



ARC Bond, Irrevocable Letter of Credit and Cash Security Deposit Requirements and Information

General Information

ARC Bond, Irrevocable Letter of Credit and Cash Security Deposit

The ARC Bond is a performance or financial guaranty type of bond. The Irrevocable Letter of Credit (LOC) is a guarantee of payment issued by a federally insured lending institution. The ARC Bond is reproduced in Section 30.6. The LOC, the LOC Certification Letter, and the amendment forms are reproduced in Section 30.8. The Cash Security Deposit (CSD) is a cash deposit made directly to ARC as a voluntary alternative to a bond or a letter of credit. All these forms may be downloaded from the Agency Forms catalog, Forms 300-309 but may not be changed or amended in any way.

Submission of Forms

ARC must have signed ORIGINALS of the Bond, the LOC, the LOC Certification letter or the CSD application. Bond riders and LOC amendments must also be submitted IN THE ORIGINAL FORM. All bonds and bond riders must be accompanied by a valid power of attorney, and all letters of credit by a certification letter. As the CSD is a direct ARC to agent or applicant program, no amending documents are required.

Amount Required

The minimum amount of the ARC Bond, LOC or CSD that shall be maintained by each Agent included on the Agency List shall be \$20,000. Each Agent as to which a change of ownership, within the scope of Section II or Section V of Attachment G in the Agent Reporting Agreement, is approved by ARC shall be \$20,000 except as noted below. This requirement shall remain in force as to each Agent for two years from the date of such inclusion or approval unless required to be higher as provided in the Agent Reporting Agreement. Thereafter the minimum shall be \$10,000. However, the amount of Bond, LOC or CSD required for an approval of any change of ownership under section II and V of Attachment G shall not be less than the amount of the Bond, LOC or CSD prior to the approval of any such ownership change or \$20,000, whichever is greater. The maximum amount of the Bond, LOC or CSD that shall be maintained by each Agent shall be \$70,000.

Applications

All agents located in the United States, Puerto Rico, US Virgin Islands and American Samoa are required to maintain an ARC Bond, LOC or CSD with the Airlines Reporting Corporation

pursuant to the provisions of the ARC Agent Reporting Agreement (Section 80 of the handbook).

New Agency

Any person desiring to become an ARC Agent must submit a Bond, LOC or CSD in the minimum amount of \$20,000 before the agency may be included on the ARC Agency List. The amount of such Bond, LOC or CSD may not be reduced below \$20,000 until the Agent has been included on the List for two years, at which time, subject to the average net cash remit from regular and PC sales, the amount may be decreased to a minimum of \$10,000.

Branch Offices of Approved ARC Agents

An Agent on the ARC Agency List who files an application for an additional authorized agency location (branch or STP) is not required to submit an additional ARC Bond, LOC or CSD since the branch or STP is covered by the Bond, LOC or CSD held by the home office. In order to receive ARC approval for an additional office however, the Agent must have the coverage as required. Please refer to Section III.D and IV.A.3 of the Agent Reporting Agreement. This is also true with respect to the ARC Agent Reporting Agreement, which is only executed with the home office. Agents must, however, reflect all cash sales from all approved locations when computing the required coverage of the ARC Bond, LOC or CSD.

New Ownerships of ARC Agents

Persons acquiring agencies already approved must provide a NEW ARC Bond, LOC or CSD reflecting the NEW ownership entity, preferably at the time the application is submitted, but absolutely before such application will be approved. (The preceding requirement does not apply to ARC approved agents purchasing an approved location as a branch.) The amount of such Bond, LOC or CSD shall continue to be based on the preceding 12 months' cash sales in accordance with the formula outlined in Section 30.2, but shall not be for an amount less than \$20,000 until after the new owner(s) has been approved for two years, at which time the minimum shall be \$10,000. As with new applicants, ARC must have the ORIGINAL bond, LOC or CSD.

Where to Obtain the Bond

The United States Treasury issues "Circular 570" entitled "Surety Companies Acceptable on Federal Bonds". Any surety on the current revision of Circular 570 is acceptable to ARC.



Section 30.0

To order a copy of the Federal Register Circular 570, call the Superintendent of Documents, Government Printing Office, Washington, DC: (202) 512-1800.

You may also dial into the Department of the Treasury's computerized public bulletin board at (202) 874-6887 or access the Internet at <http://fms.treas.gov/c570/c570.html>

Where to Obtain the Letter of Credit

ARC will accept an Irrevocable Letter of Credit using the ARC format (See Section 30.8, p. 2 & 4) issued by any federally insured lending institution (FDIC) OR, at ARC's discretion, a state chartered lending institution. All Letters of Credit MUST be accompanied by a certification letter.

Substitution of One Instrument for Another

The Bond, LOC and CSD may be substituted for either of the other two forms of coverage but none may be used as an addition to either of the other two.

Multiple Bonds, Multiple LOCs or Multiple CSDs

An agent may not provide the required coverage through multiple Bonds, LOCs or CSDs. Any amount required of an agent must be provided either with a single Bond, a single LOC or a single CSD. In other words, an agent requiring total coverage of \$20,000 cannot comply with that requirement by providing to ARC, e.g., two \$10,000 Bonds, or a Bond and an LOC or an LOC and a CSD or any combination thereof .

Where to Obtain the Cash Security Deposit Application and Instructions

Go to ARC's Home Page, click on Agency Forms Catalog then click on Forms 300-309. The Cash Security Deposit (CSD) application is in writeable PDF format. This format enables you to complete the application online, print and then save the application to your PC. Alternatively, you can save the application to your PC, and then complete and print it. The CSD application is a one-time process that does not require any additional documents (financial statement, credit report) or annual renewals to complete. And other than the ONE TIME \$100 application processing fee there are no annual fees or premiums.