6.2 Failure to provide ARC with timely notification of Agent's change of e-mail address(es) or contact(s) does not relieve Agent of liability for complying with the requirements of this Agreement and the *IAH*. If a Manager e-mail address is not provided by Agent or ARC determines that the Manager e-mail address is not active or accessible, Agent agrees that the e-mail address of Agent's Owner or Officer will be used as an alternative by ARC and the Carriers.
- 15.7. Change of Officer(s) or Identity of Officer(s)
- 15.7.1. Agent must provide written notice to ARC within 30 calendar days of the removal or addition of any officer(s), or any other change in the identity of its officers (e.g., change in married name). This provision does not apply if Agent is a publicly traded Entity. A publicly traded Entity is one whose shares are listed on a securities exchange or are regularly traded in an over-the-counter market.
- 15.8. Change of Designated Personnel and or Contacts
- 15.8.1. Agent must notify ARC (in writing, in the form required) of any change to the designated personnel or related contacts listed in Subsection 8.3.6 and 8.3.8 of this Agreement.
- 15.9. If Agent fails to timely notify ARC of any changes referenced in this Section 15, or the changes do not meet the requirements of this Agreement, ARC may take appropriate action consistent with Part VI of this Agreement. Failure to provide timely notification of change in Agent's required e-mail address(es) and/or contact(s) does not relieve Agent of liability for complying with the requirements of this Agreement and the *IAH*.

16. Change of Ownership

- 16.1. Agent may not assign or transfer this Agreement without the prior written approval of ARC. For purposes of this Agreement, a merger, sale, or transfer of all, or substantially all, of Agent's assets will constitute an assignment or transfer that requires ARC's prior written approval if those assets include Agent's rights and obligations granted in this agreement including, without limitation, Agent's right to ARC Traffic Documents. See Section I of the *IAH* for examples of types of ownership changes.
- 16.2. Agent remains liable for all obligations to ARC and Carriers that accrue prior to ARC's approval of the ownership change until ARC enters into an Agent Reporting Agreement with the proposed new owner(s). ARC will notify Carriers when an application is received and when an application is approved, withdrawn, or disapproved.
- 16.3. If ARC determines that an ownership change has occurred without ARC's written approval, ARC may take appropriate action consistent with Part VI of this Agreement.
- 16.4. If ARC disapproves an application for a change of ownership, the applicant may obtain a review by the Arbitrator of the disapproval in accordance with Part VI of this Agreement.

17. Change of Ownership Due to Death of Agent Sole Proprietor or Partner

- 17.1. On notification of the death of Agent sole proprietor or partner, ARC will take action as described in Section I of the *IAH*.

18. Temporary Closure

- 18.1. In the event of a situation beyond Agent's control, such as fire, flood, or illness, Agent may request to temporarily close its Location(s) in accordance with procedures provided in Section J of the *IAH*.

Part III: Ticketing and Sales Reporting

19. **Purpose:** Part III of this Agreement describes requirements for the proper and correct issuance, reporting, and settlement of ARC Traffic Documents.

20. Ticketing Requirements

- 20.1. Agent will use the ticketing identification of any Carrier scheduled to participate in the transportation provided Carrier has authorized Agent to do so.
- 20.2. In the event ticketing identification of a Carrier scheduled to participate in the transportation is not available, Agent will use the identification of any other ARC Carrier who has provided authorization for such use.
- 20.3. No segment will be permitted on any Carrier for which Agent has not received prior authorization.
- 20.4. The information shown on any delivered documents must be in accordance with the applicable rules, regulations, and instructions furnished to Agent by ARC or by Carriers.

21. ARC Traffic Documents

- 21.1. Agent must exercise reasonable care, as described in Section B of the *IAH*, in the issuance or disclosure of ARC Traffic Documents, data, or numbers to prevent the unauthorized issuance or use of such ARC Traffic Documents, data, or numbers.
- 21.2. Reasonable care includes effective, electronic challenge and authentication, such as Log-in Credentials, including, for example, Usernames, PIN and password of any user accessing agent hardware, systems, or any other systems or hardware that can be used to issue ARC Traffic Documents, data, and numbers in an electronic format.
- 21.3. Agent must implement appropriate physical, electronic, and managerial procedures and systems to prevent unauthorized access to, issuance, or use of ARC Traffic Documents and related Transactional Data. See Section B of the *IAH*.
- 21.4. Agent must use ARC Traffic Documents in accordance with the terms of this Agreement.
- 21.5. In the absence of specific permission of a Carrier,
 - 21.5.1. Agent must process Transactions issued on ARC Traffic Documents with the same form of payment provided by the client.
 - 21.5.2. Agent must not use a credit card which is issued in the name of the Agent, or in the name of any of the Agent's personnel, or in the name of any third party (other than the client), for Transactions issued on ARC Traffic Documents.
- 21.6. Agent must not disclose to, or otherwise give, any third party a client's credit card information, except when the disclosure is necessary for Agent to perform its obligations under this Agreement.
- 21.7. Agent may refund any fare or charge applicable to air transportation only if sold by Agent and for which Agent has issued an ARC Traffic Document. Agent will issue refund(s) only to the person authorized to receive the refund(s) and according to the tariffs, rules, regulations, and instructions issued by Carriers.
- 21.8. Unless granted explicit authority by the ticketing Carrier whose ARC Traffic Document is to be issued, Agent will not:
 - 21.8.1. Issue an ARC Traffic Document in exchange for any traffic document previously issued by another agent or Carrier; or
 - 21.8.2. Issue an ARC Traffic Document in exchange for a traffic document previously issued by Agent naming another Carrier as the ticketing Carrier.

22. Agent must deliver to its clients:

- 22.1. Proper and correct ARC Traffic Documents; and
- 22.2. All supporting documentation authorized or required by Carriers.

23. Delivery and Withdrawal of ARC Traffic Documents

- 23.1. The terms governing Agent's security of ARC Traffic Documents and the manner in which ARC Traffic Documents may be issued and must be accounted for are set forth under this Agreement, instructions provided by ARC, and in Section B of the *IAH*.

- 23.2. All ARC Traffic Documents supplied to Agent must be held in trust for ARC by Agent until issued to Agent's clients, or until otherwise accounted for to ARC or Carriers, and must be surrendered to ARC upon demand pursuant to this Agreement.
- 23.3. This Agreement does not confer upon Agent, nor will Agent otherwise be deemed to have, any ownership interest in any ARC Traffic Documents, or any other Transactional information or data supplied to Agent under this Agreement.
- 23.4. ARC Traffic Documents (paper format) supplied for issuance at a specified Location covered by this Agreement must not be filled out or validated at any other Location.
- 23.5. Agent will not accept custody of, or deliver, blank, pre-validated, or partially written ARC Traffic Documents not previously assigned to Agent under this Agreement. Should Agent be approached by another Agent to distribute blank, pre-validated, or partially written ARC Traffic Documents, or to distribute ARC Traffic Documents not provided to Agent through the System Provider (electronic format), Agent must immediately notify the ARC Fraud Prevention Department.

24. Submission of Agent Sales Report(s)

- 24.1. Agent must Submit its Sales Report(s) in compliance with the instructions provided in this Agreement and Section K of the *IAH*.
- 24.2. Agent must Submit the Sales Report to ARC no later than the Submission Deadline.
- 24.3. Agent must Submit its Sales Report(s) to ARC via IAR.
- 24.4. Agent will be subject to the additional operating requirements of Section 34 if, during any 12-month period, two or more of Agent's Sales Reports have not been Submitted by the next business day after ARC's notice to Agent and such Sales Reports are ultimately Submitted prior to the termination date of this Agreement.
- 24.5. Agent's Sales Report(s) must:
 - 24.5.1. Account for and include all ARC Traffic Documents issued and validated during the Sales Report Period;
 - 24.5.2. Confirm the accuracy of data included in the Sales Report; and
 - 24.5.3. Authorize a settlement amount reflecting the maximum amount to be drawn by ARC from Agent's designated account. ARC will not draft for more than the authorized amount.

25. Settlement of Sales

- 25.1. Agent acknowledges and agrees that ARC will, based on Agent's Submitted Sales Report, draft Agent's designated bank account for the authorized amount. No draft shall be presented to the Agent's designated bank account based on information not contained in Agent's Sales Report, except for drafts for amounts stated in this Agreement such as annual, transaction or compensatory fees, or as the Agent may otherwise specifically authorize. The draft will occur no earlier than the fifth calendar day after the close of the Sales Report Period.
- 25.2. If Agent has no Transactions in its Sales Report during the Sales Report Period, ARC will automatically Submit a "No Sales" Report on Agent's behalf.

25.3. Agent acknowledges and agrees that it remains financially liable and responsible for all Transactions issued by Agent during each Sales Report Period including those not submitted in Agent's Sales Report.

25.4. All monies and credit card billing documents, less applicable commission(s), Agent collects for sales hereunder are property of Carriers, and will be held in trust by Agent until satisfactorily accounted for to Carriers.

26. Transactional Data Collected During Each Sales Period

26.1. All Transactional Data may be reviewed by ARC or Carrier at any time during or after the Sales Report Period.

26.2. Agent acknowledges that all Transactional Data may be used by Carriers and ARC for processing Transactions and any other lawful purpose.

27. Other Authorized Settlement Arrangements

27.1. Carrier will give good faith consideration to alternative settlement arrangements, and nothing contained in this Agreement precludes either Agent or Carriers from proposing that Agent either:

27.1.1. Settle amounts owed to Carrier pursuant to a Variable Remittance Plan (described in Section L of the *IAH*) for Transactions Agent has Submitted for that Carrier; or

27.1.2. Use that Carrier's traffic documents.

27.2. Carrier refusal to enter into an alternate settlement arrangement is not, in itself, evidence of bad faith.

Part IV: Financial Obligations

28. Purpose: Part IV of this Agreement describes the financial requirements necessary to ensure accurate and proper accounting, reporting, and settlements of funds between ARC, Agent, and Carriers.

29. Agent Bank Account

29.1. Agent must designate a bank account, for the benefit of ARC and Carriers, for the deposit of:

29.1.1. Proceeds, held in trust, for the sales of air transportation and ancillary services for which ARC Traffic Documents were issued; and

29.1.2. Funds that may be required to pay any other amount ARC is authorized to draft from the account.

29.2. Agent must give ARC written notice of Agent's intention to change bank accounts at least 7 business days prior to the beginning of the affected Sales Report Period.

30. Financial Instrument

30.1. Purpose: Agent's Financial Instrument is used after termination of the Agent's ARA in order to cover all amounts owed by Agent to Carriers and ARC for Transactions issued on ARC Traffic Documents supplied in trust to Agent. This includes, but is not limited to, all amounts owed for Transactions that have been used but not reported or paid for; amounts owed for dishonored

drafts; and amounts owed as a result of the loss misapplication, theft, forgery, or unlawful use of ARC Traffic Documents, unless the Agent has been relieved of liability for such under this Agreement.

- 30.2. Agent must maintain a Financial Instrument in the form and amount required by ARC for the joint and several benefit of Carriers and ARC. At no time will the Financial Instrument be less than \$10,000 or more than \$70,000, unless Agent has Associate Branches or becomes subject to the additional operating requirements under Section 34 of this Agreement.
- 30.3. ARC will inform Agent of the required Financial Instrument amount 90 calendar days prior to the anniversary date of Agent's Financial Instrument. If an adjustment is required, Agent must comply with the new requirement no later than the anniversary date.
- 30.4. If ARC determines Agent has failed to adjust the form or the amount of its Financial Instrument as required by this Agreement, ARC will apply to the Arbiter for an authorization to:
 - 30.4.1. Remove ARC Traffic Documents and notify System Providers to inhibit the issuance of ARC Traffic Documents by Agent and all Agent Locations; and
 - 30.4.2. Notify Carriers that Agent is no longer authorized to issue ARC Traffic Documents.
- 30.5. If at any time, ARC is notified Agent's Financial Instrument will be, or is, no longer valid, ARC will notify Agent (in writing), and will, on the effective date of the cancellation:
 - 30.5.1. Remove ARC Traffic Documents from Agent; and
 - 30.5.2. Notify System Providers to inhibit issuance of ARC Traffic Documents by Agent and all of Agent's Locations.
- 30.6. Unless Agent provides to ARC a proper replacement Financial Instrument within 30 calendar days after the cancellation, ARC will terminate this Agreement and take action as directed in Subsections 6.7 and 6.8.
- 30.7. To avoid actions under Subsections 30.4 and 30.5 of this Agreement, Agent may submit a Financial Instrument in the form and amount required by ARC.
 - 30.7.1. The effective date and ARC's acceptance the new Financial Instrument must be no later than the date of cancellation of the lapsed Financial Instrument.

31. Administrative and Application Fees

- 31.1. Agent agrees to pay an administrative fee to ARC for each of Agent's Locations to defray a portion of the costs associated with operating the ARC Settlement Plan and half of the costs associated with operating the Travel Agent Arbiter Program, Inc.
- 31.2. The administrative fee is comprised of two parts: an annual fixed amount for each Location and a fee for Transactions processed through the ARC Settlement Plan (ASP) for each Location. The administrative fee is calculated according to the formula described in Section M of the *IAH*.
- 31.3. The administrative fee will be determined by the ARC Board of Directors. ARC will notify Agent (in writing) of the annual fixed amount and the per Transaction fee amount for the following year before the end of the current calendar year.
- 31.4. Agent authorizes ARC to collect the administrative fee by drafting Agent's designated bank account. Alternatively, Agent must make payment directly to ARC if required by ARC notice.
- 31.5. Annual Fixed Amount

31.5.1. ARC will draft Agent's annual fixed amount according to the procedures described in Section M of the *IAH*.

31.5.2. If the annual fixed amount is not paid within 14 calendar days of the due date, ARC may remove Agent or Location involved from the ARC Agency List, terminate this Agreement, and take action as directed in Subsections 6.7 and 6.8 of this Agreement.

31.6. Transaction Fees

31.6.1. ARC will calculate the transaction fee and draft the designated account of each Location on the schedule outlined in Section M of the *IAH*.

31.6.2. If the transaction fee remains unpaid 14 calendar days after the due date ARC may remove Agent or Location involved from the ARC Agency List, terminate this Agreement, and take action as directed in Subsections 6.7 and 6.8 of this Agreement

31.7. Agent agrees to pay all fees related to applications for changes to Agent's status, such as Agent name or ownership. These fees are related to the administrative expenses for processing the application and updating ARC's database. See www.ARC Corp.com for the current application and fee information.

Part V: Defaults and Additional Operating Requirements

32. Purpose: Part V of this Agreement covers financial irregularities that may result in defaults or additional Agent operating requirements.

33. Defaults

33.1. Section 33 governs the conditions under which ARC may deem Agent to be in default.

33.2. Dishonored ARC draft

33.2.1. ARC will notify Agent and Agent's surety if a draft for payment of Agent's Sales Reports is dishonored. Agent agrees to wire funds to ARC to cover any dishonored draft by the close of the next business day.

33.2.2. Agent acknowledges that upon failure to comply with the requirements in Subsection 33.2.1, ARC will take action as directed in Subsection 33.5.

33.3. Unreported Sales and Improperly Reported Transactions

33.3.1. ARC will notify Agent if Agent has failed to include in its Sales Report all ARC Traffic Documents issued through the close of the Sales Report Period, or has included other Improperly Reported Transactions.

33.3.2. Unless the Agent wires funds or provides supporting documents within the time frame stated in ARC's notice, to cover the Unreported Sales and/or Improperly Reported Transactions and, where a clear and present danger of substantial loss is present, ARC will take action as directed in Subsection 33.5.

33.4. Failure to Submit Sales Reports

33.4.1. If Agent has failed to Submit a Sales Report by the Submission Deadline, ARC will notify Agent.

33.4.2. Unless Agent immediately Submits its Sales Report, ARC will take action as directed in Subsection 33.5.

33.5. Consequences of Failure to Pay for Dishonored Draft(s), Unreported Sales and/or Improperly Reported Transactions, and Failure to Timely Submit Sales Reports

33.5.1. If any of the actions in Subsections 33.2, 33.3, or 33.4 of the ARA occur, ARC will:

33.5.1.1. Withdraw from the Agent, and all Agents and Locations under Common Control with the Agent, all ARC Traffic Documents (paper format);

33.5.1.2. Notify Carriers; and

33.5.1.3. Notify System Providers to inhibit the issuance of ARC Traffic Documents by such Agent and Locations.

33.6. Compensatory Fees

33.6.1. ARC will assess compensatory fees as described in Section M of the *IAH*, and notify Agent of the amount and the date on which payment will be due.

33.6.2. Agent authorizes ARC to collect the compensatory fee by drafting Agent's designated bank account. Alternatively, Agent must make payment directly to ARC if required by ARC notice.

33.7. If Agent Unable to Satisfy Debt

33.7.1. If Agent does not Submit the required Sales Report(s) or fails to make full payment of all amounts owed to Carriers or ARC, on or before the 31st calendar day after the date of ARC's written notice of a default, this Agreement will terminate automatically and without further notice, unless Agent satisfies the requirements outlined in Section K of the *IAH*.

33.7.2. In accordance with Section K.5 of the *IAH*, each Agent to whom notice under sections 33.2, 33.3 or 33.4 has been sent will be required to have executed on its behalf and filed with ARC the "Personal Guaranty of Payment and Performance" as set forth in Section G of the *IAH* if the Agent's financial or reporting irregularities under Section 33.2, 33.3 and 33.4 of the ARA create a danger of substantial loss to ARC and/or the carriers.

33.8. Insufficient Settlement Authorizations

33.8.1. If ARC determines that the amount authorized by Agent is less than the amount owed to Carriers for Transactions issued during the Sales Report Period, ARC will notify Agent of the amount due and request that Agent reauthorize its report, provide payment within the time frame stated in ARC's notice, or authorize ARC to draft Agent's bank account for the actual required amount.

33.8.2. If Agent fails to timely pay all amounts owed, or fails to authorize the draft for the required amount, ARC will take such action as it deems appropriate.

34. Requirements for Agents Subject to Additional Operating Requirements

34.1. Agent will be subject to the requirements of this Section if, during any 12-month period, any of the following occur :

34.1.1. Two or more of Agent's drafts for Sales Reports have been dishonored, and are not paid by the close of the following business day after notice from ARC;

- 34.1.2. Two or more of Agent's Sales Reports have not been Submitted by the next business day after notice to Agent from ARC and such Sales Reports are ultimately Submitted prior to the termination date of this Agreement;
- 34.1.3. Agent has been declared in default pursuant to Section 33 of this Agreement and the amount of the default equals or exceeds the amount of Agent's Financial Instrument ; or
- 34.1.4. Agent has been declared in default pursuant to Section 33 of this Agreement two or more times, regardless of the amount of the default; or
- 34.1.5. Two or more of Agent's drafts for Sales Reports have been dishonored within any four consecutive Sales Report Periods (PEDs).
- 34.2. A Sales Report will not be considered late for the purposes of Section 34 if Agent provides evidence of timely Submission or if Agent qualifies for an exemption under the conditions stated in Section K of the *IAH*.
- 34.3. ARC will notify Agent (in writing) and Carriers 30 calendar days in advance of the date when the additional operating requirements are effective (effective date). The notice will also inform Agent of the additional operating requirements that must be accomplished prior to the effective date stated in the notice. These requirements will include:
- 34.3.1. A Financial Instrument, in the form required by ARC, and in an amount not to exceed Agent's net cash remittances for the three highest Sales Report Periods within the last 12 months. ARC reserves the right to adjust the amount of the Financial Instrument during the period Agent is subject to the terms of Section 34. However, in no event will the amount be less than Agent's current Financial Instrument; and
- 34.3.2. ARC's rejection of any application to open additional Location(s) submitted or pending while Agent is subject to this Section; and
- 34.3.3. Execution and provision of the "Personal Guaranty(s) of Payment and Performance" as set forth in Section G of the *IAH* within seven calendar days of the date of ARC's written notice; and
- 34.3.4. Provision of a written action plan, in a form required by ARC, to include for example, details of corrective action designed to prevent additional non-compliance and schedules for submission of financial statements.
- 34.4. Requirements of Subsection 34.3 may also include the establishment of an automatic overdraft protection agreement, to be provided to ARC in writing from Agent's bank.
- 34.5. If Agent is not in compliance with the requirements of Section 34.3 and 34.4 at any time the requirements are in effect, ARC will terminate this Agreement with Agent and take action as directed in Subsections 6.7 and 6.8 of this Agreement.
- 34.6. If, following the effective date of this Section, and Agent's compliance with the provisions of Subsections 34.3 and 34.4 of this Agreement, there are no instances of dishonored drafts, late reports, or defaults within a 12-month period, ARC will remove the additional operating requirements of this Section and notify Carriers.
- 34.7. If, following ARC's notice concerning the additional operating requirements, there is an additional dishonored draft, late report, or default, ARC will notify the Agent. ARC may also notify the System Providers to inhibit the issuance of ARC Traffic Documents by Agent and

notify the Carriers. If the specified breach is cured, System Providers will be notified to reinstate the issuance of ARC Traffic Documents, and upon written notice to Agent, the additional operating requirements will be extended for an additional 12 month period. If there are no instances of dishonored drafts, late reports or defaults within the extended 12-month period, ARC will remove the additional operating requirements of this Section and notify Carriers.

- 34.8. Agent may appeal to the Arbiter ARC's determination that Agent is subject to this Section. The appeal will be given expedited consideration, and while the appeal is pending, this Section will continue to apply to Agent unless or until the Arbiter rules in favor of Agent or Agent's compliance with Subsections 34.3 and 34.4.

Part VI: Travel Agent Arbiter

35. Disputes between Agent and ARC must be resolved by the Arbiter according to the rules and procedures determined by the Arbiter. The Arbiter's decision will be final and binding. However, neither Agent nor ARC is prohibited from seeking judicial relief to enforce the Arbiter's decision or to compel compliance with this Agreement prior to filing of an answer, or other responsive pleading, in a proceeding concerning such requirement or prohibition before the Arbiter.

Part VII: Liability and Waiver of Claim

36. Agent acknowledges and agrees that:

- 36.1. Carrier will indemnify and hold harmless Agent, and Agent's officers and employees, from all responsibility and liability for any damage, expense, or loss to any person, Entity, or thing caused by or arising from any negligent act, omission, or misrepresentation of Carrier; or Carrier's representatives, agents, or employees relating directly or indirectly to the performance of the duties and obligations of the Carrier under this Agreement.
- 36.2. Agent will indemnify and hold harmless Carrier and ARC; and Carrier and ARC officers, agents, and employees from all responsibility and liability for any damage, expense, or loss to any person, Entity, or thing caused by or arising from any negligent act, omission, or misrepresentation of Agent; or Agent's representatives, agents, or employees relating directly or indirectly to the performance of the duties and obligations of Agent under this Agreement.
- 36.3. Unless Agent is determined not to be liable under Subsection 36.4, Agent will be liable for (and will indemnify and hold harmless Carrier; and Carrier's officers, agents, and employees from) any and all damage, expense, or loss incurred on account of the loss, misapplication, theft, forgery, or unlawful use of ARC Traffic Documents, or other supplies furnished by or on behalf of the Carrier to Agent.
- 36.4. Agent will not be liable for resulting losses, if, at the time of a proven theft or unlawful use, Agent is determined by ARC to have met all of the following requirements:
- 36.4.1. Agent has been in compliance with the Security Guidelines for ARC Traffic Documents in Section B of the *IAH*;

- 36.4.2. Agent has exercised reasonable care for the protection of ARC Traffic Documents;
- 36.4.3. Agent, upon discovery, immediately has reported the theft or unlawful use to the appropriate law enforcement authorities; and
- 36.4.4. Agent has promptly notified the ARC Fraud Prevention Department, by telephone, fax, or e-mail, of the particulars of such theft or unlawful use.
- 36.5. The exemption in Subsection 36.4 does not apply in cases where losses are due to the theft or unlawful use of ARC Traffic Documents by Agent, or Agent's employees or independent contractors.
- 36.6. Unless Agent is relieved of liability pursuant to this Section, proceeds of the Financial Instrument will be applied to any and all damage, expense, or loss, on account of the loss, misapplication, theft, forgery, or unlawful use of ARC Traffic Documents, ARC-issued numbers, or other supplies furnished by or on behalf of Carrier to Agent.
- 36.7. Reasonable care, as used here, includes, but is not limited to, compliance with the safeguards required in *IAH*, Section B. In making the determination of reasonable care, ARC may rely on the findings of the ARC fraud investigators, representatives, or cooperating security officers of Carriers. If ARC determines Agent did not exercise reasonable care, ARC will inform Agent of the specific details in which Agent failed to exercise reasonable care. Agent may appeal ARC's determination to the Arbiter pursuant to Part VI of this Agreement.
 - 36.7.1. If ARC files a complaint with the Arbiter alleging Agent failed to comply with safeguards set forth in Section B, ARC shall rely on the finding of the Arbiter in determining whether or not reasonable care was exercised by Agent.
- 36.8. Agent expressly waives any and all claims, causes of action, or rights to recovery based upon libel, slander, or defamation by reason of publication of asserted grounds or reasons for removal from the ARC Agency List or such other action which may have been required, or of alleged violations or other charges for which review of Agent's eligibility is requested, as is reasonably related to the performance of appropriate functions specified for ARC, its officers and employees, representatives, or the Arbiter.
- 36.9. If ARC uses legal counsel to (i) enforce its right to repossess ARC Traffic Documents because Agent failed or refused to surrender them upon demand made pursuant to this Agreement, and/or (ii) otherwise obtain compliance by Agent with the provisions of this Section, Agent shall also be liable to ARC for any and all attorney's fees, and also for any additional costs actually incurred by ARC for the collection for costs of this action, if ARC's action is adjudicated or otherwise resolved in ARC's favor. If ARC's action is adjudicated or otherwise resolved in favor of Agent, ARC must reimburse Agent for all costs incurred, and for the reasonable fees of Agent's attorneys, in defending itself against ARC's action. The term "costs" as used here includes, but is not limited to, court costs, litigation bond premiums, private investigator fees incurred in attempting to locate ARC Traffic Documents, and locksmith fees.
- 36.10. If ARC uses legal counsel to enforce its right to inspect Agent's books and records because Agent failed or refused to permit an inspection upon demand made pursuant to this Agreement, Agent must reimburse ARC for all costs incurred, and for the reasonable fees of ARC's attorneys, if ARC's demand is adjudicated or otherwise resolved in ARC's favor. If ARC's

demand is adjudicated or otherwise resolved in favor of Agent, ARC must reimburse Agent for all costs incurred, and for the reasonable fees of Agent's attorneys, in defending itself against ARC's demand. The term "costs" as used here includes, but is not limited to, court costs and litigation bond premiums.

- 36.11. Agent agrees to indemnify and hold Carrier harmless from and against any claim arising from the failure of Agent to refund to the authorized refund payee the proper amount of fare or other charges collected.
- 36.12. Agent agrees that whenever an ARC representative must go to an Agent or other location to remove ARC Traffic Documents, collect funds due hereunder, etc., Agent will pay the out-of-pocket special service costs incurred by ARC in conjunction with such action.
- 36.13. Agent assumes liability for use, misuse, or unauthorized use of Agent's Log-in Credentials supplied by ARC, regardless of whether the Log-in Credentials were created by Agent or by ARC. Agent will indemnify, defend, and hold harmless ARC; ARC's owners, directors, officers, employees, representatives, and participating Carriers, from injury or damage to any person, property, or Entity including, but not limited to Agent, resulting from any such use, misuse, or unauthorized use of Agent's Log-in Credentials.

Part VIII: Waiver and Severability

- 37. A waiver by any party of any breach or default by another party will not be construed as a waiver of any other breach or default whether or not similar and whether or not occurring before or after the subject breach.
- 38. If any provision of this Agreement is held invalid in a court of law or equity, the remaining provisions will remain in full force and effect and will be construed as if the invalid provisions were not included in this Agreement.

Part IX: Definitions

39. For the purposes of this Agreement:

- 39.1. ACCREDITATION means Agent's application and Location(s) have been approved by ARC and have been included on the ARC Agency List.
- 39.2. AGENT means any Entity approved by ARC to issue ARC Traffic Documents.
- 39.3. ARBITER means the Travel Agent Arbiter established as an independent entity (Travel Agent Arbiter Program Inc.) to decide disputes between ARC, Agents, and applicants.
- 39.4. ARC AGENCY LIST means the list owned and maintained by ARC, which includes, among other things, the name, address, and ARC number(s) used to identify each Location that has been approved by ARC.
- 39.5. ARC NUMBER is ARC's 8-digit identifier for each Agent Location.
- 39.6. ARC SETTLEMENT PLAN (ASP) is the system through which Agent reports and settles ARC Traffic Documents issued on behalf of Carriers.

- 39.7. ARC SPECIALIST is a person who has passed, and maintains the requirements of, the ARC Specialist examination.
- 39.8. ARC TRAFFIC DOCUMENT means all industry standard forms and documents that ARC may provide to Agent, in trust, and for which Agent is responsible. This term includes Carriers' own traffic documents provided to ARC for processing reporting, settlement and administration under this Agreement.
- 39.9. CARRIER means any Entity that has executed the ARC Carrier Services Agreement or is otherwise authorized by ARC to take part in ARC programs as a participating Carrier for purposes of this Agreement.
- 39.10. COMMON CONTROL means two or more Agents controlled by the same Entity or Entities.
- 39.10.1. CONTROL or CONTROLLED means the power or authority to manage, direct, superintend, restrict, regulate, govern, administer, or oversee; and the term embraces every form of Control, actual or legal; direct or indirect; negative or affirmative; individual, joint, several, or family, without regard to the type or number of intervening or supervening persons involved.
- 39.11. CREDIT MEMO means any written or electronic transmission from a Carrier to Agent authorizing Agent to deduct a specified dollar amount from Agent's Sales Report.
- 39.12. DEBIT MEMO means a written or electronic transmission from a Carrier to Agent for payment of an Agent obligation.
- 39.13. ENTITY includes, but is not limited to, a sole proprietor, corporation, partnership, association, company, or firm.
- 39.14. FINANCIAL INSTRUMENT means bond, irrevocable letter of credit and/or a cash security deposit.
- 39.15. GENERAL CONCURRENCE means a Carrier's authorization to ARC to appoint all Agents on the ARC Agency List on Carrier's behalf.
- 39.16. IMPROPERLY REPORTED TRANSACTION means an ARC Traffic Document(s) Submitted in Agent's Sales Report that contains unauthorized, false, and/or inaccurate data. Improperly Reported Transaction does not include those Transactions corrected prior to Submission.
- 39.17. INDUSTRY AGENTS' HANDBOOK (*IAH*) means the ARC-authored document (print or electronic) that contains additional rules and instructions under this Agreement. The *IAH* is incorporated by reference as though fully set forth in this Agreement.
- 39.18. INTERACTIVE AGENT REPORTING (IAR) means the ARC tool through which Agent accesses and Submits its Sales Reports.
- 39.19. LOCATION means a place of business operated by Agent that is both approved by ARC and on the ARC Agency List. Location types include the following:
- 39.19.1. INDEPENDENT means any Location that does not have a Branch or Associate Branch;
- 39.19.2. HOME OFFICE means any Location that has one or more Branches or Associate Branches;
- 39.19.3. BRANCH means any Location that is wholly owned by the Agent's Home Office as a single entity, which has full responsibility for the Branch under this Agreement; and

- 39.19.4. ASSOCIATE BRANCH means any Location which is not a single entity with the Home Office, in which the Home Office, or the Entity that owns the Home Office, has any ownership interest. The Home Office has full responsibility for the Associate Branch under this Agreement. The requirements for the Associate Branches are set forth in Section N of the *IAH*.
- 39.19.5. Additional Office Types
- 39.19.5.1. The requirements relating to ticket fulfillment locations remain in effect and are found in Section O of the *IAH*.
- 39.19.5.2. Centralized service locations, included on the ARC Agency List prior to January 1, 2013, remain in effect. Refer to Section O of the *IAH*.
- 39.20. LOG-IN CREDENTIAL means the unique credentials, including, without limitation, the Username, User ID, password, or responses to identity verification questions, which Agent uses to access ARC's systems.
- 39.21. MANAGEMENT QUALIFIER is the appointed Agent or Agent employee responsible for Agency's operations.
- 39.22. MEMORANDUM OF AGREEMENT is the Agreement signature page by which Agent and ARC consent to be bound by the terms of this Agreement. ARC signs on behalf of ARC and Carriers.
- 39.23.[Intentionally left blank]
- 39.24. PERIOD ENDING DATE (or PED) means the last day of the Sales Report Period, Sunday.
- 39.25. SALES REPORT means the list in IAR of all Transactions issued by Agent with Agent's ARC Number during the Sales Report Period.
- 39.26. SALES REPORT PERIOD means the 7-day period, Monday through Sunday, during which Transactions are issued.
- 39.27. SPECIFIC APPOINTMENT is when a Carrier specifically appoints Agent(s). Agent is not authorized to issue ARC Traffic Documents without Carrier's direct authority to do so.
- 39.28. SUBMISSION DEADLINE means the date and time by which a Sales Report is required to be Submitted. The Submission Deadline is 11:59 p.m. EST of the Tuesday following the end of the Sales Report Period, or the Wednesday following the end of the Sales Report Period if Monday or Tuesday is a holiday designated in the *IAH*.
- 39.29. SUBMIT means certifying the accuracy of Transactions in the Sales Report and authorizing the settlement amount associated with the Sales Report.
- 39.30. SYSTEM PROVIDER means a non-ARC Entity, whose services Agent uses to issue ARC Traffic Documents and/or in support of its reporting obligations under this Agreement. System Providers have entered into agreements with ARC and Carriers in support of these service offerings. System Providers include, but are not limited to, Computerized Reservation Systems (CRSs) and Global Distribution Systems (GDSs).
- 39.31. TRANSACTION or TRANSACTIONAL DATA means the ticketing and other information included in the Sales Report.
- 39.32. UNITED STATES includes the fifty states, the District of Columbia, and any U.S. territory, including, but not limited to Puerto Rico, the U.S. Virgin Islands, and American Samoa.



- 39.33. UNREPORTED SALE means a Transaction completed using an ARC Traffic Document(s) that has not been Submitted by Agent.
- 39.34. VARIABLE REMITTANCE PLAN is an arrangement negotiated between an individual Carrier and Agent, under which Agent settles ARC Traffic Documents directly with an individual Carrier.
- 39.35. VERIFIED TRAVEL CONSULTANT (VTC) means an ARC-approved Entity that is not authorized to issue ARC Traffic Documents on behalf of Carrier

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Section A: Notices

1. Unless specifically directed otherwise, any notices that are required to be given in writing must be sent using any of the following:
 - 1.1. U.S. mail
 - 1.2. E-mail
 - 1.3. Facsimile
 - 1.4. Government-licensed delivery service that provides a shipping receipt, air bill, or documentation of delivery
2. The effective date of any notices between ARC and Agent, for the purpose of calculating any delivery requirements, will be the date the notice was mailed, e-mailed, faxed, or placed in the hand of a government-licensed delivery service.
3. Any notice that is not required to be made in writing can be delivered by any common method including those mentioned above, telephone, IAR message board, or notice on ARC's corporate websites, such as *My ARC*.
4. ARC and Carriers will deliver notices to Agent's Manager e-mail Address (or the e-mail address of Agent's Owner or Officer will be used if the Manager email is not provided by Agent or ARC determines that the Manager e-mail Address is not active) or home office address. For notices to ARC, Agent should follow the instructions provided in the relevant sections of the Industry Agents' Handbook. For additional assistance, please contact the Customer Care Center.

Section B: Security Guidelines for ARC Traffic Documents

This Section includes the rules governing the security of ARC Traffic Documents. Adhering to these rules protects you in two ways. First, compliance with these rules means that you will not be held liable by ARC or the airlines for usage of ARC Traffic Documents in the event of a theft (including shoplifting, robbery, burglary, etc.) of the ARC Traffic Documents, except by you, your employees, or your independent contractors. Second, adherence to the rules will act as a deterrent to criminals, who in many cases will inspect an agency location before deciding to carry out the crime. Not complying with these rules or exercising reasonable care for the protection of ARC Traffic Documents means that you will be liable for usage of stolen ARC Travel Documents.

ARC Traffic Documents (Paper Format)

The printing and distribution of paper format ARC Traffic Documents (Automated Ticket/Boarding Pass (ATB) accountable document stock) will cease effective December 17, 2020. After this date, agencies may no longer order new supplies of paper format ARC Traffic Documents.

The security guidelines outlined below apply to any remaining supplies of accountable document stock.

1. Total Inventory

Agents may maintain a 3-month supply of ARC Traffic Documents, for each Location, based on past usage and shipment history.

2. Destruction of Inventory

If you wish to destroy or account for destroyed ARC Traffic Documents, you must follow the Traffic Document Destruction process outlined in the latest edition of the *IAH*.

3. Storage Requirements

ARC Traffic Documents must be secured in a metal safe, metal filing cabinet or other metal container, under your exclusive control, which possesses the following security features: (a) a weight (when empty) of 200 or more pounds or permanent attachment to the floor or wall(s) of the location; and, (b) a locking device meeting UL classification 768 (combination/time locks).

General Security of the Travel Agent's Approved Location and Operations

- A. You should close, lock, or otherwise secure all means of access to the Location at all times when the Location is not attended by authorized agency personnel.

[Note: You may provide access to the Location to non-agency personnel (i.e., landlord, cleaning services, independent contractors, etc.) when the Location is not attended by authorized agency personnel. In so doing, however, you bear responsibility for any ARC Traffic Document lost or stolen under such circumstances. It is, therefore, essential that you require all non-agency personnel to close, lock, or otherwise secure all access to the Location by unauthorized personnel while they are occupying it. ARC suggests that you examine the possibility of obtaining indemnification against any liability you incur with ARC or its Carriers as a result of acts of negligence on the part of the authorized non-agency personnel.]

- B. All automated tickets not in use in a printer should be locked up in the metal safe or container described above, except those that are being issued. All automated ticket printers must be either (a) locked, or (b) housed in a locked container.

- C. Printer Location. All ticket printers should be located in a separate, lockable room or area within the agency that is accessible only to your personnel.

[Note: If your agency location has more than one room or office, it is suggested that the printer(s) be placed in the room least accessible to the general public. If the agency location is primarily one room or office, a partition could be built or created with bookshelves, for example, to separate the ticket printer(s) from access by non-agency personnel.]

Part B: ARC Traffic Documents (Electronic Format)

Agent must exercise reasonable care in the issuance or disclosure of ARC Traffic Documents/data/numbers in an electronic format, to prevent the unauthorized issuance or use of such Traffic Documents/data/numbers. "Reasonable care" includes effective, electronic challenge and authentication, e.g., Log-in Credentials or Security Credentials, including, for example, Usernames, PIN and password, of any user accessing agent hardware, systems, or any other systems or hardware which can be used to issue ARC Traffic Documents/data/numbers in an electronic format. At a minimum, Agent must implement appropriate physical, electronic, and managerial procedures and systems to prevent unauthorized access, disclosure, alteration or destruction of Transactional Data.

Section C: Retention and Inspection of Agent Records

- 39.36. As required by Section 12 of the ARA, Agent must retain copies of documents, included, but not limited to, the following for a period of at least 39 months from the Submission Deadline for those documents:
- 39.36.1. Voided Traffic Documents
 - 39.36.2. Completed Universal Credit Card Charge Forms (UCCCFs), which include cardholder signature, credit card imprint, and authorization code.
 - 39.36.3. Intentionally Omitted
 - 39.36.4. Discount Certificates and Vouchers
 - 39.36.5. Debit and Credit Memos
 - 39.36.6. Value Coupons associated with refunds, exchanges
 - 39.36.7. Other supporting documentation as may be required by ARC or Carriers

Section D: Financial Instrument

Purpose: Agent's Financial Instrument is used after termination of the Agent's ARA in order to cover all amounts owed by Agent to Carriers and ARC for transactions issued on ARC Traffic Documents supplied in trust to Agent. This includes, but is not limited to, all amounts owed for transactions that have been used but not reported or paid for; amounts owed for dishonored drafts; and amounts owed as a result of the loss misapplication, theft, forgery, or unlawful use of ARC Traffic Documents, unless the Agent has been relieved of liability for such under this Agreement.

1. A Financial Instrument may be in the form of a bond, letter of credit, or cash security deposit. If it is a bond, it must be issued by a surety included on the current revision of Circular 570, "Surety Companies Acceptable on Federal Bonds," issued by the United States Treasury Department.
2. Agents, except for those with Associate Branches (see Section 3 below), must comply with the Financial Instrument requirements indicated below and within Part IV, Section 30, of the Agent Reporting Agreement (ARA).
 - 2.1. As the Agent, you are required to maintain a Financial Instrument in the form and amount required by ARC for the joint and several benefit of Carriers and ARC.
 - 2.2. ARC will notify you of the required Financial Instrument amount 90 calendar days prior to the anniversary date of your Financial Instrument. If an adjustment is required, you are required to comply with the new requirement no later than the anniversary date.
 - 2.3. ARC will set the amount of the Financial Instrument within a minimum of \$20,000 and a maximum of \$70,000 for the first 2 years following your Agency's inclusion on the ARC Agency List. In your first year, the Financial Instrument is set at \$20,000. For the second year, the amount of the Financial Instrument will be the greater of \$20,000 or the average monthly net cash remittance as determined for a 12-month period, calculated 5 months prior to the anniversary date of your Financial Instrument. The Financial Instrument will not exceed \$70,000, unless your Agency has Associate Branches or becomes subject to the additional operating requirements of Section 34 of the ARA.
 - 2.4. After your Agency has been on the ARC Agency List for at least 2 years, the amount of the Financial Instrument will be the greater of \$10,000 or the average monthly net cash remittance as determined for a 12-month period, calculated 5 months prior to the anniversary date of your Financial Instrument. The Financial Instrument will not exceed \$70,000, unless your Agency has Associate Branches.
 - 2.5. Any required change in the Financial Instrument, or any required adjustment of the amount of the Financial Instrument, will be made each time the Financial Instrument is renewed, reinstated, or replaced, as applicable.
 - 2.6. If ARC determines that the Financial Instrument is less than the required amount, ARC will notify the Agent at least 90 calendar days in advance of the anniversary date of the Financial Instrument.
 - 2.7. If a required increase is greater than \$10,000, Agent may increase the Financial Instrument in increments of 25 percent per quarter. The Financial Instrument must be at the required

amount prior to the start of the next anniversary date. Contact the Customer Care Center to discuss incremental increases prior to your current anniversary date.

3. Guaranty Levels for Agents with Associate Branches
 - 3.1. For Agents with one or more Associate Branches the minimum Financial Instrument amount is \$70,000 and the maximum \$150,000.
 - 3.2. Agent must maintain a Financial Instrument in the form and amount required by ARC for the joint and several benefit of Carriers and ARC.
 - 3.3. ARC will inform Agent of the required Financial Instrument amount 90 calendar days prior to the anniversary date of Agent's Financial Instrument. If an adjustment is required, Agent must comply with the new requirement no later than the anniversary date.
 - 3.4. The amount of the Financial Instrument will be the average monthly net cash remittance as determined for a 12-month period calculated 5 months prior to the anniversary date of Agent's Financial Instrument. The Financial Instrument will not exceed \$150,000.
 - 3.5. Any required change in the Financial Instrument, or any required adjustment of the amount of the Financial Instrument, will be made each time it is renewed, reinstated, or replaced, as applicable.
 - 3.6. After the approval of an Associate Branch, if ARC determines that the Financial Instrument is less than the required amount, ARC will notify the Agent at least 90 calendar days in advance of the anniversary date of the Financial Instrument.
 - 3.7. If a required increase is greater than \$10,000, Agent may increase the Financial Instrument in increments of 25 percent per quarter. The Financial Instrument must be at the required amount prior to the start of the next anniversary date. Contact the Customer Care Center to discuss incremental increases prior to your current anniversary date.

Change of Agency Ownership

4. Whenever there is a change in ownership involving your agency, an application is required. The Financial Instrument will be adjusted based on the type of ownership change. See Section I for examples of ownership changes.
 - 4.1. For a change in ownership that does not involve the addition of new owners or Entities, the Financial Instrument will not be less than the amount required of the Agent prior to the change in ownership.
 - 4.2. For a complete change in ownership that creates a new Entity, or a change of 30% or more of the ownership of an existing Agent to new owners, the Financial Instrument will be a minimum of \$20,000 or the amount required of the Agent prior to the change of ownership, whichever is greater. As with new Agents under paragraph 2.3, the Financial Instrument amount will remain in effect for at least 2 years.
 - 4.3. For a change in ownership that includes an Associate Branch, the Financial Instrument will be as stated in Section 3.

Section E: Carrier Participants in Agent's Standard Ticket & ARC Settlement Plan

All ARC participating carriers, as listed in Section 1 of the Industry Agents' Handbook, have specified their method of agent appointment. Their method of appointment is either one of **General Concurrence** or **Specific Appointment**. The two methods of agent appointment can be described as follows:

General Concurrence: The carrier appoints all agents that appear on the ARC Agency List unless the carrier notifies both ARC and the agent of a decision not to appoint the agent or agency location.

Specific Appointment: The carrier appoints agents appearing on the ARC Agency List specifically, and will do so by delivering to each appointed agent a written Certificate of Appointment. Under these terms, ticketing using a carrier's validation code is not permissible unless done under the specific appointment of the validating carrier. Agents seeking a Certificate of Appointment from a carrier should seek such Certificate directly from the carrier.

Section F: Examples of Breaches by Agent

1. Examples of situations where it appears to ARC that there may be or has been fraudulent conduct on the part of the Agent include:
 - 1.1. Failure to include in a report all ARC Traffic Documents issued through the close of the Sales Report Period, even though payment was subsequently made upon demand
 - 1.2. Issuance of ARC Traffic Documents (including Traffic Documents issued for ARC Pay transactions and other transactions) against a credit card without the cardholder's authority, or against a stolen or otherwise fraudulent credit card
 - 1.3. Failure to account for missing ARC Traffic Documents or for flight, exchange, or service coupons
 - 1.4. Permitting alteration, omission, or other falsification of original ARC Traffic Documents or on any reissue
 - 1.5. Falsification of reports, Traffic Documents, or other documents
 - 1.6. Use and misuse of IAR that results in reporting cash refunds against sales made on credit cards
 - 1.7. Permitting the unlawful or unauthorized access or use of an airline or System Provider computer reservations system owned, leased or controlled by it in connection with the issuance of ARC Traffic Documents
 - 1.8. Engaging in a pattern of potential "bust-out" activity, such as a sudden, sharp fluctuation of sales, refunds, exchanges, voids, etc.
 - 1.9. Issuing and/or reporting through IAR, duplicate or invalid Credit Memos or other supporting documents, e.g., vouchers and/or credit certificates
 - 1.10. In the absence of specific permission of the Carrier, (a) using any credit card which is issued in the name of the Agent, or in the name of any of the Agent's owners or personnel, or in the name of any third party, for the purchase of air transportation for sale or resale to other persons, or (b) including in a Sales Report or reporting to the Carrier the sale of any air transportation as a credit card transaction where at any time the Agent bills, invoices, or receives payment in cash from the customer for such air transportation
 - 1.11. Submitting for refund, exchange or reissuance an ARC traffic document or transaction that has been used or has already been refunded, exchanged, or reissued
 - 1.12. Use or misuse of IAR that, for example, prevents the proper reporting of all sales or results in Improperly Reported Transactions, including improperly reported exchanges or refunds
 - 1.13. Misuse or manipulation of IAR and ARC Traffic Documents. This may include, for example, issuance, refund and/or exchange of tickets that are not intended for travel by a bona fide passenger.

Section G: Personal Guaranty of Payment and Performance

Section I: Applicability

The provisions of this Section apply whenever the Agent is required by the Agent Reporting Agreement (ARA), to execute a "Personal Guaranty of Performance of Agent's Agreement" (Guaranty)

Section II: Guarantors

The guarantors on such Guaranty shall include:

- A. All individuals having a stock or other beneficial interest of 30 percent or more in the Agent and all officers, directors, or employees having a stock or other beneficial interest of 10 percent or more in the Agent, if such is a corporation; or
- B. Where the Agent is a corporation in which 30 percent or more of the stock or other beneficial interest is owned by another corporation(s) (hereinafter "parent corporation") then all individuals, in addition to those who may meet the requirements of paragraph A above, having a stock or other beneficial interest of 30 percent or more in the parent corporation and officers, directors or employees having a stock or other beneficial interest of 10 percent or more in the parent corporation; or
- C. Each general partner and the spouse of each general partner if the Agent is a general or limited partnership; or
- D. The spouse of the Agent which is a sole proprietorship; or
- E. If the Agent is a limited liability company (LLC), all individuals who are members of the LLC.

Section III: Effectiveness of Guaranty

The originally executed Guaranty is of continuing effect, and its effectiveness, and the guarantors' liability thereunder, survives termination of the Agent's Agent Reporting Agreement, except as modified pursuant to Section IV below, and need not be re-executed upon amendment of the Agent Reporting Agreement, including subsequent revisions and reissues thereof.

Section IV: Modification of Personal Guaranty

- A. By mutual consent of ARC and the Agent, guarantors may be added, deleted, or substituted for existing guarantors, if circumstances change, e.g., change of corporate or partnership structure, or change of spouse occurs after the Guaranty has been executed.
- B. After the Guaranty has been in effect for two years, the Agent may petition the Arbitrator for review of the requirement to maintain such Guaranty.

Section V: Agreement - Personal Guaranty of Payment and Performance of Agent's Agreement

As a condition imposed for continued inclusion of the below listed Agent on the ARC Agency List of the Airlines Reporting Corporation (ARC), and/or pursuant to the terms of the ARA, the undersigned guarantor(s) hereby jointly and severally promise and guaranty the unconditional payment by Legal or Trade Name:

_____ (Agent), the Home Office of which has been designated with ARC Number _____ . For these purposes, Agent shall mean all Agent Location (s) (as defined in Section 39.19 of the ARA), , including without limitation any location which may be added to the ARC Agency List after the date of execution hereof, of all indebtedness, liabilities and obligations of every nature and kind arising out of or in connection with the Agent Reporting Agreement as presently constituted and as may be hereinafter amended, including subsequent revisions and reissuances thereof, except to the extent that such indebtedness, liabilities or obligations are satisfied from the proceeds of the surety bond or letter of credit or Cash Security Deposit (Financial Instrument) required under said Agent Reporting Agreement and/or are satisfied by the assets of Agent itself.

Any and all disputes regarding the obligations of the undersigned guarantor(s) to ARC shall be resolved by the Travel Agent Arbiter, an arbitration forum established as an independent entity, in accordance with the rules promulgated and published by the Travel Agent Arbiter, and the decision shall be final and binding; provided, however, that neither ARC nor any guarantor is precluded from seeking judicial relief to enforce a decision of the Travel Agent Arbiter, or to compel compliance with this Guaranty prior to the filing of an answer on a proceeding concerning such requirement before the Travel Agent Arbiter. Subject to the above, the Travel Agent Arbiter shall have discretion to consolidate in one docket any action concerning ARC and Travel Agent, and ARC and any or all undersigned guarantor(s).

Any assets which a spouse who executed this Guaranty acquired independently of Agent are excluded from the provisions of this Guaranty.

Authority and consent are hereby expressly given ARC from time to time, and without any notice to the undersigned guarantor(s), to give and make such extensions, renewals, settlements, and compromises as it may deem proper with respect to any of the indebtedness, liabilities and obligations covered by this Guaranty; and the release by ARC of any other Entity, or settlement with any other Entity, or the revocation or impairment of this Guaranty with respect to one or more of the guarantors, shall not operate to prejudice the rights of ARC against any or all other guarantors hereunder. This Guaranty shall bind the parties by whom it is signed, whether the same is signed by one or more guarantors. This Guaranty may consist of several counterparts, all of which, taken together, shall constitute a single Guaranty.

It is understood that this is a continuing absolute and unconditioned Guaranty, co-extensive with said Agent Reporting Agreement as presently constituted and as may be hereafter amended, including subsequent revisions and reissuances thereof. The undersigned guarantor(s) hereby jointly and severally waive notice of acceptance of this Guaranty and of all defaults by Agent of nonpayment and nonfulfillment of any and all of said indebtedness, liabilities, and obligations.

The obligations hereunder are not subject to any limitation under the United States Bankruptcy Code, 11 U.S.C. sec. 101 et seq. ("Bankruptcy Code") in the event that Agent is a debtor in a case under the Bankruptcy Code.

The execution of this Guaranty shall not be construed as to create a present security interest or lien on the assets of the guarantors hereto.

This Guaranty shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

Faxed and scanned signatures shall constitute original signatures and shall be treated with the same force and effect as original signatures.

Signed and sealed by the undersigned on the date set forth below.

(Printed Name of Guarantor)

(Residence Address)

(City, State, Zip Code)

(Residence Telephone Number)

(Signature of Guarantor)

This Document Must Be Signed in the Presence of a Notary.

(FOR NOTARY USE ONLY)

County of _____ State of _____

On this _____ day of _____, 20____, _____
(Print Name of Above Guarantor)

appeared before me and, having been duly sworn by me, signed the Guaranty in my presence.

Notary Public Signature

NOTARY SEAL

My commission expires on _____

A SEPARATE PERSONAL GUARANTY MUST BE EXECUTED BY EACH TYPE OF GUARANTOR IDENTIFIED IN SECTION II ON THE REVERSE. EACH PERSONAL GUARANTY MUST CONTAIN ALL PAGES.

Section H: Use of ARC Online Services and Tools

1. ARC provides various online services (collectively referred to as “ARC Tools” or “Tools”) Agents use to submit and review Transactional Data or otherwise conduct business with ARC and the Carriers. Currently these Tools include ARC’s: Interactive Agent Reporting (IAR), Internet Sales Summaries, Memo Manager, and Document Retrieval Service, as well as the *My ARC* web portal through which certain ARC Tools are accessed.
2. Agent’s use of ARC Tools is subject to the terms of the ARA and the Terms of Use for each Tool, which are incorporated by reference.
3. Agent represents that it has computer equipment, software, and Internet connection compatible for accessing *My ARC* and ARC Tools, and that such are capable of a sufficiently high level of encryption to meet the system requirements established by ARC from time to time. Agent must ensure the computer equipment Agent uses to access ARC’s Tools uses an industry-standard anti-virus software program capable of detecting and removing computer viruses, as well as software for protection against malware. Agent will further ensure that such software is updated periodically in accordance with a commercially reasonable schedule.
 - 3.1. ARC will assign to the Agent Log-in Credential(s) that will allow Agent to access *My ARC* and ARC’s Tools, and will also allow Agent to create additional Log-in Credentials.
 - 3.2. Log-in Credentials shall serve as the Agent’s authentication, authorization and verification of all Transactional Data and other data and information transmitted to ARC and/or the Carriers. Agent must comply with all ARC instructions and rules concerning the Log-in Credentials that ARC provides and updates from time to time.
 - 3.3. Agent’s use of Log-in Credentials shall have the same force and effect as a handwritten signature, shall bind the Agent for all purposes and shall be deemed admissible as between the parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Agent agrees not to contest the validity or enforceability of electronic transactions confirmed with the Agent’s Log-in Credentials.
 - 3.4. All Log-in Credentials, whether created by Agent or by ARC at the request of the Agent, are confidential and must be maintained by the Agent as confidential. The Agent will not disclose its Log-in Credentials to anyone who is not authorized to act on its behalf. Disclosure of Log-in Credentials to other persons or Entities may compromise the security of confidential financial, transactional, passenger, and other data provided to ARC and/or Carriers.
 - 3.5. Agent assumes liability for use, misuse, or unauthorized use of Agent’s Log-in Credentials supplied by ARC, whether created by the Agent or by ARC at the request of the Agent. Agent

must indemnify, defend and hold harmless ARC, its owners, directors, officers, employees, representatives and participating Carriers, from injury or damage to any Person, property or entity including, but not limited to, the Agent, resulting from any such use, misuse or unauthorized use of the Agent's Log-in Credentials.

- 3.6. Agent will immediately notify the ARC Customer Care Center at ARC's headquarters if the Agent believes that any one of its Log-in Credentials has been lost, stolen, misused, misappropriated, or otherwise compromised. Notwithstanding the foregoing, notification to ARC will not relieve Agent of its obligations hereunder.
4. Agent must designate a Document Retrieval Service (DRS) Security Manager who shall perform administrative functions for the Agent's users of DRS, including but not limited to creating and terminating individual DRS user accounts, DRS administrators, resetting of passwords, etc., according to instructions ARC may provide from time to time.
 5. Agent must designate a *My ARC* Primary Administrator who shall perform administrative functions for the Agent's *My ARC* users including but not limited to creating and terminating individual *My ARC* user accounts, *My ARC* administrators and Tool administrators, and granting and terminating user and administrator access to *My ARC* and ARC Tools, resetting of passwords, etc., according to instructions ARC may provide from time to time.
 6. Account profiles created in Tools by Agent, its administrators, security managers or Tool users, and the information contained in the profiles, will not constitute an application for, and/or ARC approval of a change of Agent's name, address, status, organizational structure or ownership, etc.
 7. ARC's Tools and online services are provided on an "As Is" and "As Available" case-by-case basis, and are subject to necessary scheduled downtime for maintenance, unscheduled maintenance, and system outages. Agent's access to ARC's Tools and online services may be interrupted at times for maintenance, system outages and other circumstances beyond ARC's Control (e.g., telecommunications outage, etc.), including but not limited to, those circumstances described in Section 9 below.
 8. The availability of ARC's Tools is subject to interruption and delay due to causes beyond ARC's reasonable control, including, without limitation, delays by suppliers or vendors which are outside of ARC's Control; acts of God or of a public enemy; acts of the United States or any state or political subdivision; fires, severe weather, floods, earthquakes, natural disasters, explosions, or other catastrophes; and labor strikes, slowdowns (collectively, "excusable delay"). **ARC will not be liable to Agent for any excusable delay. In no event will ARC be liable for any indirect, special, punitive or consequential damages, including lost profits, even if ARC has been advised of the possibility of such damages.**
 9. ARC reserves the right to assess a fee for any new, modified, or enhanced services related to ARC's Tools, with the exception of services covered by the annual fee described in Section M of the IAH,

that may be offered to the Agent in the future, subject to the approval of such fee by ARC's Board of Directors. By using any new or modified features when they become available, the Agent agrees to be bound by the rules concerning these features.

10. The means by which ARC provides access to ARC's Tools and online services, and the format and other features of such Tools and online services, may be modified or deleted by ARC at any time upon notice to the Agent.
11. Upon termination of the Agent's Agreement or access to the ARC Tools and/or online services, the information that the Agent would otherwise be able to access electronically or via *My ARC*, up to the termination date, may be made available to Agent, upon written request, in the format and media (e.g., CD ROM, via an Internet website, etc.) as determined by ARC, in its sole discretion. ARC reserves the right to assess a fee for such service. Agent acknowledges and agrees that nothing in this Section will affect the terms, conditions, or validity of the Agent Reporting Agreement.

Section I: Examples of Change in Ownership

To apply for a change in ownership, submit your request through the ARC Accreditation Tool or as directed in writing by ARC.

1.1. Examples of a change in ownership status of the Agent that involves a transfer of the ownership of the Agent or an Agent Location(s) to a new owner(s) or a new entity(ies).

- 1.2. Agent “DEF, Inc.” is owned by Bob and Mary, 50/50. Bob and Mary each sell 100% of their shares in DEF to Sue. Sue becomes the 100% owner of DEF, Inc. [Type II]
- 1.3. Agent “AAA, Inc.” is owned by Bob and Mary 50/50. They each sell 20 percent of their shares to John. Resulting ownership is John (40) Bob (30) and Mary (30). [Type II]
- 1.4. Agent “ABC, Inc.” is owned 100% by Bob. “XYZ Inc.” owned 100% by Mary, acquires “ABC Inc.’s” travel agency business. Upon approval by ARC, “XYZ, Inc.” is the new Agent. [Type V] (See, Section 16.1 of the ARA for description of acquisition)
- 1.5. Agent FFF, Inc. transfers one its branch Locations to ARC approved Agent GGG, Inc. FFF, Inc.’s branch becomes a Location of GGG, Inc. [Type IV]

2. Examples of a change in ownership status of the Agent that does not involve a transfer of ownership to a new owner(s) or a new entity(ies).

- 2.1. Agent “DEF, Inc.” is owned by Bob and Mary 50/50. Mary transfers 100% of her shares to Bob. Bob owns 100% of DEF, Inc. DEF, Inc. remains the agent. (no new owners) [Type 1]
- 2.2. Sole proprietor John sets up a corporation called John, Inc. John is the 100% shareholder of John, Inc. John Inc. assumes liability for all transactions issued by Sole proprietor John. (Structural change – no new owners) [Type III]

3. Change in Ownership Due to the Death of a Sole Proprietor or Partner

3.1 In the event of the death of a sole proprietor or partner, contact ARC’s Customer Care Center.

3.1.1. At the request of the Entity entitled to represent the deceased's estate and/or the request of the remaining partner(s), ARC may enter into a temporary Agreement with the Entity acting on behalf of the estate provided that the Entity submits a proper Financial Instrument in the name of the estate and continues to operate at the Location(s) covered by this Agreement.

3.1.2. The temporary agreement will be in the same form and have the same effect as this Agreement, and ARC may terminate this temporary Agreement at any time ARC determines that the Entity acting on behalf of the estate does not meet requirements of the ARA, is not in compliance with the ARA or cannot be relied upon to comply with the terms of the ARA. Upon termination of the temporary agreement, ARC will take action as directed in Subsections 6.7 and 6.8 in the ARA.

3.1.3. If the Entity entitled to represent the estate, or with whom the temporary Agreement is executed, proposes to transfer the temporary Agreement to an heir, legatee, or another Entity, the

proposed transfer will be deemed a change of ownership and the procedures in this Agreement, and the application agreement and instructions will apply.

3.1.4. If ARC determines that the Entity acting on behalf of the estate does not meet requirements of the ARA, is not in compliance with the ARA or cannot be relied upon to comply with the terms of the ARA, ARC reserves the right to notify Carriers and withdraw all ARC Traffic Documents (paper format) supplied to Agent and notify System Providers to prohibit further issuance of ARC Traffic Documents.

Section J: Instructions for Temporary Closure

1. In the event of a situation beyond Agent's control, such as fire, flood, or illness, Agent may request to temporarily close its Location(s) by contacting ARC's Customer Care Center.
2. During the period of temporary closure, Agent is required to maintain its Financial Instrument. ARC reserves the right to notify Carriers, notify System Providers to inhibit issuance of ARC Traffic Documents, and withdraw ARC Traffic Documents from the Location(s).
3. Please note: In the event of a regional disaster such as a hurricane, earthquake, etc., affecting a large number of agents, ARC will proactively ensure that all Agent Location(s) in the affected areas are excluded from compensatory fees; however; if your Location(s) continue to remain closed beyond the timeframe communicated by ARC for a reporting extension, please contact ARC's Customer Care Center for further assistance.

Section K: Reports and Settlements

1. Sales Reports

- 1.1. Agent must Submit its Sales Report(s) in compliance with the instructions provided by ARC in the Industry Agents' Handbook and the Agent Reporting Agreement.
 - 1.2. Agent's Sales Reports must account for and include all ARC Traffic Documents issued and validated during the Sales Report Period and confirm the accuracy of data included in the Sales Report, including transactions for non-air transportation.
 - 1.3. If Agent has sold no air transportation or ancillary services during the Sales Report Period, ARC will automatically submit, on the Agent's behalf, any or all "No Sales" Reports (i.e., Agent's IAR sales reports that include no transactions of any kind as of the Submission Deadline) if Agent has not already Submitted the report.
 - 1.4. Agent acknowledges and agrees that it remains financially liable and responsible for all transactions issued by the Agent during each Sales Report Period but not included in the Agent's Sales Report.
 - 1.5. With each Sales Report Agent will authorize a settlement amount reflecting the maximum amount to be drawn by ARC from Agent's designated account.
 - 1.6. Agent must Submit the Sales Report to ARC no later than the Submission Deadline, which is 11:59 p.m. EST of the Tuesday following the end of the Sales Report Period.
 - 1.7. Only those Sales Reports received by the Submission Deadline will be considered "timely received." If the Submission Deadline has passed, all outstanding Sales Reports must be Submitted immediately.
 - 1.8. Agent must make Transactional Data available to the Carrier(s) to which such data pertains.
 - 1.9. All Transactional Data may be reviewed by ARC at any time during or after the Sales Report Period.
 - 1.10. Upon Agent's Submission (or resubmission) of the Sales Report, ARC will generate a confirmation number for the report, and transmit this number to the Location from which the report was submitted.
 - 1.11. ARC will, based upon the Sales Report submitted by the Agent, determine the amount owed for the sales period, and will draft the Agent's designated bank account for such amount. The draft will not exceed the amount authorized by the Agent, or be presented for payment earlier than the fifth calendar day after the close of the Sales Report Period.
 - 1.12. ARC will make available a weekly summary showing all transactions and the amount of the draft, no later than the fifth calendar day after the close of the Sales Report Period. Settlement of amounts owing will be made in the authorized currency.
2. **In the event ARC does not receive Agent's Sales Report(s) by the Submission Deadline, ARC will notify Agent and the following, as relevant, will apply.**

- 2.1. Where Agent Has Evidence of Timely Submission of Weekly Sales Report: If you have evidence that you submitted the Sales Report on time, please contact the Customer Care Center. In this situation, ARC will not assess a compensatory fee.
- 2.2. Where a Malfunction at ARC Prevents Processing of Sales Report: If a malfunction or emergency at ARC renders ARC unable to process or receive the Sales Report, ARC will promptly notify Agent with further instructions. In this situation, ARC will not assess a compensatory fee.
- 2.3. Where Sales Report Recalled by Agent: Agent may, at any time before the Submission Deadline, recall a Sales Report which it has already submitted, in order to enhance or correct data. However, Agent may not recall a submitted Sales Report after the Submission Deadline for that Sales Report, and any Sales Report recalled prior to the Submission Deadline must be resubmitted by the Submission Deadline. If a recalled Sales Report is not resubmitted so that it is received at ARC by the Submission Deadline, the Agent must reauthorize and resubmit the Sales Report to ARC via IAR by the next business day after notification by ARC.

3. Consequences of Failure to Pay for Dishonored draft(s), Unreported Sales and/or Improperly Reported Transactions, and Failure to Timely Submit Sales Reports

- 3.1. If any of the actions in of Subsections 33.2, 33.3, or 33.4 of the ARA occurs, ARC will:
 - 3.1.1. Withdraw from the Agent, and all agents and locations under common Control with the Agent, all ARC Traffic Documents (paper format)
 - 3.1.2. Notify Carriers
 - 3.1.3. Notify System Providers to inhibit the issuance of ARC Traffic Documents by such Agent and all agents and locations under Common Control with the Agent.
- 3.2. Once all amounts Agent owes to Carriers and ARC have been fully paid (including, but not limited to, payment of all drafts drawn by ARC and dishonored by the Agent's bank), and all reports have been submitted, unless there is an outstanding notice of cancellation of the Financial Instrument (or Traffic Documents have been removed or issuance prohibited pursuant to another provision of the Agreement), ARC will resupply the Agent with ARC Traffic Documents in accordance with Section 23 of the ARA. ARC will also notify the System Providers that the issuance of ARC Traffic Documents is authorized, unless the Carrier has also taken action to terminate the Agent's appointment pursuant to Section 11.5 of the ARA.

4. If Agent Unable to Satisfy Debt

- 4.1. If the Agent does not submit the required Sales Report(s) and provide full payment, or fails to make full payment of all amounts owed to the Carrier or ARC (including, but not limited to, payment of all drafts drawn by ARC and dishonored by the agent's bank), on or before the 31st calendar day after the date of ARC's written notice of a default, this Agent's ARC Agreement will terminate automatically and without further notice.
- 4.2. The full amount to be paid within the 31-day period described above or any extension described in Section 4.3 must include, but not be limited to, all amounts owed for dishonored drafts, Unreported Sales and Improperly Reported Transactions, compensatory fees and

- missing reports, regardless of whether such amounts and/or reports have been specifically identified in the written notice.
- 4.3. ARC may extend the time for Agent to make full payment and avoid termination of the Agent's ARA, if:
 - 4.3.1. Agent has ceased issuance of all ARC Traffic Documents, on or before such 31st calendar day;
 - 4.3.2. Agent has provided all missing Sales Reports; and
 - 4.3.3. Agent has made a partial payment in an amount deemed appropriate by ARC.
 - 4.4. In determining whether or not to extend the time for full payment, ARC will consider the following factors, among others: the cause of the dishonor, Unreported Sales or Improperly Reported Transactions, or missing report; the payment schedule proposed; the current financial condition of the Agent; and any proposed remedial action.
 - 4.5. An extension of time on the terms provided in the preceding paragraphs will be available to all Agents.
 - 4.6. In conjunction with the extension of time provided in the foregoing paragraphs, the Agent may obtain authority from one or more of the Carriers involved to convert the Agent's cash indebtedness to each such Carrier into individually sponsored credit plans, thereby transferring the indebtedness from ARC to such Carrier. Upon receipt of written notice from the Carrier concerned, ARC will modify or withdraw the notice of termination, as appropriate.
 - 4.7. Upon the Agent's compliance with the foregoing paragraphs, ARC shall resupply the Agent with Traffic Documents in accordance with Section 23 of the ARA. In addition, ARC will notify all System Providers that the Agent may issue ARC Traffic Documents, and the Carriers may, in their individual discretion, notify the System Providers, if action is to be taken pursuant to Section 11.5 of the ARA.
 - 4.8. Upon termination of the Agreement pursuant to this Section, ARC will take action as directed in Subsection 6.7 and 6.8 of the ARA. In addition to any amounts due and owing by the Agent under the ARA, Agent shall also be liable to ARC for any and all attorney's fees, and also for any additional costs actually incurred by ARC for the collection of such sums owing by the Agent. Upon termination of the Agreement under this Section, ARC may, in its sole and absolute discretion and without any other separate basis, terminate all agents in common Control with the Agent.
5. ARC will require each Agent to which notice of default under Subsections 33.2, 33.3, and 33.4 has been sent to have executed on its behalf and filed with ARC the "Personal Guaranty of Payment and Performance" as set forth in Section G of the IAH if the Agent's financial or reporting irregularities under Subsections 33.2, 33.3, and 33.4 of the ARA create a danger of substantial loss to ARC and/or the Carriers. Such execution and filing will be a condition precedent to an Agent's right to use ARC Traffic Documents.

Section L: Variable Remittance

1. The following Variable Remittance option is available as an alternative to the cash sale standard remittance schedule. This option is intended to provide flexibility for carriers and agents who may choose to have cash sales processed in an alternate manner.
 - 1.1. Direct Form of Payment (DP)
2. Section 27 of the Agent Reporting Agreement provides that if a proposal is made by an Agent for the use of payment terms other than the standard remittance schedule, the Carrier will consider the proposal in good faith; however, the carrier's refusal to enter into such an arrangement shall not, in and of itself, constitute evidence of bad faith.
3. **Variable Remittance Option**
 - 3.1. **Direct Form of Payment (DP):** The Direct Form of Payment (DP) option allows the agent to submit a DP sale in the weekly report without ARC collecting the funds for the carrier. Settlement is strictly between the carrier and the agent, although ARC does settle the commission amounts.
4. **Control Procedures**
 - 4.1. ARC has incorporated control procedures to provide quality assurance for the Variable Remittance option. An online system ensures that these transactions are processed in accordance with the instructions submitted by the carrier to ARC. This is accomplished through a Carrier Agent Payment (CAP) file.
 - 4.2. For each carrier/agent arrangement the CAP file includes the following information:
 - 4.2.1. ARC Code Number
 - 4.2.2. Carrier Identification
 - 4.2.3. Account number (determined by the carrier)
 - 4.2.4. Payment plan
 - 4.2.5. Inception and Termination dates
5. Once a carrier notifies ARC that a Variable Remittance option will be established with an agent, ARC will include this information in the CAP file database. When an agent submits a weekly report containing a transaction with a Variable Remittance account number, this number is then verified by accessing the CAP file database. ARC will use the CAP file database to verify every Variable Remittance transaction.
6. **ARC Processing**

ARC will settle the commission amount in the week during which the transaction is processed. Therefore, since the agent has already received the commission, the amount owed to the carrier will be the Total Sale amount.

Example of Variable Remittance Transaction in
Agency Sales Summary

Airlines Reporting Corporation											
Agent Sales Summary											
REPORT ID-ARC999-99-X						REF NF -xx-06-4-7					
PAGE-1						RPT PED-06/25/00					
99 8754 2-5 ABC TRAVEL											
A/L	TICKET NUMBER	P P	ERR CDS	I C	TOTAL SALE	FARE	COMMISSION AMT	CODE	TAX AMT	CD	NET REMIT
	998 3400000001	DP			200.00	181.8	14.55	8.00	18.18	10	14.55
	998 3400000002	DP			300.00	272.7	21.82	8.00	27.27	10	21.82
	998 3400000003				250.00	227.2	22.73	10.00	22.73	10	227.2
	998 3400000004			X	400.00	363.6	40.00	11.00	36.36	10	360.0
	998 3400000005				700.00	636.3	63.64	10.00	63.64	10	636.3
	998 3400000006				108.00	98.1	7.85	8.00	9.82	10	7.85
	998 3400000007				324.00	294.5	29.46	10.00	29.45	10	297.5
	998 3400000008				250.00	227.2	22.73	10.00	22.73	10	227.2
	998 3400000009				270.00	245.4	19.64	8.00	24.55	10	19.64
	998 3400000010				270.00	245.4	19.64	8.00	24.55	10	19.64
	998 3400000011				270.00	245.4	19.64	8.00	24.55	10	19.64
	998 3400000012				432.00	392.2	39.22	10.00	39.27	10	392.7
NET CASH			3274.00	NET CASH			3270	CASH SALES			327.00
LESS COMMISSION			320.92	NET CREDIT			1418.0	CASH REFUNDS			0.00
NET REMITTANCE			2953	TOTAL			3774.0	NET ADJUSTMENTS			0.00
COLLECTION AMOUNT				FARES			3430.4	NET CASH			327.00
MAX AUTH AMOUNT			2035.08	TAXES			343.6	AGENT CASH TAPE			327.00
ADDED AMOUNT DUE			0.00	CAN PEN			0.00	CREDIT CARD SALES			0.00
AUTH NBR 000625				TOTAL			3774.0	CREDIT REFUNDS			0.00
AUG COMMISSION PCT			9.08	CREDIT CARD SALES				VAR REMIT SALES			0
				NET CREDIT				NET CREDIT TAPE			
VARIABLE REMITTING PLAN							COMMISSION PAID	FARES	COLLECTION AMT		
DIRECT FORM OF PAYMENT (DP)							36.37	454.55	0.00		
TOTAL								54.55			

Section M: Administrative and Compensatory Fees

1. Agents are required to pay an administrative fee to ARC for each Agent's Locations in order to defray a portion of the costs associated with operating the ARC Settlement Plan (ASP) and half of the costs associated with operating the Travel Agent Arbiter Program, Inc. The administrative fee has two parts: an annual fixed amount for each Location and a fee for transactions processed through the ASP for each Location.
 2. The transaction fee is determined by multiplying the fee amount times the number of transactions processed at each of Agent's authorized Locations during a defined 13-week period (referred to as "quarterly"). The transaction types include sales (auditor's coupon), refunds, Credit Memos, Debit Memos, exchanges (primary/companion/conjunction), recall commission statements, Agency Automated Deductions (AADs), Electronic Miscellaneous Document (EMD), and other transactions that may be approved by the ARC Board of Directors.
 3. The annual fixed amount and the fee amount charged per transaction are determined by the ARC Board of Directors. ARC will notify each Agent of the annual fixed amount and the per transaction fee amount for the following year before the end of the current calendar year.
 4. Agent authorizes ARC to collect the administrative fee by issuing a draft against the Agent's designated bank account.
- 5. Annual Fixed Amount**
- 5.1. The annual fixed amount will be collected by ARC, which will draft the designated account of each Location in January of the current year, or on such other schedule as the Board of Directors adopts.
 - 5.2. For a newly accredited Agent added to the ARC Agency List after the date the annual fixed fee is normally paid, the annual fixed amount will be included with the application fee. For a Location added to the ARC Agency List after the date the annual fixed fee is normally paid, the annual fixed amount will be included with the application fee.
- 6. Transaction Fee**
- 6.1. The transaction fee will be assessed and collected on a quarterly basis or an alternate assessment period(s) as be approved by the ARC Board of Directors. ARC will draft the designated account of each Location. For Agents undergoing ownership changes to new owners or entities, ARC will assess and collect a transaction fee from the transferring owner for transactions processed at the Location up to the effective date of the transfer of ownership. As of the effective date of the ownership transfer, ARC will assess and collect the transaction fee from the new owner of the Location.
- 7. Compensatory Fees**

- 7.1. The compensatory fee will be calculated and charged based on a formula approved by the ARC Board of Directors. ARC will notify the Agent of the amount and the date on which payment will be due.
- 7.2. Agent acknowledges and agrees that ARC will assess a compensatory fee for each dishonored draft for payment of Sales Reports to defray processing costs associated with the handling of dishonored draft, interest expense, and special service costs described in Section 36.12 of the ARA.
- 7.3. Agent acknowledges and agrees that ARC will assess a compensatory fee for Unreported Sales and Improperly Reported Transactions and failure to timely file Sales Reports to defray costs associated with the processing and handling of the resolution of Unreported Sales and Improperly Reported Transactions, costs attributable to Agent's failure to timely Submit a Sales Report, and special service costs described in Section 36.12 of the ARA.
- 7.4. ARC will not assess more than one compensatory fee to Agent per any given late or missing Sales Report.
- 7.5. Agent authorizes ARC to collect the charge by issuing a draft against the Agent's designated bank account. Alternatively, the Agent must make payment directly to ARC if required by ARC notice.

Section N: Associate Branch Supplementary Agreement**Agent's Guaranty of Payment and Performance of Associate Branch Obligations****Additional Requirements for Associate Branch**

In addition to the requirements in the ARA, Agent seeking approval for an Associate Branch must:

1. Submit an application for approval of an Associate Branch in the form required by ARC
2. Provide and maintain a Financial Instrument in the form and amount required by ARC, as described in Section D of the IAH.
 - 2.1. At no time will the Agent's Financial Instrument be less than \$70,000 or more than \$150,000, unless Agent becomes subject to the requirements of Section 34 of the ARA.
3. Execute the Corporate Guaranty included in this Section.

Agent and the owners of each Associate Branch must execute the Associate Branch Agreement in this Section.

ASSOCIATE BRANCH SUPPLEMENTARY AGREEMENT

1. This Supplementary Agreement (Supplement) covers the terms and conditions for _____ (Agent), ARC number _____, to operate an Associate Branch, the ownership of which is different from the ownership of Agent. The parties identified below agree as follows:
 2. This Supplement will become effective on the date of ARC's written approval of Agent's Application for Associate Branch, or the last date signed below, whichever is later. This Supplement will remain in effect as long as the Agent's ARA is in effect, or until Associate Branch is terminated and/or removed from the ARC List, whichever occurs first.
 3. The ownership of Agent's Associate Branch _____ [name of Associate Branch entity] at _____, is authorized by ARC to be different from the ownership of the Agent subject to the following conditions:
 - 3.1 The Agent, or the owning Entity of Agent must at all times hold some ownership interest in the Associate Branch.
 - 3.2 No interest in the ownership of Associate Branch may be transferred or assigned without the prior written consent of ARC. If a transfer is made without ARC's prior written consent, this Supplement will automatically be terminated, and Associate Branch will be removed from the ARC Agency List and ARC shall take action as directed in Subsections 6.7 and 6.8 of the ARA.
 - 3.3 If a transfer or assignment of the ownership of Agent is made without ARC's prior written consent, this Supplement and Agent's ARA may be terminated and ARC may take action as directed in Subsections 6.7 and 6.8 of the ARA.
 - 3.4 The owning Entity of Agent unconditionally guarantees all obligations of the Associate Branch to ARC in the required corporate guaranty in this Section. Execution of the guaranty is a condition precedent to the effectiveness of this Supplement and approval of the Associate Branch application.
 - 3.5 This agreement shall in no way affect any Carrier's individual rights with regard to its appointment of Agent, Associate Branch, or any other Location affiliated with Agent or Associate Branch. Except as noted herein, all other terms of the ARA shall remain in full force and effect as if unmodified.

3.6 Associate Branch hereby agrees to be bound by the terms and conditions of the ARA.

3.7 Associate Branch acknowledges and agrees that Agent is authorized to access, obtain and view all applications, requests and other forms and documents that may be submitted by Associate Branch to ARC, including but not limited to Transactional Data issued by and reported in the Sales Report for, or by the Associate Branch, in the same manner through which Agent may access, obtain and view such information for any of Agent’s other Locations.

4. Agent and Associate Branch acknowledge and agree that ARC reserves the right to amend or modify the terms of this Supplement, upon reasonable notice to Agent and Associate Branch.

This Supplement may be executed in multiple counterparts, each of which taken together shall constitute one and the same agreement. Further, signatures received via fax or via scanned document attached in an email shall constitute original signatures and shall be treated with the same force and effect as original signatures.

Accepted and agreed by the parties identified below (Agent, Associate Branch entity and ARC):

AGENT

AIRLINES REPORTING CORPORATION

Legal Name _____

(on behalf of itself and on behalf of each Carrier signatory to the ARC Carrier Services Agreement)

Signature _____
(Authorized owner/officer)

Signature _____
(Authorized officer)

Printed Name _____

Title _____

Title _____

(Date)

(Date)

ASSOCIATE BRANCH entity

Legal Name _____

Signature _____
(Authorized owner/ officer)

Printed Name _____

Title _____

Date _____

Associate Branch

Guaranty of Payment and Performance

Section I: Applicability

The provisions of this guaranty apply whenever Guarantor (as defined below) is required to execute a "Guaranty of Performance of Agent's Agreement" (Guaranty) relating to the actions of _____, [Legal Name of Associate Branch], accredited by ARC as an Associate Branch pursuant to Section 39.19.4 of the Agent Reporting Agreement (ARA) and Section N of the IAH, which is incorporated by reference in the ARA ("Associate Branch").

Section II: Guarantor

_____ ("Guarantor"),
[Print Legal Name of the owning Entity of the Agent]
is the owning Entity of _____ ("Agent")
[Print Legal Name of Agent]
designated with ARC Number _____, the Agent under the ARA between Agent and Airlines Reporting Corporation, a corporation organized under the laws of Delaware ("ARC").

The Agreement requires that Guarantor guarantee the payment and performance obligations of Associate Branch identified in Section I of this Guaranty under the terms of the ARA. Accordingly, as a condition imposed for continued inclusion of Guarantor on the ARC Agency List and in consideration of the benefit to Guarantor of the effectiveness of the ARA, Guarantor agrees as follows:

Section III: Guaranty

(i) Except as expressly set forth herein Guarantor hereby absolutely, irrevocably and unconditionally agrees to and hereby does guarantee to ARC the full, prompt and complete performance and payment by Associate Branch of all of its obligations under the ARA (all such obligations, collectively, the "Obligations"). Subject to the terms hereof, Guarantor agrees that this Guaranty is a guaranty of performance and payment and NOT of collection and that the liability of Guarantor is primary and unconditional. Accordingly, Guarantor agrees to pay the Obligations to ARC upon receipt of a written demand therefor, without any withholding, deduction, counterclaim (unless a compulsory counterclaim) or set-off for any reason or on any account whatsoever, subject to the terms hereof and provided that ARC shall not demand any of the Obligations until there has been a default by Associate Branch on such Obligations and notice of such default has been received by Guarantor and any applicable time and grace periods (as set forth in paragraph (v) of this Section III) have expired. Except for the notice and time and grace period requirements set forth in the preceding sentence, this guaranty is in no way conditional upon any requirement that ARC first attempt to collect any of the Obligations from Associate Branch or resort to any security or other means of obtaining payment of the Obligations.

(ii) Guarantor hereby waives each and every defense that under principles of guarantee, suretyship or other similar law would otherwise operate to impair, delay or diminish Guarantor's obligations hereunder; provided,

however, that the foregoing waiver shall not in any way waive or prejudice any right or defense otherwise assertable in respect of any claimed Obligation.

(iii) No delay on the part of ARC in exercising any of its options, powers or rights shall constitute a waiver thereof. Upon making any payment or performance with respect to any Obligations hereunder, Guarantor shall be subrogated to the right of ARC against Associate Branch with respect to such payment; provided that Guarantor shall not enforce any payment right by way of subrogation until the underlying Obligation has been paid in full.

(iv) Guarantor's obligations hereunder shall remain in full force and effect until all of the Obligations have been completely performed and paid in full.

(v) Guarantor hereby waives acceptance hereof, presentment, demand, protest, and any notice not provided for herein, as well as any requirement that at any time any action be taken by any corporation or person against Associate Branch or any other corporation or person, except that no payment shall be sought from Guarantor under this Guaranty unless a notice of default has been served to Guarantor providing for a minimum cure period of 30 calendar days to remedy such default and indicating ARC's intention to claim under this Guaranty in the absence of remedy within such cure period.

(vi) Guarantor represents, warrants and covenants to ARC that this Guaranty (i) has been duly authorized, executed and delivered by Guarantor, (ii) constitutes a legal, valid and binding obligation of Guarantor enforceable in accordance with its terms, except as the enforceability may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and by equitable principles relating to the availability of equitable remedies, (iii) does not and will not violate or conflict with any of Guarantor's organizational documents, and will not violate or conflict with any material agreement by which it is bound, or any law to which Guarantor is subject, nor is any consent or approval required that has not been received or that will not be obtained in connection with the execution, delivery or performance, validity or enforceability of this guaranty.

(vii) Any and all disputes regarding the obligations of the Guarantor to ARC shall be resolved by the Travel Agent Arbiter, an arbitration forum established as an independent entity, in accordance with the rules promulgated and published by the Travel Agent Arbiter, and the decision shall be final and binding; provided, however, that neither ARC nor Guarantor is precluded from seeking judicial relief to enforce a decision of the Travel Agent Arbiter, or to compel compliance with this Guaranty prior to the filing of an answer in a proceeding concerning such requirement before the Travel Agent Arbiter.

(viii) This Guaranty shall be construed and interpreted according to the internal laws of the Commonwealth of Virginia, excluding any choice of law rules that may direct the application of the laws of another jurisdiction. Any suit, action, or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Guaranty may only be brought in the United States District Court for the Eastern District of Virginia, Alexandria Division (or, if jurisdiction is there lacking, in a state court of cognizant jurisdiction in the County of Arlington, Commonwealth of Virginia). Guarantor consents and submits to the jurisdiction of such courts (and of the appropriate appellate court therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, actions or proceeding which is brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on Guarantor anywhere in the world, whether within or without the jurisdiction of any such court.

Section IV Effectiveness of Guaranty

This Guaranty is of continuing effect, and its effectiveness, and the Guarantor's liability hereunder, survives termination of the ARA, except as modified pursuant to Section V below, and need not be re-executed upon amendment of the ARA, including subsequent revisions and reissues thereof.

Section V: Modification of Guaranty

This guaranty may not be modified or terminated orally.

Authority and consent are hereby expressly given ARC from time to time, and without any notice to Guarantor, to give and make such extensions, renewals, settlements, and compromises as it may deem proper with respect to any of the indebtedness, liabilities and obligations covered by this guaranty; and the release by ARC of any other Entity, or settlement with any other Entity, or the revocation or impairment of this guaranty with respect to Guarantor, shall not operate to prejudice the rights of ARC against the Guarantor.

It is understood that this is a continuing absolute and unconditioned guaranty, co-extensive with the ARA as presently constituted and as may be hereafter amended, including subsequent revisions and reissuances thereof.

[The next page is the signature page.]

Faxed and scanned signatures shall constitute original signatures and shall be treated with the same force and effect as original signatures.

This Document Must Be Signed in the Presence of a Notary.

(Printed Name of Guarantor)

(Address)

(City, State, Zip Code)

(Telephone Number)

(Signature of Guarantor)

(FOR NOTARY USE ONLY)

County of _____ State of _____

On this _____ day of _____, 20,

(Print Name of Above Guarantor)

appeared before me and, having been duly sworn by me, signed the Guaranty in my presence.

Notary Public Signature

NOTARY SEAL

My commission expires on

Section O: Additional Office Types

1. Satellite Ticket Printer Locations

Effective 03/15/2010, ARC stopped accrediting new STP locations.

A Satellite Ticket Printer (STP) is a location whose sole ARC travel-related function is the delivery of ARC Traffic Documents and other related Traffic Documents to customers of an ARC-listed agent by means of a ticket printing device. The STP is an attended printer not intended to service the general public and is located in a private area within a business-type concern. The electronic transmission of all traffic documents will be controlled by a host authorized agency location, and the delivery will occur at the STP).

The STP location is solely a ticket delivery location. Other travel-related, retail functions, such as, but not limited to, live, or in-person travel promotion, reservations, counseling and sales, accepting payment or providing refunds for tickets, cannot be performed at this location.

The Agent assumes full and absolute liability for the possession, use, and issuance of ARC Traffic Documents at the STP location, and for any and all damage, expense, or loss (including attorneys' fees) experienced by ARC, the participating Carriers, their officers, representatives, or employees on account of the loss, misapplication, misdirection, theft, or forgery of ARC Traffic Documents at the STP location and ARC documents in transit to and from the STP location.

2. Centralized Service Locations (Independent and Branch)

Effective July 1, 2013, ARC will no longer be accrediting new CSL.

A centralized service location ("CSL") is an authorized independent or branch office location whose primary purpose is to allow Agent to directly provide, or to use another ARC-accredited travel agent to provide, travel services to a specified corporate account or web site account at an approved centralized location. The CSL will not serve the general public and the office or space where the CSL is located must not be open and accessible to the general public and it must not be identified as a retail travel agency.

The Agent assumes full and absolute liability for the possession, use, and issuance of ARC Traffic Documents at the CSL, and for any and all damage, expense, or loss (including attorneys' fees) experienced by ARC, the participating Carriers, their officers, representatives, or employees on account of the loss, misapplication, misdirection, theft, or forgery of ARC Traffic Documents at the CSL and ARC documents in transit to and from the CSL.

3. Ticketing Fulfillment Locations

A ticketing fulfillment location (“TFL”) is a branch office location whose purpose is to serve as a centralized ticket printing office for the Agent. The TFL is to function as a separate, non-sales location. No sales activity, such as, but not limited to, travel promotion, counseling and reservations, will occur at this location.

1. The ownership of the TFL location may not be transferred independently of the transfer of the HOL ownership.
2. The same TFL location may operate as a TFL location for multiple ARC entities provided each entity has applied and received approval for the TFL location to operate as its TFL branch office. The TFL location will receive a separate ARC Number for each ARC entity it represents.
3. ARC will deliver to Agent, or Agent designated location, Traffic Documents intended for use at the TFL location. Agent may order and maintain a supply of ARC Traffic Documents at the TFL according to the requirements in Section B of the IAH.
4. The Agent will appoint an attendant at the TFL location that is familiar with all facets of operating the TFL, including the security and accountability of the ARC Traffic Documents. The attendant is the person responsible for maintaining the security and integrity of the ARC Traffic Documents at the TFL location and will be the primary contact for ARC at the TFL location. One individual may serve as the appointed attendant for multiple ARC entities.
5. The Agent must notify ARC, in writing, of the removal or replacement of Agent’s attendant(s) and shall provide the name of each new attendant and such other information ARC may reasonably require regarding the attendant(s).
6. The ARC Traffic Documents at the TFL will only be issued as passenger and flight coupons and the transaction shall be included in the IAR Sales Report of an accredited non-TFL of the Agent.
7. The TFL location must comply with all rules or ARC Traffic Documents detailed in the Agent Reporting Agreement, including the security rules in Section B of the IAH.
8. The Agent, regardless of any security measures taken, assumes full and absolute liability, including attorneys’ fees, for any and all damage, expense or loss experienced by any Carrier, its officers, agents or employees for the loss, misapplication, misdirection, theft or forgery of ARC Traffic Documents assigned to the TFL’s ARC Number. Notwithstanding the Agent’s absolute liability for documents assigned to the TFL location, Agent must ensure that the TFL meets all security requirements, including Section B of the IAH.

