



Agent Reporting Agreement Updates

The ARA changes highlighted in red below are effective on November 7, 2016.

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. ~~This provision does not apply if Agent is a publicly traded Entity.~~

33 Unreported Sales and 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, ~~ARC will notify the Carriers,~~ and, where a clear and present danger of substantial loss is present, ARC will take action as directed in Subsection 33.5.

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; or

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 ~~equal to or greater than not to exceed~~ Agent's net cash remittances for ~~a current 6-week period~~ the three highest Sales Report Periods (PEDs) within the last 12 months. ~~The Financial Instrument may be a rider or amendment to the existing Financial Instrument and will be calculated to take into account the amount of the existing Financial Instrument.~~ 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 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 ~~as of the effective date of this Section~~ with the requirements of Section 34.3 and 34.4, ~~or at any time the requirements are in effect during the 12-month period following the effective date stated in the notice,~~ 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 ~~the effective date of this Section~~ 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. ~~will terminate this Agreement and take action as directed in Subsections 6.7 and 6.8 of this Agreement.~~ 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.

Industry Agents' Handbook (IAH) Section D: 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.

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.