



TO: IATA Travel Agencies
DATE: 29th January 2016
REFERENCE: Annual Financial Review Preparation - Agency Risk Management Guideline



About

In preparation for your agency's upcoming annual financial review, please follow the guideline below. This guideline includes the current local financial criteria for our travel agents located in Canada and in Bermuda as well as additional information, such as the importance of maintaining up-to-date financial contact details, the consequences of an unsatisfactory financial evaluation and tips to help you prepare and present your annual financial statements.

We kindly ask that you submit the IATA financial criteria to your accountant, which should be taken into consideration when preparing your agency's financial statements.

The Agency Risk Management guideline is divided in two chapters:

- 1) Standards and Methodology for the Evaluation of Financial Statements
- 2) Letter of Credit Instructions



Key Topics

Standards and Methodology for the Evaluation of Financial Statements

- Preparation
- Age of Financial statements
- Change of Ownership
- Standards
- Financial Contact
- Unsatisfactory Financial Evaluation

Letter of Credit Instructions:

- Request Reasons
- Amount
- Requirements
- Non-Compliance of Letter of Credit Submission

For any queries on this matter including updating your financial contact details, please contact us through IATA Customer Portal: <http://portal.iata.org> and our Customer Services Team will gladly assist you.

At your service,

IATA Service Centre Americas
International Air Transport Association
<http://portal.iata.org>

International Air Transport Association
703 Waterford Way, Suite 600
Miami, FL 33126, United States
Fax: (786) 373-4712



Canada/Bermuda Agency Risk Management Guideline

I) Standards and Methodology for the Evaluation of Financial Statements

Among the qualifications to be met for approval and retention as an IATA Passenger Sales Agent, the financial criteria are considered the most important.

Our system evaluates the financial position of the agent or applicant using the minimum financial standards which include the application of five ratio tests against which points are attributed.

All Accredited Agents must file annually with the Agency Administrator within 90 days of the agent's fiscal year end, financial statements prepared in accordance with generally accepted accounting principles. Agents who fail to meet the standards will be requested to rectify their financial position.

The following pages contain details of the minimum financial standards. We recommend that the information be studied carefully and discussed with your accountant prior to the preparation of financial statements.

The financial statements received from applicants and agents are evaluated in accordance with the following methodology:

1) PREPARATION

Financial statements, including income statement, must be prepared in accordance with generally accepted accounting principles and reviewed by a chartered accountant, certified general accountant, certified management accountant or an accredited public accountant, who is engaged in independent public practice. Any interest by the accountant in the ownership of the agency must be divulged. If not audited, the statements must be accompanied by the accountant's Review Engagement Report. (Reference CICA Handbook, Section 8200).

A Notice to Reader or a Compilation Report is not acceptable.

Audit reports or Review Engagement Reports submitted with financial statements must reflect the accountant's name and address.

All agents must notify IATA of any change or alteration to their fiscal year end and of any legal or governmental procedure that may affect their fiscal year end. This notice must be in writing and be accompanied by a legal or government issued document which confirms the change or alteration to an Agent's fiscal year end.

All agents must file an original copy of their financial statements with IATA.



2) AGE OF FINANCIAL STATEMENTS

Year-end financial statements must be received within 90 days of the agent's year end. All other financial statements submitted must reflect a financial position not older than 90 days.

2.1 New Applicant

A new applicant who is just commencing operations must submit statements which reflect current financial position of the agency after at least one month of operation.

2.1.1 New applicants must provide financial statements and a Letter of Credit of average three weeks net cash sales based on assumed turnover, with a minimum of \$35,000. The financial security will be held for a minimum period of 2 years. The Letter of Credit will be reviewed every six months for two years and will be returned upon receipt of satisfactory year-end financial statements following the two-year period.

3) CHANGE OF OWNERSHIP

If the change of ownership of an accredited agency constitutes a 30% or more transfer of shares or assets, to an outside party and/or constitutes a change of status of the legal entity previously accredited with IATA, the new owner(s) will be required to provide a temporary financial security in the form of an Irrevocable Letter of Credit for a minimum period of 2 years. The minimum amount of the temporary security will be \$35,000 and will be reviewed every six months for two years.

4) STANDARDS

4.1 Minimum criteria

4.1.1 To be accredited, or to be retained on the Agency List, a new applicant or an Agent shall meet:

4.1.1(a) Working capital requirement of \$25,000: Working capital is the difference between Current Assets and Current Liabilities

4.1.1(b) Tangible Net Worth requirement of \$35,000: For each branch office already approved and for each branch office seeking approval the financial statements of the head office and all locations shall be submitted and the minimum tangible net worth shall be increased by \$5,000 per branch location. This increase in tangible net worth does not apply to Satellite Ticket Printer locations. (See definition of Tangible Net Worth).

4.1.1(c) Ratio Tests: An acceptable financial ratio analysis measured by the application of five ratio tests against which points are allocated. To be considered acceptable, a minimum of 50% of 15 out of a total of 30 points shall be scored. (Please refer to the Ratio Tests section for details of the tests applied).



4.1.1(d) The minimum working capital and tangible net worth for accredited agents will be as follows:

a) Sales less than \$2,000,000,

Working capital is \$15,000

Tangible net worth is \$25,000

A total of 20 points will be required

b) Sales between \$2,000,000 and \$5,000,000

Working Capital is \$25,000

Tangible Net Worth is \$35,000

A total of 15 points will be required

c) Sales over \$5,000,000

Working Capital is \$35,000

Tangible Net Worth is \$45,000

A total of 15 points will be required

4.1.1(e) Short Accounting Period: Where the financial statements reflect a short accounting period i.e. less than 12 months, the Profitability Ratio may not be appropriate. As a result, the total point score would be reduced to 26 and the acceptable minimum to 13.

4.1.1(f) Temporary Security: If an accredited agent is unable to meet the financial requirements provided in subparagraphs (a), (b), (c) and (d) above, then a temporary security may be acceptable to IATA. The amount of the temporary security will be a minimum of \$35,000 plus \$5,000 for each accredited branch or an agent's average three weeks BSP sales, whichever is the greater. An acceptable form of temporary security is an irrevocable letter of credit. Prior approval by IATA is required before obtaining a temporary security.

4.1.1(g) An agent who fails to meet the minimum standards and who injects funds to cover the deficiency must leave such funds in the agency in order to continue to meet the standards. If it is subsequently revealed that funds injected **have not remained in** the agency, or there has been a **violation of the shareholders agreement**, a temporary security (i.e. an irrevocable letter of credit) will be immediately required.

4.1.1(h) If an agent submits a financial statement that reveals a zero cash and/or bank indebtedness, combined with an Efficiency Ratio for the collection of receivables greater than 10 days, an irrevocable letter of credit will be requested until a satisfactory annual financial statement is submitted.

4.1.1(i) In the case of a sole proprietorship or a partnership, if capital drawings/ withdrawals cause the financial position to fall below the minimum standards, a temporary security (i.e. an irrevocable letter of credit) will be immediately required.



4.2 Additional Financial Information and Definitions

In addition, note should be taken of the following points in the preparation of financial statements and the relevant information supplied as required:

4.2.1 Accounts Payable - this amount should be broken down to reflect separately:

- Amounts due to airlines through BSP;
- Amounts due to suppliers;
- Customer deposits (if not listed separately);
- Other payables.

4.2.2 Accounts Receivable - this amount should be broken down to reflect separately:

- Trade receivables net of provision for bad debts;
- Commissions receivable;
- Receivables from related parties (see definition of current assets);
- Supplier deposits;

4.2.3 Bank Loans or Bonds

Interest rate, repayment terms and security, if any, pledged as collateral must be indicated.

4.2.4 Capital Stock

If shares are issued for other than cash, full details of the consideration must be given.

4.2.5 Cash

Includes cash and bank balances plus cash equivalents such as certificates of deposit, government bonds, etc. excluding Cash and Term Deposits pledged for security.

4.2.6 Commingling Assets

Assets not related to the operation of the agency (i.e. owners or partners property, land, automobile, securities, etc.) will not be considered in the evaluation and will be deducted in the computation of the Working Capital and Tangible Net Worth.

4.2.7 Current Assets

This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

4.2.8 Current Liabilities

This amount must include the current portion of long-term debt.

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Miami, FL 33126, United States
Fax: (786) 373-4712



4.2.9 Gross Sales

In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., NET OF TAX.

4.2.10 Investments

If there are any investments in associated companies or other companies, the names of such companies must be given together with the nature of their business and the basis used in accounting for this investment, i.e. cost or equity method. Investments in related companies may be excluded in the computation of working capital and tangible net worth.

4.2.11 Leasehold Improvements and Organization Cost

If the amount reflected on the Balance Sheet is material, the Agent/applicant may be requested to supply a reconciliation of such costs or contracts/receipts to substantiate costs.

4.2.12 Loans from Shareholders

In order to be included in the Tangible Net Worth calculation, these loans must be long term. Supply an undertaking that these loans will not be repaid if by so doing the Working Capital and/or Tangible Net Worth will be reduced below the levels acceptable to IATA and also that on winding up the company, such loans will not be paid until all Member airlines' claims are satisfied in full. Attachment to this document is the standard shareholders' agreement which must be completed and signed by the shareholders of the company.

4.2.13 Net Profit After Tax

Profit after taxes but before extraordinary items.

4.2.14 Net Tangible Assets

Total assets, less intangible assets such as goodwill, franchise fees, covenants not to compete, client lists, etc.

4.2.15 Payment of Dividends or Capital Drawings

Supply an undertaking to restrict any dividend payments, other surplus distribution or withdrawal of capital which would result in the impairment of Working Capital and/or Tangible Net Worth to the point where it is below the minimum acceptable to IATA. The shareholders agreement to this document is to be used for this purpose.



4.2.16 Tangible Net Worth

This is calculated by summing common and/or preferred stock, paid-in/contributed capital, subordinated shareholders' loan plus retained earnings (minus deficit), less intangible assets such as goodwill, franchise fees, mailing/client lists and covenants not to compete; receivables from related parties, including shareholders, officers and employees are excluded when calculating the tangible net worth.

4.2.17 Total Debt

Includes current liabilities and all loans from third parties. It does not include noncurrent loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.

4.3 Ratio Tests

The following ratio tests are performed on all financial statements and points attributed accordingly, as indicated. The maximum number of points obtainable is 30 made up as follows:

Current Ratio	8 points
Quick Ratio	4 points
Efficiency Ratio	5 points
Debt Ratio	9 points
Return on Net Worth Profitability ratio	4 points

1. CURRENT RATIO: Current Assets / Current Liabilities

This ratio provides a measure of the short-term solvency of the entity.

Over 1.99	8 points
1.50 - 1.99	7 points
1.25 - 1.49	6 points
1.00 - 1.24	5 points
0.95 - 0.99	4 points
0.90 - 0.94	3 points
0.85 - 0.89	2 points
0.80 - 0.84	1 point
Under 0.80	0 points

2. QUICK RATIO: Cash & Accounts Receivable / Current Liabilities

This ratio measures the ability of the entity to pay short-term debts "instantly".

Over 1.59	4 points
1.40 - 1.59	3 points
1.20 - 1.39	2 points



1.00 - 1.19	1 point
Under 1.00	0 points

3. EFFICIENCY RATIO: Accounts Receivable / Gross Sales x 360

This ratio is a measure of the average number of days taken to collect an account receivable.

Under 10 days	5 points
10 - 11.99 days	4 points
12 - 14.99 days	3 points
15 - 17.99 days	2 points
19 - 19.99 days	1 point
Over 19.99 days	0 points

4. DEBT RATIO: Total Debt / Net Tangible Assets

This ratio measures the amount of assets provided by creditors for each dollar of Tangible Assets.

Under 0.4	9 points
0.4 - 0.49	8 points
0.5 - 0.59	7 points
0.6 - 0.69	6 points
0.7 - 0.79	5 points
0.8 - 0.89	4 points
0.9 - 0.99	3 points
1.0 - 1.19	2 points
1.2 - 1.29	1 point
Over 1.29	0 points

5. PROFITABILITY RATIO: Net Profit after tax / Tangible Net Worth x 100

This ratio is a measure of how well the owner's investment has been employed by management.

Over 19.99	4 points
15 - 19.99	3 points
10 - 14.99	2 points
0 - 9.99	1 point
Under 0	0 points

Where the financial statements reflect a short accounting period, e.g. in the case of new applicants whose operations are commencing or new entities formed as a result of a change of ownership, this ratio may not be applied and as a result the total point score would be reduced to 26 (30 - 4 = 26). The acceptable minimum number of points would consequently be reduced to 13.



5) FINANCIAL CONTACT

Your agency must have and maintain a designated financial contact, with valid phone number and email address, who will be reached for all matters related to your agency's financial evaluation.

6) UNSATISFACTORY FINANCIAL EVALUATION

Your agency may have an unsatisfactory financial evaluation for the following reason(s):

- Working capital below minimum requirement
- Minimum tangible net worth requirement not met
- Insufficient points scored from ratio tests

In that case, your agency's financial assessment will call for submission of a Financial Security in the form of a Letter of Credit.



II) Letter of Credit Instructions

1) REQUEST REASONS

A letter of credit will be requested for the following reasons:

- New Application
- Payment related Irregularities
- As a condition to Reinstatement from Default
- Unsatisfactory Financial Evaluation
- Changes of Ownership greater than 30% transfer of shares or assets

2) AMOUNT

The Letter of Credit should cover your agency's sales by its average 22 days at risk. As a result, the Letter of Credit calculation is as follows: **Annual Cash Sales / 365 x 22**

Please be advised that the Letter of Credit minimum required amount is \$35,000.

The Letter of Credit value will be checked against your agency's own sales turnover and an increase of this value will be required whenever sales are greater than 10% or USD \$30,000.

3) REQUIREMENTS

The Letter of Credit has to be valid for one year, with the exception of two years for New Applications.

Please note that IATA will not accept Letters of Credit from a financial institution that does not have a credit worthiness rating (CWR) from a rating agency such as *Canadian Standard & Poor's*, *Canadian Moody's* or *Canadian Fitch Ratings*.

All Letters of Credit should be mailed to the following address:

*International Air Transport Association
Agency Risk Management
703 Waterford Way Suite 600
Miami, FL 33126
United States of America*

4) NON-COMPLIANCE OF LETTER OF CREDIT SUBMISSION

Failure to submit the Letter of Credit by the deadline will result in your agency no longer satisfying the financial standards as published in the Travel Agent Handbook and actions will be taken in accordance to applicable resolution.

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Miami, FL 33126, United States
Fax: (786) 373-4712

CANADA/BERMUDA**Standards & Methodology for the Evaluation of financial Statements**

Among the qualifications to be met for approval and retention as an IATA Passenger Sales Agent, the financial criteria are considered the most important.

The financial evaluation performed in accordance with the standards and methodology includes a computerised analysis of the financial condition of each applicant or agent by means of the **Computer Assisted Financial Evaluation System**, “CAFES”.

This system evaluates the financial position of the agent or applicant using the minimum financial standards which includes the application of five ratio tests against which points are attributed. After evaluation by CAFES the agent or applicant is provided with a financial profile indicating:

- the working capital and tangible net worth;
- the results of the five ratio tests;
- the point score obtained against each test performed;
- whether the minimum financial criteria are met;
- which financial standards have been applied to reach the result;
- the cash deficiency if the standards are not met;
- the amount of security if a letter of credit is required.

All Accredited Agents must file annually with the Agency Administrator within 90 days of the agent’s fiscal year end, financial statements prepared in accordance with generally accepted accounting principles. Agents who fail to meet the standards will be requested to rectify their financial position.

The following pages contain details of the minimum financial standards. We recommend that the information be studied carefully and discussed with your accountant prior to the preparation of financial statements.

The financial statements received from applicants and agents are evaluated in accordance with the following methodology:

1. PREPARATION

Financial statements, including income statement, must be prepared in accordance with generally accepted accounting principles and reviewed by a chartered accountant, certified general accountant, certified management accountant or an accredited public accountant, who is engaged in independent public practice. Any interest by the accountant in the ownership of the agency must be divulged. If not audited, the statements must be accompanied by the accountant’s Review Engagement Report. (Reference CICA Handbook, Section 8200).

A Notice to Reader or a Compilation Report are not acceptable.

Audit reports or Review Engagement Reports submitted with financial statements must reflect the accountant’s name and address.

All agents must notify IATA of any change or alteration to their fiscal year end and of any legal or governmental procedure that may affect their fiscal year end. This notice must be in writing and be accompanied by a legal or government issued document which confirms the change or alteration to an Agent’s fiscal year end.

All agents must file an original copy of their financial statements with IATA.

2. AGE OF FINANCIAL STATEMENTS

Year-end financial statements must be received within 90 days of the agent's year end. All other financial statements submitted must reflect a financial position not older than 90 days.

2.1 New Applicant

A new applicant who is just commencing operations must submit statements which reflect current financial position of the agency after at least one month of operation.

2.1.1 New applicants must provide financial statements and a bank guarantee of average three weeks net cash sales based on assumed turnover, with a minimum of \$35,000. The financial guarantee will be held for a minimum period of 2 years. The Letter of Credit will be reviewed every six months for two years and will be returned upon receipt of satisfactory year-end financial statements following the two-year period.

3. CHANGE OF OWNERSHIP

If the change of ownership of an accredited agency constitutes a 30% or more transfer of shares or assets, to an outside party and/or constitutes a change of status of the legal entity previously accredited with IATA, the new owner(s) will be required to provide a temporary financial security in the form of an Irrevocable Letter of Credit for a minimum period of 2 years. The minimum amount of the temporary security will be CAD \$35,000 and will be reviewed every six months for two years.

4. STANDARDS

4.1 Minimum criteria

4.1.1 To be accredited, or to be retained on the Agency List, a new applicant or an Agent shall meet:

4.1.1(a) Working capital requirement of \$25,000: Working capital is the difference between Current Assets and Current Liabilities

4.1.1(b) Tangible Net Worth requirement of \$35,000: For each branch office already approved and for each branch office seeking approval the financial statements of the head office and all locations shall be submitted and the minimum tangible net worth shall be increased by \$5,000 per branch location. This increase in tangible net worth does not apply to Satellite Ticket Printer locations. (See definition of Tangible Net Worth).

4.1.1(c) Ratio Tests: An acceptable financial ratio analysis measured by the application of five ratio tests against which points are allocated. To be considered acceptable, a minimum of 50% of 15 out of a total of 30 points shall be scored. (Please refer to the Ratio Tests section for details of the tests applied).

4.1.1(d) The minimum working capital and tangible net worth for accredited agents will be as follows:

a) **Sales less than \$2,000,000,**
Working capital is \$15,000
Tangible net worth is \$25,000
A total of 20 points will be required

b) **Sales between \$2,000,000 and \$5,000,000**
Working Capital is \$25,000
Tangible Net Worth is \$35,000
A total of 15 points will be required.

c) **Sales over \$5,000,000**

Working Capital is \$35,000

Tangible Net Worth is \$45,000

A total of 15 points will be required.

4.1.1(e) Short Accounting Period: Where the financial statements reflect a short accounting period i.e. less than 12 months, the Profitability Ratio may not be appropriate. As a result, the total point score would be reduced to 26 and the acceptable minimum to 13.

4.1.1(f) Temporary Security: If an accredited agent is unable to meet the financial requirements provided in subparagraphs (a), (b), (c) and (d) above, then a temporary security may be acceptable to IATA. The amount of the temporary security will be a minimum of \$35,000 plus \$5,000 for each accredited branch or an agent's average three weeks BSP sales, whichever is the greater. An acceptable form of temporary security is an irrevocable letter of credit. Prior approval by IATA is required before obtaining a temporary security.

4.1.1(g) An agent who fails to meet the minimum standards and who injects funds to cover the deficiency must leave such funds in the agency in order to continue to meet the standards. If it is subsequently revealed that funds injected **have not remained** in the agency, or there has been a **violation of the shareholders agreement**, a temporary security (i.e. an irrevocable letter of credit) will be immediately required.

4.1.1(h) If an agent submits a financial statement that reveals a zero cash and/or bank indebtedness, combined with an Efficiency Ratio for the collection of receivables greater than 10 days, an irrevocable letter of credit will be requested until a satisfactory annual financial statement is submitted.

4.1.1(i) In the case of a sole proprietorship or a partnership, if capital drawings/ withdrawals cause the financial position to fall below the minimum standards, a temporary security (i.e. an irrevocable letter of credit) will be immediately required.

4.2 Additional Financial Information and Definitions

In addition, note should be taken of the following points in the preparation of financial statements and the relevant information supplied as required:

4.2.1 Accounts Payable - this amount should be broken down to reflect separately:

- amounts due to airlines through BSP;
- amounts due to suppliers;
- customer deposits (if not listed separately);
- other payables.

4.2.2 Accounts Receivable - this amount should be broken down to reflect separately:

- Trade receivables net of provision for bad debts;
- Commissions receivable;
- Receivables from related parties (see definition of current assets);
- Supplier deposits;

4.2.3 Bank Loans or Bonds

Interest rate, repayment terms and security, if any, pledged as collateral must be indicated.

4.2.4 Capital Stock

If shares are issued for other than cash, full details of the consideration must be given.

4.2.5 Cash

Includes cash and bank balances plus cash equivalents such as certificates of deposit, government bonds, etc. excluding Cash and Term Deposits pledged for security.

4.2.6 Commingling Assets

Assets not related to the operation of the agency (i.e. owners or partners property, land, automobile, securities, etc.) will not be considered in the evaluation and will be deducted in the computation of the Working Capital and Tangible Net Worth.

4.2.7 Current Assets

This amount excludes notes or receivables from related parties, including shareholders, employees, officers, associates as well as Cash and Term Deposits pledged for security.

4.2.8 Current Liabilities

This amount must include the current portion of long-term debt.

4.2.9 Gross Sales

In the event this figure is not specifically identified in the financial statements, please provide the gross sales figures for the period including ticket sales, package tours, hotels, car rental, insurance, miscellaneous income, etc., NET OF TAX.

4.2.10 Investments

If there are any investments in associated companies or other companies, the names of such companies must be given together with the nature of their business and the basis used in accounting for this investment, i.e. cost or equity method. Investments in related companies may be excluded in the computation of working capital and tangible net worth.

4.2.11 Leasehold Improvements and Organisation Cost

If the amount reflected on the Balance Sheet is material, the Agent/applicant may be requested to supply a reconciliation of such costs or contracts/receipts to substantiate costs.

4.2.12 Loans from Shareholders

In order to be included in the Tangible Net Worth calculation, these loans must be long term. Supply an undertaking that these loans will not be repaid if by so doing the Working Capital and/or Tangible Net Worth will be reduced below the levels acceptable to IATA and also that on winding up the company, such loans will not be paid until all Member airlines' claims are satisfied in full. Attachment to this document is the standard shareholders' agreement which must be completed and signed by the shareholders of the company.

4.2.13 Net Profit After Tax

Profit after taxes but before extraordinary items.

4.2.14 Net Tangible Assets

Total assets, less intangible assets such as goodwill, franchise fees, covenants not to compete, client lists, etc.

4.2.15 Payment of Dividends or Capital Drawings

Supply an undertaking to restrict any dividend payments, other surplus distribution or withdrawal of capital which would result in the impairment of Working Capital and/or Tangible Net Worth to the point where it is below the minimum acceptable to IATA. The shareholders agreement to this document is to be used for this purpose.

4.2.16 Tangible Net Worth

This is calculated by summing common and/or preferred stock, paid-in/contributed capital, subordinated shareholders' loan plus retained earnings (minus deficit), less intangible assets such as goodwill, franchise fees, mailing/client lists and covenants not to compete; receivables from related parties, including shareholders, officers and employees are excluded when calculating the tangible net worth.

4.2.17 Total Debt

Includes current liabilities and all loans from third parties. It does not include noncurrent loans provided by shareholders or proprietors. Loans from associate parties are included, unless subordinated to other parties.

4.3 Ratio Tests

The following ratio tests are performed on all financial statements by the computer assisted financial evaluation system "CAFES" and points attributed accordingly, as indicated. The maximum number of points obtainable is 30 made up as follows:

Current Ratio	8 points
Quick Ratio	4 points
Efficiency Ratio	5 points
Debt Ratio	9 points
Return on Net Worth	
Profitability ratio	4 points

A computerised financial profile is provided to the Agent or applicant after evaluation by CAFES.

1. CURRENT RATIO: $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

This ratio provides a measure of the short-term solvency of the entity.

Over 1.99	8 points
1.50 - 1.99	7 points
1.25 - 1.49	6 points
1.00 - 1.24	5 points
0.95 - 0.99	4 points
0.90 - 0.94	3 points
0.85 - 0.89	2 points
0.80 - 0.84	1 point
under 0.80	0 points

2. QUICK RATIO: $\frac{\text{Cash \& Accounts Receivable}}{\text{Current Liabilities}}$

This ratio measures the ability of the entity to pay short-term debts "instantly".

Over 1.59	4 points
1.40 - 1.59	3 points

1.20 - 1.39	2 points
1.00 - 1.19	1 point
under 1.00	0 points

3. EFFICIENCY RATIO: $\frac{\text{Accounts Receivable} \times 360}{\text{Gross Sales}}$

This ratio is a measure of the average number of days taken to collect an account receivable.

Under 10 days	5 points
10 - 11.99 days	4 points
12 - 14.99 days	3 points
15 - 17.99 days	2 points
19 - 19.99 days	1 point
Over 19.99 days	0 points

4. DEBT RATIO: $\frac{\text{Total Debt}}{\text{Net Tangible Assets}}$

This ratio measures the amount of assets provided by creditors for each dollar of Tangible Assets.

Under 0.4	9 points
0.4 - 0.49	8 points
0.5 - 0.59	7 points
0.6 - 0.69	6 points
0.7 - 0.79	5 points
0.8 - 0.89	4 points
0.9 - 0.99	3 points
1.0 - 1.19	2 points
1.2 - 1.29	1 point
Over 1.29	0 points

5. PROFITABILITY RATIO: $\frac{\text{Net Profit after tax} \times 100}{\text{Tangible Net Worth}}$

This ratio is a measure of how well the owner's investment has been employed by management.

Over 19.99	4 points
15 - 19.99	3 points
10 - 14.99	2 points
0 - 9.99	1 point
Under 0	0 points

Where the financial statements reflect a short accounting period, e.g. in the case of new applicants whose operations are commencing or new entities formed as a result of a change of ownership, this ratio may not be applied and as a result the total point score would be reduced to 26 (30 - 4 = 26). The acceptable minimum number of points would consequently be reduced to 13.

**SHAREHOLDERS AGREEMENT****Attachment to Standards and Methodology
for the Evaluation of Financial Statements (Canada & Bermuda)****EXECUTED IN DUPLICATE**

THIS AGREEMENT made the _____ day of _____ 20____
AMONG (Names of Shareholders) _____

(hereinafter called the "Shareholders")

AND:

(Name of Company) _____

a company duly incorporated under the laws of and conducting business in
(Address) _____

(hereinafter called the "Company")

AND:

INTERNATIONAL AIR TRANSPORT ASSOCIATION, 800 Place Victoria, P.O. Box 113, Montreal, Quebec
on behalf of its Member Airlines.

(hereinafter called "IATA")

WHEREAS:

- A. By a Passenger Sales Agency Agreement (hereinafter called the "Agency Agreement") made between the Company and IATA, the Company agrees to sell air passenger transportation on behalf of the Members of IATA and the members agree to pay commission thereon when the Company has received approval to so represent IATA and its Member Airlines.
- B. All the issued and outstanding shares of the Company are held by:

(Names of Shareholders)	_____

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the premises and of the covenants and conditions hereinafter contained, the parties hereto agree amongst themselves as follows:

1. The Shareholders represent and warrant to IATA that they are the registered and/or beneficial owners of all the issued and outstanding shares in the Company, and that they have a good and marketable title to such shares free and clear of liens, claims, encumbrances and restrictions of any kind.
2. The Shareholders represent, warrant, covenant and agree that they will not permit or cause the Company to, and the Company agrees that it will not:
 - (a) declare or pay any dividends on the issued and outstanding shares in the Company;
 - (b) make any repayments in any form, (including wages and salaries) to any shareholder, on account of any loan from, interest in or indebtedness of the Company, whether secured or otherwise;
 - (c) purchase or redeem any share in the Company;
 - (d) distribute capital or make any payment to any shareholder based on the shares owned or held by such shareholder;
 - (e) issue, grant, or sell any additional shares, warrants, bonds or debentures of the Company.

If the effect of the foregoing transactions would jeopardize or reduce the financial position of the Company below standards for approval or retention as an Approved Passenger Sales Agent established from time to time by IATA and which are set forth in the IATA Travel Agent's Handbook.

3. If any of the goods and chattels of the Company shall be at any time seized or taken in execution or attachment or if the Company shall make an assignment for the benefit of creditors or shall become bankrupt or insolvent, or become subject to any legislative enactments relating to liquidation or winding-up, whether voluntary or compulsory, then and in any such event, the shareholders covenant and agree that they will not request or accept any payment from the Company, its liquidator, trustee, receiver or manager on account of any indebtedness to the Shareholder unless and until all amounts owing to the Member Airlines are paid in full.

In WITNESS WHEREOF the parties hereto have executed this Agreement as of the date and year above written.

SIGNED, SEALED AND DELIVERED	
Shareholders (Signatures):	Witness (Signatures):
_____	_____
_____	_____
Company:	
The Corporate Seal (if required)	

IATA on behalf of its Member Airlines:

By: _____ (Title) _____ (Witness)